

FINANCING CHALLENGES
MULTI-FAMILY
and
MIXED-USE PROJECTS

LENDER'S VIEWPOINT

- Type of Property
- Type of Transaction
- Occupancy
- Down Payment or Equity
- Credit Score
- Loan Amount
- Type of Loan
- Secondary Market
- Other Factors



John and Mary Buyer
Owner Occupied Purchase
5% Down Payment
Credit Score 640

Joe and Jan Homeowner
Second Home Refinance
25% Equity
Credit Score 740



GOVERNMENT AGENCIES

FANNIE MAE – FNMA

Federal National Mortgage Association

FREDDIE MAC – FHLMC

Federal Home Loan Mortgage Corporation

FHA – Federal Housing Administration

VA – Veterans Administration

USDA – United States Department of Agriculture

PORTFOLIO – Bank, Credit Union, Private Sources

Automated Underwriting
Credit Overlays



PROPERTY TYPES

- Detached Single Family Residence
- Attached Townhome or Half Duplex
- Condominium



CONDOMINIUM PROJECT ELIGIBILITY

- Warrantable Condo
- Non-warrantable Condo

- New Project
- Established Project
 - Full Project Review
 - Limited or Streamline Review



WHAT MAKES A CONDO PROJECT WARRANTABLE/ELIGIBLE FOR FINANCING

- Homeowners are in control of the association
- At least 90% of units in project conveyed to purchasers
- 51% of units in project are owner occupied if loan is for owner
- 70% of units are owner occupied if loan is for investor
- Single entity does not own more than 10% of units
- No more than 20% of total square footage non-residential
- HOA has at least 10% of budget in reserves
- No more than 15% of unit owners 30 days delinquent on dues
- Adequate liability or fidelity bond insurance coverage
- Project or Homeowners Association not in litigation
- Project is not a condo-hotel

MIXED-USE PROJECT

- Combination of residential, commercial, industrial, office, institutional use
- Additional requirements for project approval
- Comps



FINANCING NON-CONVENTIONAL PROJECTS IN THE PAST

- Looser Fannie Mae & Freddie Mac guidelines
- Limited/Streamline project review with 5% down
- Non-residential space 25% or more allowed
- Non “agency” markets available
- Private financing



FINANCING NON-CONVENTIONAL PROJECTS IN THE FUTURE

- Townhomes rather than condominiums
- Limit non-residential use
- Stronger Homeowners Associations
- Loosening of Fannie Mae, Freddie Mac, FHA



CHALLENGES CAN BE OVERCOME

- Creative Financing
- Local Financial Institutions

Questions?

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