



Property
TYPES
that Present
FINANCING
Problems

By
Mike “the money man” **Carpenter**

Financing Problems

Not all properties are **created equal**, and not all properties **can be financed with FHA, Fannie Mae or Freddie Mac loans**. Below, I have outlined a few property types that can cause problems.

If you are interested in a particular property and you suspect there may be some issues with the property, it is best to contact your loan officer or real estate professional before making an offer.

Condominiums

While most condominiums are perfectly financeable, some do have problems related to litigation, unit number, reserve funds or other issues. As a general rule, it is best to avoid condos that have the following issues.

- ❑ **Ongoing litigation, especially related to construction defects**
- ❑ **Large unpaid special assessments**
- ❑ **Complexes where one person or entity owns more than 10% of the units**
- ❑ **High percentage of owners are delinquent on HOA dues**
- ❑ **High ratio of commercial space to living space - over 20% commercial**
- ❑ **Over 51% non-owner-occupied or rental units**
- ❑ **Low or nonexistent financial reserves**
- ❑ **Low number of units - less than 10 units**

If you have any questions about a condo unit in which you are interested, please contact your agent or the listing agent to make sure you have a smooth purchase transaction.

“Apodments” or Very Small Condo Units

Complexes that have units with **sizes less than 500 SF** are generally not financeable. The minimum square footage for financeable units varies from lender to lender.

Shops or Live-Work Spaces

Spaces that are used for commercial activity on a full or part-time basis are generally not financeable, even when commercial use and residential use are mixed in the same building. **For example, this might be a residential unit with a shop or commercial use on the ground floor.**

Co-ops

Cooperatives are not like condominiums. They have a different legal and title structure from condominiums and there can be very limited financing available for this property type. **There are specific companies that provide co-op financing. If you are interested in purchasing a co-op, you will have to seek financing from only those companies.**

Multi-Family Units Over Four Units

FHA, Fannie Mae and Freddie Mac limit the number of units for non-commercial properties to four units. **Anything that has a unit count above four is considered a commercial property, and you would have to obtain commercial financing from commercial sources.**

Single-Wide Manufactured Homes

While double-wide manufactured homes are quite easily financed, single-wide manufactured homes financing is not allowed by **Fannie Mae, Freddie Mac** or **FHA**. **If you have your eye on a single-wide, you may want to check with a local community bank.**

Non-Title-Eliminated Double-Wide Manufactured Homes

Manufactured homes start out as personal property, like a car, and once they have been transported to a site, they are affixed (*via a foundation*) to the land. Once this process is completed, the manufactured home is **"title eliminated,"** meaning the formal title, like a car title, is eliminated.

The manufactured home is now "real property."

If you are interested in buying a manufactured home that has not had the title eliminated, it is best to check with a local community bank or the manufacturer of the home for financing.

Off-the-Grid Cabins

While a cabin that does not have electricity or water sounds romantic, **a property must have access to water and power to be financeable.**

Properties that **are financial** but **can be difficult** or can cause financing **delays**.

Homes with Non-Permitted Additions

If a home has been altered, or has had additions that were not properly permitted, it can cause financing delays.

Depending on the age of the additions, sometimes proper building permits have to be obtained from the proper governing bodies.

Illegal Duplexes or Illegal Mother-in-Law Units

For homes that have been converted to duplexes or have mother-in-law units that do not have separate water and electrical meters, ***financing can be difficult and usually have to be financed as single-family homes rather than duplexes.***

Log Homes, Dome Homes or Earth-Berm Homes

While these unusual home types are financeable, the challenge comes in finding comparable sales of the same property type for the appraisal report.

If the appraiser cannot find enough log, dome or earth-berm homes, then financing can be difficult.

About **Mike** the Money Man

Here's all what you need to know about the mortgage industry today: One large lender is promoting a tool that doesn't require you to interact with a human to make one of the biggest financial decisions of your life.

I believe you deserve better. And I've spent nearly 20 years providing my clients with the guidance they need so they don't just get a loan - they get the right loan.

You see, the mortgage process isn't quite as simple as the ads make it seem. It takes knowledge and experience to navigate, particularly in a competitive real-estate market, where the right combination of speed and expertise can make the difference between a successful offer and losing out on your dream home.

My clients, many of whom are first-time homebuyers or have run into resistance from other lenders, always know where they stand in that complex process. That's because I take the time to explain their options, so they can make an informed, confident decision. And most of them, like the clients below, would even say that I'm an advisor and advocate first, and a mortgage professional second.

I'm still in contact continue to be a resource with a number for many of those my past clients, often years after they purchased or refinanced their homes. They come to me because they know I provide a level of personal service uncommon in this industry. They come to me because they know I care. And they come to me because they know I have the willingness, and the knowledge, to help.

I'd love to help you - whether you're buying, refinancing or just weighing your options. Email me or give me a call today.

NMLS Consumer Access, www.nmlsconsumeraccess.org

Mike "the Money Man" Carpenter

www.mikethemoneyman.com

Tel: (206) 465-5528

