

Buying a Condo or Townhome

Homebuyers have a plethora of properties to choose from in today's market.

Detached, single-family homes are the norm in most places, but smaller families and first-time homebuyers should take a good look at condominiums and townhomes, too.

DEFINITIONS

Let's start with single-family detached homes. That's exactly what it sounds like — a home, not attached to any others, that is made to fit a single family. Townhouses are attached homes that generally include the land the home is situated on and the home's exterior. Condominiums are physically indistinguishable from rental apartments. They are attached and the exterior and land are considered common areas shared by all residents. Residents of a condo or a townhouse, like some detached home owners, may pay a monthly homeowner association fee that covers the maintenance of those common areas.

Generally speaking, detached homes give the homeowner more freedom when it comes to renovations and condominiums give the



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REAL ESTATE 101

Risks of Condo Ownership

Because condominium ownership is shared by the homeowners association, owning a condo may open you up to more liability. The risk the lender is worried about isn't that you won't pay your mortgage or fees, but that a number of other owners won't. Those fees pay for the maintenance of the building, and deferred maintenance can cause condo values to drop, endangering the lender's investment.

most freedom from maintenance chores.

EXAMINE YOUR LIFESTYLE

Determining which of these

homes is the right fit for you and your family comes down to your lifestyle. People with little homeownership experience and little to no time for home maintenance may pre-

fer life in a condo or townhouse, where an association does a lot of the work for you. Or maybe you want more room or you don't want the oversight of an HOA. Then a

detached home might be just the thing.

FINANCING YOUR NEW HOME

You also need to look at your budget. In some markets, detached homes may be more expensive than townhomes or condos, and in others, it may be the attached homes that are more pricey. Work with your real estate professional and your lending team to figure out how much house you can realistically buy.

Financing a detached home and a townhome are very similar because you're buying both the structure and the land. Financing a condo can be a little more tricky since you're just paying for what's between the walls. Some lenders have approval lists with rules limiting commercial space and other requirements. Condo loans can also demand higher interest rates than other property purchases because lenders may consider them more risky.

You will also need to plan for higher homeowners association fees with condos than with townhouses or detached homes. That's because the association assumes responsibility for the maintenance of the exterior and common areas, which are often filled with expensive amenities such as pools and hot tubs.



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HOMEWISSE GLOSSARY

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Second mortgage: A loan taken out behind the first mortgage, perhaps at the purchase or even at a later date when the owner needs funds and the equity is sufficient.

SOURCE: MLS.com

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