

Property Details

Years ago, I realized that I was asking my lenders the same questions over and over. In an effort to reduce these occurrences I began assembling my questions and answers in a spreadsheet.

The spreadsheet began to grow, and as of this writing, it is over three hundred fifty columns.

The following is meant to be a synopsis of some of the data on the aforementioned spreadsheet, particularly data that pertains to “subject properties” (properties that borrowers wish to purchase/refinance/offer for security).

I feel this information is important for borrowers to know, particularly if they are endeavouring to purchase, so that they know what elements a lender may be looking at, when underwriting the file.

If you are looking at financing a property that has any of these elements, it may be advisable to run them by your lender/brokerage before making an offer / application, so as to prevent any surprises from cropping up late in the process.

Judicial Sale

Rent-to-Owns

Age. Please advise if the property is a townhome or condo and is more than 30 years old.

Age Restricted. Please advise if the property is age restricted (ie. residents have to be 55+).

Aluminum Wiring. Some lenders can be hesitant of financing properties with aluminum wiring.

Area. Lenders often prefer larger areas (ie. city centres). A property in the country, or in a small town, can be harder to finance.

Condos. Some lenders are nervous about lending on condos, especially if another “red flag” appears ie. an apartment condo in a small town.

Condo fees. Please advise if you are looking at purchasing a condo. If you were qualified based on buying a property that does not have condo fees, the introduction of condo fees will almost-certainly lower the amount for which you are qualified to borrow.

Condo fees, lack of. If you are looking at buying a property that *should* have condo fees, but doesn't, this can be an issue.

Condo Conversions. Does the condo you're looking at have an abnormally low list price? Does it have a small reserve fund? Was it perhaps an old one-owner building that was later divided into individual units, and sold off? If so, some lenders might be hesitant to finance it.

Condo, self-managed. Does the condo not have a professional company managing it? Are the condo fees abnormally low? If the condo is run by a group of residents, it might not be every lender's cup of tea.

Condo, high-rise. Some lenders are nervous about these.

Condo, post-tension cables. If the property in question has these, please let me know.

Defect Disclosure. If you are looking at buying a property and the seller returns your offer with a defect disclosure, depending on what is disclosed, the lenders might be hesitant financing said property. When sharing an offer to purchase with us (the brokerage) you **must** transmit all schedules, amendment, waivers etc, otherwise we / the lender won't have all the information, with which to make a decision and we (the brokerage) will consider withholding this information as fraudulent.

Occupancy. Lenders often prefer to finance properties that are occupied by the borrower, vs tenants.

Buyer. If you are wanting to purchase a property through a company, this will likely change (increase) the rates (and minimum down payment) for which you are eligible.

Number of properties purchased. Many lenders have a limit as to the number of "doors" they will allow a borrower to own.

Short-Term Rentals. A number of lenders are hesitant to lend on properties where the borrower intends on renting it out on short term rental websites. Some are even hesitant to lend on condos where other units in the building are listed on these types of websites.

Use. Lenders often prefer conventional properties ie. single-family homes etc. A specific-use property (ie. old funeral home/parcel of land to be used for logging) can be hard to finance, especially if it is a re-purposed one ie. (old church now being used as a home).

Use, multiple. Some lenders are hesitant with properties being used for two purposes at once ie. residential and commercial.

Use, agricultural. Many lenders don't like properties that are being used (or could be used) as a farm. ie. even a 20-acre parcel with horse corrals can be challenging to finance.

Size, building. Many lenders have minimum square foot sizes (ie. 650 sq ft for condos)

Size, land. Many lenders have maximum land sizes that they will entertain (ie. max 5 acres). Some lenders might entertain financing land parcels above a certain size, but not include all acres/buildings in the valuation ie. will entertain financing 65% of value of house + 5 acres, but no outbuildings (ie. barns).

Mobile homes. My lenders do not finance mobile homes through the broker channel. This might be something to try directly through a bank branch.

Environment/community. Some lenders are very hesitant to lend on properties that are unique among their neighbours (ie. a house surrounded by commercial buildings). The concept of land contamination also plays in here; a close-by gas station, or dry-cleaner can also make a lender nervous.

Land only. This can be very challenging to finance, even if a borrower plans on developing it.

I couldn't possibly cover all of the property-related criteria that might make a lender skittish, but I have tried to cover the more prevalent items. When in doubt, feel free to send me the MLS of the property you're looking at and I can see if it might pose a challenge for me to arrange financing for it.

This article/document was written by Trevor Hickey, who has been a licenced Mortgage Associate with Concord Mortgage Group Ltd. since 2006.

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Note: The above is not meant to be disparaging to any specific property, nor any type of property.