



Buying a Condominium? Do Your Homework First

In the last 20 years, condominiums have become more popular among those wanting to buy a home. Condominiums make great affordable first homes. They also make great homes if downsizing from a large family house to a smaller residence. Before purchasing a condominium, there is information a person should know to ensure a good homeowner experience.

What is a Condo?

Condominiums are buildings in which individuals separately own the air space and structures inside their unit as well as the surfaces of floors, walls and ceilings, but they jointly own an interest in the common areas that they share such as the elevators, hallways, dividing and outer walls, swimming pool, and parking lot. Maintenance of these areas and allocation of funds becomes the responsibility of a condominium association, also known as a unit owners' association.

How the Condo Association is Organized and Conducts Its Business

Every owner has a share or interest in the association, plus an obligation to pay monthly dues or special assessment fees for larger maintenance problems. Decisions may be made in monthly board meetings which may cost individual owners more money, but not necessarily deliver equal benefits for all. Condo owners will be affected by one or more board decisions, so active participation in meetings and discussions may be beneficial.

Condominiums are governed by the condominium declaration as well as by a set of rules called Covenants, Conditions and Restrictions (CC&Rs). They set forth particular rules that must be followed by the condo owner. They may impose restrictions on pet ownership, remodeling projects, and leasing of the condo. Rules are necessary in condominium communities and they must be fairly enforced on a regular basis. CC&Rs must be disclosed prior to the sale of a condo. Taking title to a condo is viewed as the agreement of the owner to abide by the CC&Rs and the condominium declaration.

Condo associations vary in their organization and expertise. They have the power to regulate and monetarily penalize owners for violations. Examine the association records, budgets and financial statements and ask questions before purchasing a condo. Carefully review the latest financial statements to determine the financial stability of the condo association. Make sure the complex isn't losing money. Much can be revealed about the association by taking a look at past minutes of the condo association's board meetings.

The Illinois Condominium Property Act states that with a resale of a condo by a unit owner other than the developer, the seller shall make available for inspection to the prospective buyer, upon demand, a number of important documents (i.e., the declaration, bylaws, financials, etc.). Buyers should be sure to obtain a copy of these documents before making a final decision on the purchase of a condominium.

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Buying a Condo in a Newly Constructed Building

With regard to new condos, developers do not generally retain a long-term interest in a building, but the work that they put into it is important. Many developers provide buyers a one-year warranty. It may be wise to have an attorney review the warranty in order for the buyer to completely understand what is covered, what is not, and what happens when the warranty expires.

An inspection of the building from top to bottom is recommended as this can turn up major structural flaws. This is especially important for newly constructed condos and rehabs. Areas of importance in an inspection include

masonry, tuck-pointing, window flashings, and the proper sealing of cinder block. Buyers should ask questions about the types of materials used in construction. However, don't just rely on the inspection. Buyers should research the developer's track record, and find out if there have been any problems with its previous developments. Also, find out if the developer is still in business and whether it is financially stable. If the developer is no longer in business, the condo association may have little or no legal recourse if major flaws are discovered in the property.

Inquire about the proposed assessment amount for the individual units. The amount may be set too low and may not provide for enough funds to cover the basic expenses. All condo buildings—whether they are brand new or 90 years old—have the same types of expenses: heating, water, property insurance, general maintenance, etc. *Be sure to inquire what services are included in the assessment payment.*

Physical Management of the Building, Grounds, and Individual Units

Find out if the association keeps the building in good repair. Determine if they handle repairs and maintenance before they become big problems or if they have a schedule for preventative maintenance. Before buying, it's a good idea to have an inspection done on the unit of interest. Ask for copies of any architectural or structural inspection reports that relate to the entire condominium complex.

Property insurance. Get a copy of the certificate of insurance, which is a summary of the association's policy. Then make sure that the policy has a building-ordinance clause, which means that the insurance will cover the cost of bringing the building up to code if there is any rebuilding to be done. On older buildings, there may have been many code upgrades since the time of construction. Buyers should understand exactly what the association policy covers and what they are responsible for. Condo owners should insure their personal belongings, along with any other items within the unit that are not covered by the association's policy.

Who manages the association? Some condo associations hire a management company. It might cost more to hire a professional company, but in the long run it tends to save money. Generally, professional managers wield more bargaining power when negotiating for services such as bids for gardeners or general maintenance because they represent such a large number of complexes. If the condo is professionally managed, buyers can also check out the management company.

Some condo associations are completely self-managed, particularly those with a smaller number of condo units. Find out if this is the case. In a self-managed association, individual owners usually have to take on and divide up many of the necessary management duties: maintain the grounds, deposit assessments, keep financial records, pay the association's bills, etc.

Other Management Issues Worth Checking Into

Determine if the development has any pending legal actions. Are there any disputes between owners, with developers or with the association? Check to see if the development has received any notices from the city or village for code violations.

What is the association's reputation in the building? Talk to other owners for comments or complaints about the association's activities.

Find out the extent to which the condominium is owner-occupied. If most owners rent the units out, they may be less concerned about day-to-day issues than if it is largely or entirely owner occupied. If the renter population is over 10%, there should be clear rental policies, either listed in the bylaws or as an amendment. Does the management company find renters? In addition, it may be difficult to obtain financing if there is too high of a percentage of renters vs. owners. Many lenders want to see a minimum of 85% of the units owner-occupied.

Assessments/Monthly Fees

Knowing the monthly assessment amount is an important part of the condo purchase. The monthly amount for assessments is usually considered by the lender in the mortgage application process since it is a significant portion of the monthly housing costs (mortgage payment, property taxes, etc.). Also, be sure to inquire what services are included in the assessment payment, such as central heat, water, air conditioning, and cable T.V.

Check the association's history of assessments to see how many increases have been made in the past 10 years and how large they have been. This information will help to gauge the likelihood of increased assessments in the near future, and indicate how well-managed the building is. Find out if the association maintains a reserve fund to pay for unexpected and potentially expensive repairs. Depending on the building's age and anticipated repairs, if reserves are inadequate, a large special assessment might be levied on each condo owner when an unexpected cost arises. Find out if there are any special assessments in place and what the duration of the special assessment is.

When searching for a condominium, **DON'T GO IT ALONE.**

Choose a REALTOR® who can assist you in finding a condo that suits you. Your REALTOR® can help you obtain much of the information that is recommended in this brochure. A REALTOR® will also help you:

- Determine your buying power and financing options.
- Investigate all available condos in your market area and find the best home at the best price.
- Arrange a home inspection and point out any issues of concern with the property.

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