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Condo, HOA units increased but reserve funds dipped in 2021

By **Bonnie Sinnock** November 02, 2022, 5:53 p.m. EDT 3 Min Read



Estimates for the number of housing units in community associations climbed another notch last year, but a condominium building's collapse increased lenders' wariness related to the particular vulnerabilities associated with the sector's aging stock.

The unit count increased to 27.7 million in 2021 from 27.5 million [the previous year](#), according to annual statistics the Foundation for Community Association Research released this week. The number of residents totaled 74.2 million, up from 74.1 million in 2020, and the association count rose to 358,000 from 355,000.

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Units in homeowner, condominium and cooperative associations are relatively more affordable than traditional housing, which has fueled some additional demand for financing in this sector. This may account in part for why the share of the U.S. population living in community associations increased slightly in the past year, rising to 28% from 27%, and the total valuation of homes in this part of the market climbed to \$11 billion from \$9.2 trillion.

"The units are coming on the market at a higher rate than pre-pandemic levels because of the affordable price points," said Armstead Jones, a strategic advisor at Real Estate Bees, a technology platform used by home sales professionals.

The association count could grow by an estimated 355,000 to 363,000 this year, but loans available to purchase units have been a little tougher to come by because investors have become a little more wary of the sector following a high-profile condo collapse last year.

"Criteria for financings has gotten tighter, but only because banks need to factor in HOA/condo fees, which in many cases are high," Jones said in an email.

Total assessments increased to \$106.4 billion from \$96 billion in 2021, according to FCAR.

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new prerequisites related to critical repairs or special assessments in 2022.

Likely due to the changes the GSEs made in underwriting these loans following the building collapse, the share of condo lending occurring instead through government-guaranteed channels has increased this year at some companies.

"What did change is the amount of loans that were government loans," said Kevin Parra, co-founder, CEO and president at third-party lender Plaza Home Loans, in an interview. "Last November it was 20% government, and just this...October it was 40% government. So it appears that's kind of the direction it's going for new loans on condos."

The GSEs' new requirements add some additional work for lenders when it comes to gathering information about buildings that aren't on Fannie or Freddie's approved lists. Typically only developers with new projects work with lenders to get those approvals, so older buildings often don't have them, Parra noted. Loans that have a government guarantee from an agency like the Federal Housing Administration are relatively easier to process, which may be why the share of these loans has increased, he said.

Mortgage investors like the GSEs are particularly careful about managing HOA risks because associations in several states can put a "super lien" on units that supersedes all others, including the lender's, when residents don't pay their dues.

While the total amount of assessments community associations had to draw on rose last year, the amount of reserve funds they had set aside to cover repairs and other contingencies fell slightly.

In 2021, community associations contributed \$26.6 billion in resident assessments to reserve funds, down slightly from \$27.4 billion.

The top three states for associations remained the same in 2021 with each seeing slightly higher numbers. California saw its number rise to 50,010 from 49,520. In Florida, the count grew to 49,420 from 48,940, and the number of associations in Texas climbed to 21,680 from 21,000.

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the course of the year.

"We peaked, percentage wise of our total volume, at 6.7% in May. Since then it's dropped back down to about 4.2% in October with the average over the 12 months being about 5%," Parra said.

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