



WARRANTABLE VERSUS NON-WARRANTABLE CONDOS

The ability to get certain types of loans will depend on whether a condo is warrantable or non-warrantable.

WHAT IS A WARRANTABLE CONDO?

To put it simply, a warrantable condo is one that's approved by the two government-sponsored enterprises (Fannie Mae and Freddie Mac), as well as condos that are eligible for government-guaranteed financing (FHA and VA). Typically, warrantable condos aren't as risky for lenders, so it's easier to get financing for these types of properties.

- No single entity owns more than 10% of the units in a project
- At least 51% of the units are owner-occupied
- Fewer than 15% of the units are in arrears with their association dues
- The homeowners association (HOA) is not named in any lawsuits
- Commercial space accounts for 25% or less of the total building square footage

WHAT IS A NON-WARRANTABLE CONDO?

On the other hand, a non-warrantable condo doesn't meet the above requirements.

A non-warrantable condo is also one that operates as a hotel or provides short-term rentals. Therefore, these types of condos are sometimes located in touristy areas like beach resorts and in college towns.

These properties are riskier given the lower owner-occupancy density. Other features of a non-warrantable condo include:

- A single person or entity owns more than 10% of the units
- More than 25% of the space within the community is used commercially
- The community is involved in a litigation
- A high percentage of users are delinquent on their association dues, such as membership dues to an associated golf club

Always Remember:

Whether a condo is warrantable or non-warrantable changes on a semi-regular basis as ownership changes and tenants move in and out. So, just because a condo isn't warrantable now, doesn't mean it won't be in the future!