



AMERICAN  
PACIFIC  
MORTGAGE



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WHAT TO KNOW ABOUT  
*buying a*  
**CONDO**

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# Purchasing a **condo** is an *exciting* milestone,

whether you're a first-time buyer or seasoned investor. Unlike traditional single-family homes, condos come with unique rules, financial considerations, and lifestyle impacts. This eBook will guide you through the essential things you need to know when buying a condo, ensuring that you make an informed decision that aligns with your goals.

# UNDERSTANDING **CONDO** *ownership*



## What's Different About Condos

Condos are a popular choice for many buyers, **offering a mix of affordability**, convenience, and community living. When you buy a condo, you own your unit but share ownership of the building and common areas with other residents. This differs from a single-family home, where you own both the property and the land it sits on.

**Condos can offer amenities** such as pools, gyms, and even security services. However, these shared spaces come with responsibilities. You'll need to adhere to rules and share maintenance costs with other owners.

## Shared Ownership and Community Living

Owning a condo means **you're part of a larger community** with shared interests and responsibilities. The building's Homeowners Association (HOA) will maintain the common areas and enforce rules. It's important to understand that living in a condo often means balancing your personal preferences with the needs of your neighbors. costs with other owners.



# COMMON CONDO RULES & *restrictions*

## Rules on Pets, Rentals, and Renovations

Condo living often comes with restrictions that you wouldn't find in a single-family home.

**These might include:**



### Pet policies

Some buildings don't allow pets, or limit the size or breed.



### Rental policies

Many condos have strict rules on renting out units, including restrictions on short-term rentals like Airbnb.



### Renovations

The HOA might limit what changes you can make to the interior of your unit, such as installing new flooring or remodeling your kitchen.

Make sure to review the HOA's rules to ensure the lifestyle suits your needs.



# HOA FEES

## What Are HOA Fees?

One of the first things to know when buying a condo is the monthly HOA fee. These fees are required by the Homeowners Association and **cover the cost of maintaining common areas**, like hallways, landscaping, and amenities such as pools and gyms. They also fund the HOA's insurance for the building and its systems.

Before you buy, you need to know exactly how much the HOA fees will be and what they cover. **Fees can vary dramatically** depending on the condo's size, location, and amenities.



HOA Dues are paid directly to the HOA and are separate from your monthly mortgage payment. Many will require a set number of months up front as part of closing.



# FINANCING A CONDO *purchase*

## How Condo Financing Differs from Single-Family Homes

Financing a condo can be more complicated than securing a loan for a single-family home. Lenders consider condos **higher-risk properties**, especially if the building has a high number of renters or financial difficulties. Additionally, the HOA plays a critical role in condo financing, as lenders want to ensure the association is financially sound.

## Securing a Loan for a Condo

To finance your condo purchase, you'll need to meet the lender's requirements, which can vary based on the condo's association and the type of loan you're applying for. Some of the **factors that lenders consider include:**



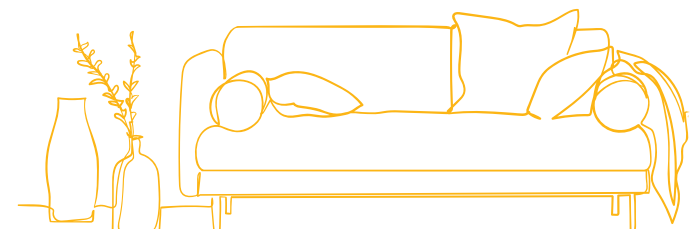
The percentage of owners vs. renters in the building



The financial stability of the HOA



The building's overall condition



## Down Payments, Interest Rates, and Loan Approval

Condos can require a larger down payment than single-family homes, although this can vary depending on the type of loan and the condo's characteristics. Additionally, **condo loans tend to have slightly higher interest rates** if the building is considered high-risk.

Before applying for a loan, make sure to get pre-approved so you know exactly how much you can afford.



## Condo Transfer Fees

Condo transfer fees are charges assessed by the Homeowners Association (HOA) or sometimes a management company when a unit is sold or transferred. The fees are meant to cover the cost of updating records, handling paperwork, and ensuring that the new owner is added to the association's roster.

These fees are generally non-negotiable and can vary widely depending on the HOA, the size of the building, and its policies. Transfer fees are not related to the cost of the condo unit itself, but they are an added expense that need to factor into closing costs. Ask your loan officer or real estate agent whether the buyer or seller traditionally pays for them in your area.

# UNDERSTANDING **CONDO** ASSOCIATIONS & THE BUILDING'S FINANCIAL *health*



## What You Need to Know About Condo Associations

The HOA **manages the condo building** and is responsible for **enforcing community rules** and maintaining the building. It's crucial to assess the financial health and management practices of the HOA before purchasing.

## How to Evaluate the Financial Health of a Building

To assess the financial stability of the HOA and building, request the following documents from your real estate agent:



Financial statements for the last two years



Budget and reserve fund reports



History of special assessments or large repairs

A well-managed HOA will have **healthy reserves** to cover large repairs and maintenance costs without putting undue financial strain on individual owners. **We can assist** in reviewing these documents and explaining what each one means for you.

## The Importance of Reserve Funds

**Reserve funds are essential** for covering long-term maintenance and repairs, such as replacing the roof or elevator. Make sure the HOA has enough reserves to handle these major expenses. A lack of sufficient funds can result in special assessments, where all condo owners are required to pay for repairs out of pocket.



# RESALE POTENTIAL & **PROPERTY** value



## Why Location Is Key for Your Condo Investment

Location is always critical in real estate, **and condos are no exception.** Consider factors such as proximity to work, public transportation, schools, and amenities like restaurants, shops, and parks. A condo in a great location will have better resale potential and appeal to a wider range of future buyers.

## How to Assess Resale Potential

While you may love the condo you're considering, it's also important to think about the **future resale value.** Condos can appreciate, but sometimes at a slower rate than single-family homes. Many factors can impact the value, including:



The building's overall condition



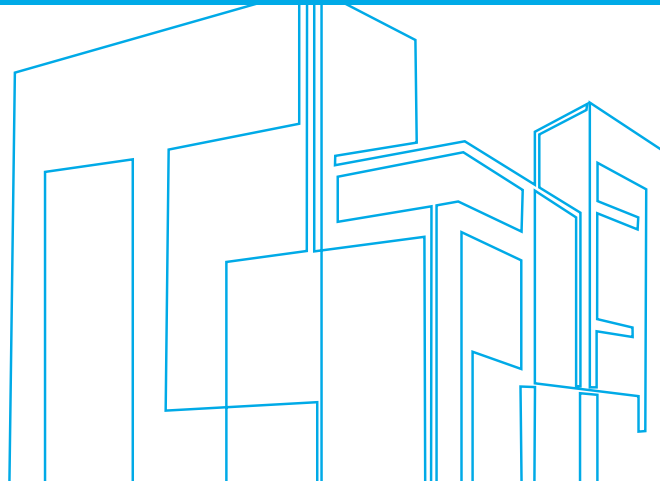
Future developments in the area



The location of the condo



The HOA's financial health



## Researching the Neighborhood and Future Developments

Research the surrounding area thoroughly. Look into any upcoming developments, changes in zoning laws, or planned construction that could **impact the quality of life** in the neighborhood or affect the value of your condo.



# Insurance CONSIDERATIONS

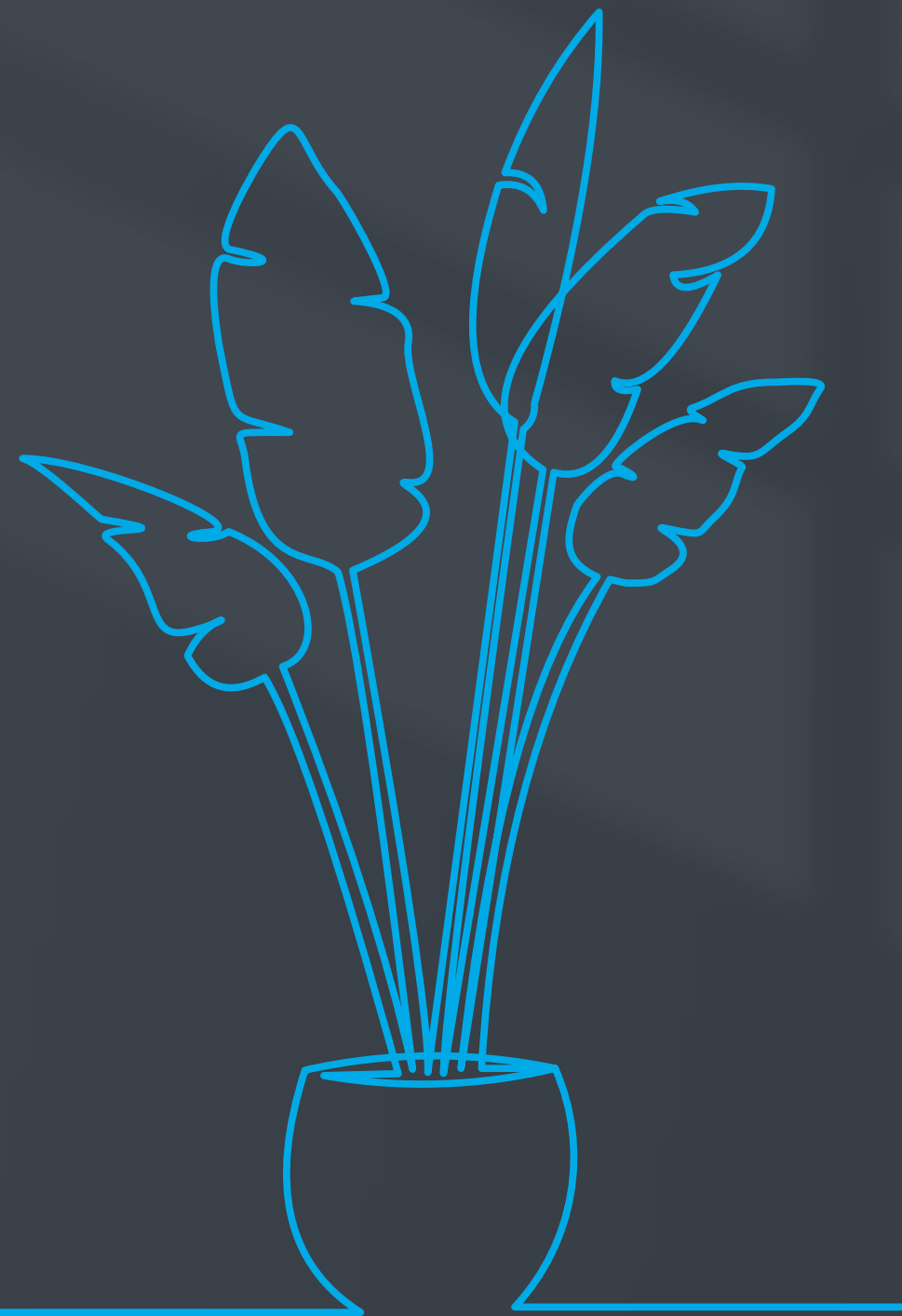


## What Insurance You Need as a Condo Owner

Condo insurance, also known as HO6 insurance, **covers your unit and personal belongings.** The HOA typically covers the insurance for the building's structure and common areas, but you'll need individual coverage for your unit's interior, including upgrades, appliances, and personal items.

## Understanding HOA Master Insurance Policies

The HOA will have a **master insurance policy** that covers common areas and the building's exterior. Be sure to review this policy to understand what's covered and what isn't. Your personal condo insurance should fill in the gaps.



# Final THOUGHTS and Key Takeaways

**Buying a condo can be a great choice,** but it's important to do your homework. Understand the role of the HOA, evaluate the building's financial health, and make sure the condo fits your long-term goals. Remember to factor in HOA dues, insurance costs, and financing options when making your decision.

By considering these key factors, you'll be better equipped to navigate the condo-buying process and make a **smart, informed investment.**





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