

About Lending requirements for Rec Lease Condos

Although I don't have a formal (written) documentation, and I'd rather not provide information within email communication with other clients, I'd decided to summarize the topic here.

The concern is whether a provided Loan PreApproval is good for the type of condo being purchased in a Senior Community, or not. We are aware of lenders with a different type of loan program that can satisfy the purchase, ex. Valley Bank, First Bank, Regions Bank, etc. This is not a conventional product because of the rec lease and is considered a non-warrantable condo. So select lenders will lend on non-warrantable condos.

This may not represent an issue if they will be buying their condo in cash (and the offer is placed after their property is Under Contract), or if the Rec Lease is paid on said property (depending on the building, subdivision or multiple-management-group), of which there's a very small percentage within Senior communities condos. Placing an offer contract on a condo with financing terms where the lender is not ok with the type of condo will not be of leverage to the buyer.

Summary:

A "rec lease" occurs when the recreational facilities' ownership is kept separate from your condominium association's management and control. In these communities, the owners pay maintenance dues to both their association and the independent business that owns and manages the amenities. These arrangements used to be popular, but have fallen out of favor over the last few decades. Many associations have "bought" out the rec lease and have brought those facilities and services under the same management and control.

There are still communities with active recreational leases, many of which have excellent amenities, making the extra expense and hassle worthwhile for the residents.

* Many institutional lenders will not lend in these communities because of how some of these leases are written to make a lender liable for a unit owner's delinquent payments.

* FNMA and Freddie lenders will only do warrantable condos.

* Fortunately, some lenders, usually community banks, specialty lenders, and credit unions, will.

For Century Village (although this is not the fine-print), I have learned/heard that --> The current leases begin to expire in September 2034 as each condo association reaches its 50th year, and runs through January 2048 <-- .

The links below could give you a more insight detail regarding this topic:

About Warrantable Condos (clearmortgagelending.com)

<https://www.clearmortgagelending.com/about-warrantable-condos>

New Rules: Warrantable & Non-Warrantable Condo Mortgage Loans (themortgagereports.com)

<https://themortgagereports.com/18658/condo-mortgage-non-warrantable-loan-rates-gina-pogol>

Southeast Florida Condo Recreational Leases (southeastfloridacondos.com)

https://southeastfloridacondos.com/southeast_florida_condo_articles/southeast_florida_condo_recreational_leases.html