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A young man and woman are smiling and looking out a large window. The man is wearing a teal polo shirt and has his arm around the woman's shoulder. The woman is wearing a white t-shirt. They are both looking towards the right side of the frame, where a cityscape is visible through the window. The sky is blue with white clouds.

Understanding and Reviewing Condo Appraisals

- **Differentiate** between the Single-Family and Condominium Appraisal form
- **Review** the key sections of the Condo Appraisal Form 1073
- **Identify** Red Flags
- **Describe** challenges and trouble spots unique to condos





Types of ownership:
Fee Simple vs. PUD vs. Condo

Review: Condominium Appraisal Report

Procedures and principals are similar for condominiums and single-family properties.

Focus on the **differences in evaluation** and the additional sections contained in the condominium report.





Vulnerable Condo Values

Overbuilding of
condominiums

Inflated
appraisals aid
builders

“Single Family”
American
Dream

Overbuilding of
apartments

Subject

Fees

- Management company
- Insurance
- Future maintenance reserve

Utilities?

- Cable
- Water

Mandatory HOA \$

Included in Qualifying Ratios

Property Address

Borrower

Legal Description

Assessor's Parcel #

Project Name

Phase #

Tax Year

RE Taxes \$

Map Reference

Census Tract

Occupant Owner Tenant Vacant

Special Assessments \$

per year per month

Property Rights Appraised Fee Simple Leasehold Other (describe)

Assignment Type Purchase Transaction Refinance Transaction (describe)

Lender/Client

Is the subject property currently offered for sale or has it been offered for sale prior to the effective date of this appraisal? Yes No

Report data source(s) used, offering price(s), and date(s).



Note: Race and the racial composition of the neighborhood are not appraisal factors.

NEIGHBORHOOD

Neighborhood Characteristics				Condominium Unit Housing Trends				Condominium Housing		Present Land Use %	
Location	<input type="checkbox"/> Urban	<input type="checkbox"/> Suburban	<input type="checkbox"/> Rural	Property Values	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining	PRICE	AGE	One-Unit	%
Built-Up	<input type="checkbox"/> Over 75%	<input type="checkbox"/> 25-75%	<input type="checkbox"/> Under 25%	Demand/Supply	<input type="checkbox"/> Shortage	<input type="checkbox"/> In Balance	<input type="checkbox"/> Over Supply	\$ (000)	(yrs)	2-4 Unit	%
Growth	<input type="checkbox"/> Rapid	<input type="checkbox"/> Stable	<input type="checkbox"/> Slow	Marketing Time	<input type="checkbox"/> Under 3 mths	<input type="checkbox"/> 3-6 mths	<input type="checkbox"/> Over 6 mths	Low		Multi-Family	%
Neighborhood Boundaries				Red Flags: Value trends, demand/ supply, marketing time, predominate value				High		Commercial	%
Neighborhood Description								Pred.		Other	%
Market Conditions (including support for the above conclusions)											



Project Site

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Topography	Size	Density	View
Specific Zoning Classification		Zoning Description	
Zoning Compliance <input type="checkbox"/> Legal <input type="checkbox"/> Legal Nonconforming – Do the zoning regulations permit rebuilding to current density? <input type="checkbox"/> Yes <input type="checkbox"/> No			
<input type="checkbox"/> No Zoning <input type="checkbox"/> Illegal (describe)			
Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe			
Utilities	Public	Other (describe)	Public
Electricity	<input type="checkbox"/>	<input type="checkbox"/>	Water
Gas	<input type="checkbox"/>	<input type="checkbox"/>	Sanitary Sewer
FEMA Special Flood Hazard Area		FEMA Flood Zone	FEMA Map #
<input type="checkbox"/> Yes <input type="checkbox"/> No			FEMA Map Date
Are the utilities and off-site improvements typical for the market area? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe			
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe			



Project Information

Data source(s) for project information			
Project Description <input type="checkbox"/> Detached <input type="checkbox"/> Row or Townhouse <input type="checkbox"/> Garden <input type="checkbox"/> Mid-Rise <input type="checkbox"/> High-Rise <input type="checkbox"/> Other (describe)			
General Description	General Description	Subject Phase	
# of Stories	Exterior Walls	# of Units	# of Units Sold
# of Elevators	Roof Surface	# of Units Completed	# of Units Rented
<input type="checkbox"/> Existing <input type="checkbox"/> Proposed	Total # Parking	# of Units For Sale	# of Owner Occupied Units
<input type="checkbox"/> Under Construction	Ratio (spaces/units)	# of Units Sold	
Year Built	Type	# of Units Rented	
Effective Age	Guest Parking	# of Owner Occupied Units	



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Project Information

Project Information

Data source (s) for project
Project Description <input type="checkbox"/> Detailed
General Description
of Stories
of Elevators
<input type="checkbox"/> Existing <input type="checkbox"/> Proposed
<input type="checkbox"/> Under Construction
Year Built
Effective Age



Project Information

Data source(s) for project information

Project Description Detached Row or Townhouse Garden Mid-Rise High-Rise Other (describe)

General Description		Subject Phase		If Project Completed		If Project Incomplete	
# of Stories	Exterior Walls	# of Units		# of Phases		# of Planned Phases	
# of Elevators	Roof Surface	# of Units Completed		# of Units		# of Planned Units	
<input type="checkbox"/> Existing <input type="checkbox"/> Proposed	Total # Parking	# of Units For Sale		# of Units for Sale		# of Units for Sale	
<input type="checkbox"/> Under Construction	Ratio (spaces/units)	# of Units Sold		# of Units Sold		# of Units Sold	
Year Built	Type	# of Units Rented		# of Units Rented		# of Units Rented	
Effective Age	Guest Parking	# of Owner Occupied Units		# of Owner Occupied Units		# of Owner Occupied Units	

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Project Information Example:

Project Information	Data source (s) for project information				
	Project Description <input type="checkbox"/> Detached <input type="checkbox"/> Row or Townhouse <input type="checkbox"/> Garden <input type="checkbox"/> Mid-Rise <input type="checkbox"/> High-Rise <input type="checkbox"/> Other (describe)				
	General Description		Subject Phase		If Project Completed
	# of Stories	Exterior Walls	# of Units	# of Phases	# of Planned Phases
	# of Elevators	Roof Surface	# of Units Completed	# of Units 100	# of Planned Units
	<input type="checkbox"/> Existing <input type="checkbox"/> Proposed	Total # Parking	# of Units for Sale	# of Units for Sale	# of Units for Sale
	<input type="checkbox"/> Under Construction	Ratio (Space/ Units)	# of Units Sold	# of Units Sold 15	# of Units Sold
	Year Built 2010	Type	# of Units Rented	# of Units Rented	# of Units Rented
	Effective Age	Guest Parking	# of Owner Occupied Units	# of Owner Occupied Units	# of Owner Occupied Units

Market Acceptance?



Project Information Section

Market Absorption:
Possible Risk?



Project Information



Developer



Homeowner



Management
Company

HOA
?

Project Information



Management Company



HOA Board of Directors

Business

Rules

Guidelines

Decisions

HOA ?

Project Information: Ownership

Does any single entity (the same individual, investor group, corporation, etc.) own more than 20% of the total units in this project? Yes No If Yes, describe

- Risk for investor property ownership
- Entity could influence condo direction with larger percentages of owner decision voting power

**Single- entity
ownership \geq
20%?**

**Individual
Owners**

**Investor
Group**

Corporation

Project Information: Converted Buildings

Was the project created by the conversion of an existing building (s) into a condominium? Yes No If Yes, describe the original use and the date of conversion

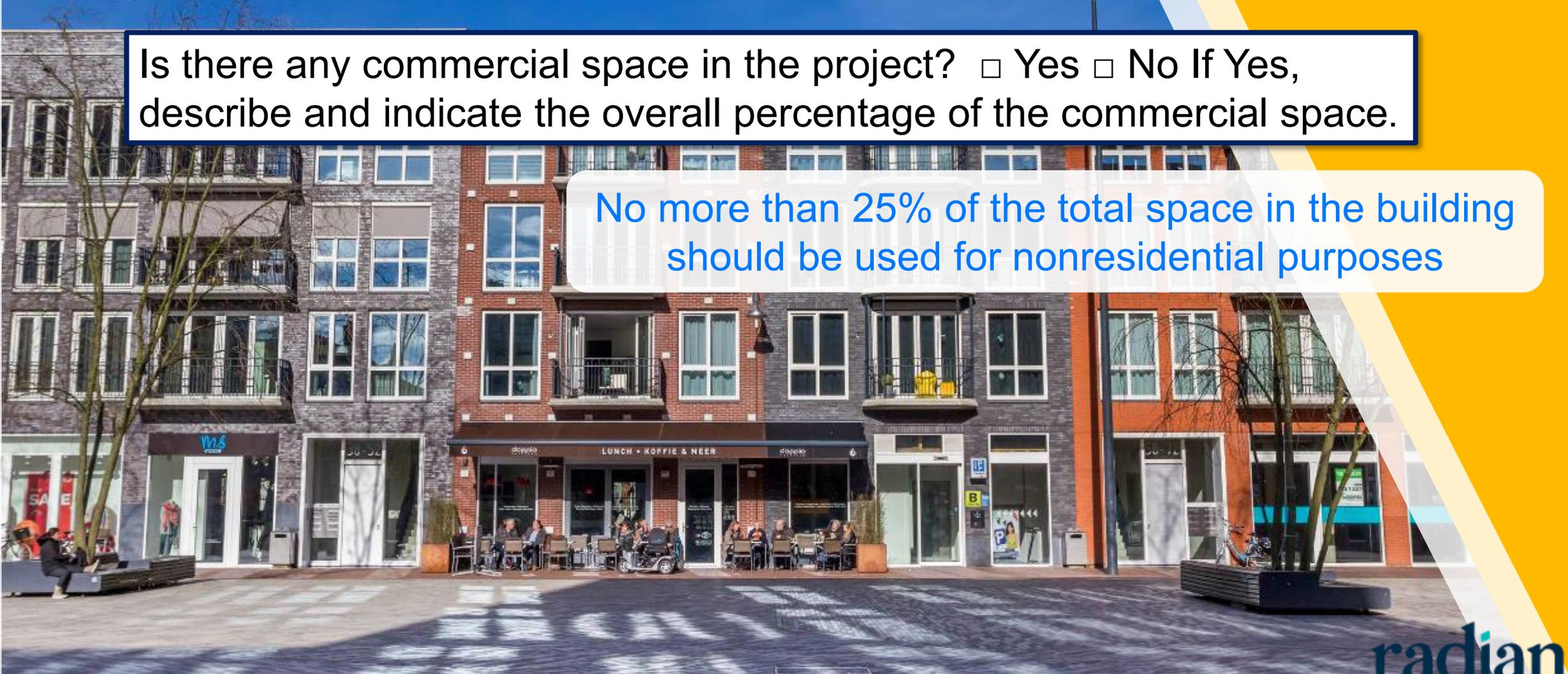
Supply

Demand

Project Information: Commercial Space

Is there any commercial space in the project? Yes No If Yes, describe and indicate the overall percentage of the commercial space.

No more than 25% of the total space in the building should be used for nonresidential purposes





Project Information: Red Flags

Owner-occupied units →
More project stability

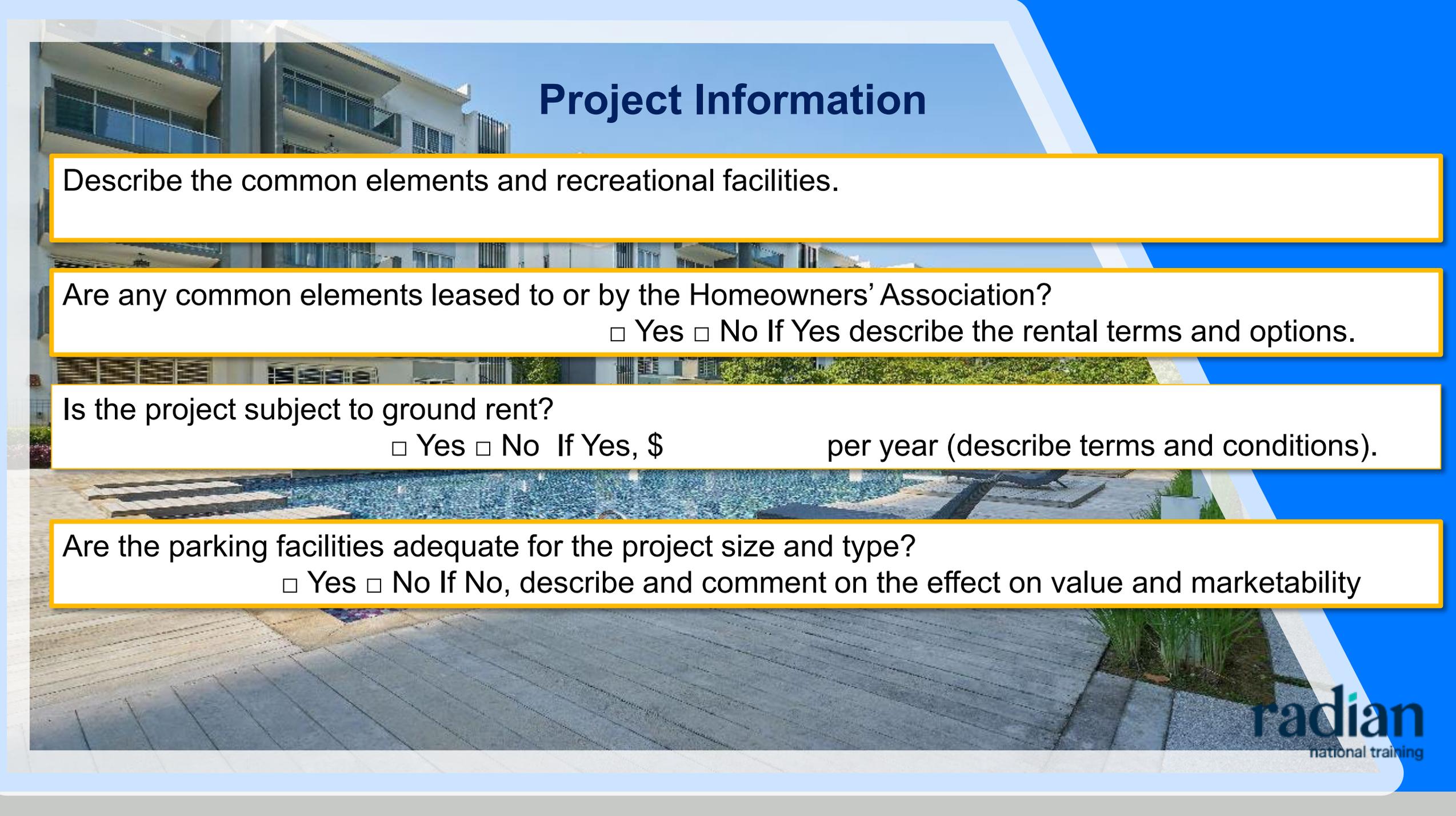
Investment property →
50% units must be owner occupied

**Attached (New/ newly
converted) project** →
must be 50% owner occupied



Project Information: Red Flags

- Large percentage of units for sale?
- 15% or more unit owners are over 60 days delinquent on HOA dues



Project Information

Describe the common elements and recreational facilities.

Are any common elements leased to or by the Homeowners' Association?

Yes No If Yes describe the rental terms and options.

Is the project subject to ground rent?

Yes No If Yes, \$ _____ per year (describe terms and conditions).

Are the parking facilities adequate for the project size and type?

Yes No If No, describe and comment on the effect on value and marketability

Project Analysis

- **Review** of the project's **current budget**
- Any **fees other** than **HOA fees** for use of project facilities?
- Are the **fees in line** with **competitive projects**?
- **Special** or unusual **characteristics affect** on **marketability**

Project Analysis Section

P R O J E C T	I <input type="checkbox"/> did <input type="checkbox"/> did not analyze the condominium project budget for the current year. Explain the results of the analysis of the budget (adequacy of fees, reserves, etc.), or why the analysis was not performed.
	Are there any other fees (other than regular HOA charges) for the use of the project facilities? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, report the charges and describe.
	Compared to other competitive projects of similar quality and design, the subject unit charge appears <input type="checkbox"/> High <input type="checkbox"/> Average <input type="checkbox"/> Low If High or Low, describe
	Are there any special or unusual characteristics of the project (based on the condominium documents, HOA meetings, or other information) known to the appraiser? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe and explain the effect on value and marketability.
A N A L Y S I S	

Red Flag

Visible repairs required but insufficient reserve funds

Red Flag Example

Appraiser notices the roofs need to be replaced due to curling shingles.

Special Assessment



Unit Description Section

- Unit HOA charge and what is included
- Describes unit location in the building
- Availability of car storage
- Condition of the property

Sales Comparison Approach Section

Unit Charge \$ _____ per month X 12 = \$ _____ per year Annual assessment charge per year per square feet of gross living area = \$ _____

Utilities included in the unit monthly assessment None Heat Air Conditioning Electricity Gas Water Sewer Cable Other (describe) _____

General Description	Interior materials/condition	Amenities	Appliances	Car Storage
Floor #	Floors	<input type="checkbox"/> Fireplace(s) #	<input type="checkbox"/> Refrigerator	<input type="checkbox"/> None
# of Levels	Walls	<input type="checkbox"/> Woodstove(s) #	<input type="checkbox"/> Range/Oven	<input type="checkbox"/> Garage <input type="checkbox"/> Covered <input type="checkbox"/> Open
Heating Type Fuel	Trim/Finish	<input type="checkbox"/> Deck/Patio	<input type="checkbox"/> Disp <input type="checkbox"/> Microwave	# of Cars
<input type="checkbox"/> Central AC <input type="checkbox"/> Individual AC	Bath Wainscot	<input type="checkbox"/> Porch/Balcony	<input type="checkbox"/> Dishwasher	<input type="checkbox"/> Assigned <input type="checkbox"/> Owned
<input type="checkbox"/> Other (describe)	Doors	<input type="checkbox"/> Other	<input type="checkbox"/> Washer/Dryer	Parking Space #

Finished area **above** grade contains: Rooms Bedrooms Bath(s) Square Feet of Gross Living Area Above Grade

Are the heating and cooling for the individual units separately metered? Yes No If No, describe and comment on compatibility to other projects in the market area.

Additional features (special energy efficient items, etc.)

Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.).

UNIT
DESCR

Sales Comparison Approach Section

- **Overall** – very similar to the Single-Family form.
- Should have a **mix of comparable sales** from **within** and **outside** the project.
- **Established projects** should have comps selected from **within** the project. **Comps outside** the project **require explanation**.
- **New projects should have:**
 - One comp from within the project
 - One from a competing project
 - One from either source. (Preferably from re-sales within the project)

Red Flags

- Excessive adjustments for condominiums

Sales Comparison Approach Section

HOA Mo. Assessment
Common Elements and Rec. Facilities
Floor Location
View

Question: Do you think that a unit located in a **high-rise building, on a higher floor justifies a positive adjustment under floor location**, as compared to an identical unit on a lower floor?



Sales Comparison Approach Section

- Additional adjustments
- View Adjustments
- Parking
- Boat docks

A man and a woman are sitting at a table on a rooftop terrace, clinking glasses. The terrace is decorated with potted plants and string lights. In the background, a city skyline with several skyscrapers is visible under a clear sky.

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