Blueprint to Condo Corporation Loans

If you have ever owned a condo unit for long enough (or know someone who has), then you most likely will have heard of a special assessment. A special assessment is when your condo corporation requires a large lump sum from each unit owner to cover the cost of repairs to their building that was not adequately planned for. This means the condo corporation does not have sufficient funds in their reserve account to cover the cost of the repairs.

Introducing Condo Corporation Loans

This is where a condo corporation receives a loan and amortizes the loan over 5 or 10 years which cushions the shortfall in the reserve account and eliminates the need for a special assessment.

Benefits

The condominium financials will stay healthy. Most mortgage lenders (when financing or refinancing a unit) require a strong set of financials. Mortgage lenders will review the status certificate prior to mortgaging a unit. The lender specifically wants to see a healthy reserve account. A healthy reserve account allows future purchases to take place in the building. Most importantly, a healthy reserve fund will keep current owners from having to pay unaffordable special assessment fees.

Selling Features

Easily become any property managers favorite business partner! This product sets many mortgage brokers apart from others as it is a highly specialized form of lending. The moment a property manager understands how this product works and what little has to be done to obtain each loan, property managers will send multiple deals and refer you to many condo lawyers as well as other property managers they sub-contract with.

All property managers have the daunting task of presenting a proposal for a special assessment. Every time this is proposed, the condo board asks lots of stressful questions and there are always many angry unit owners. Telling the property manager that you have an option to finance the condo's shortfall utilizing the condo financials makes life easy for all. This option doesn't force the unit owner to fork out thousands to pay for a special assessment.

Push Points

1. No special assessment to unit owners.

2. Not required to bring the condominium book (deposit or investment accounts) to the new lender.

3. Best rates - competitive institutional rates as low as 3.99% (average 4.40%)

4. Loan details - condo can have up to a 10-year amortization on the loan with 10% lump sum allowance per year. Terms from 1 to 5 years.

5. Initial loan is a credit line until construction is complete which means you only pay interest on the amount you draw on. Once construction is complete, the loan is converted into a term loan (see line 4).

10-Easy Steps

1. Target property managers.

2. Identify the need, ask questions.

3. Collect documents (see document checklist).

4. Send a summary to 1 – 2 commercial lenders (or co-broker with us).

5. Review term sheets provided by lenders.

6. Draw up & send your proposal to the property manager.

7. Property manager presents to the condo board.

8. Condo board votes.

9. Lawyer changes by-laws (you now have another referral source).

10. Docs are signed by condo president (or signing authority) & you're done!