

“Where The Buys Are”

How You Can Be Certain Fountains On Ocean Boulevard is Your Best Buy

You have analyzed the market, read all the newspaper articles, watched all the expert finance shows about the real estate market in Florida, and have decided that now is a good time to snap up a deal and capitalize on the current economic market.

Here is some information that can help you make the best decision about purchasing at Fountains On Ocean Boulevard.

What You Should Know About Fannie Mae Approvals and How This Impacts Your Mortgage and Resale

Q: Is Fountains on Ocean Boulevard a Fannie Mae (FNMA) approved project?

A: YES, Fountains holds a Project Approval Letter from Fannie Mae indicating loans can be underwritten to Fannie Mae (FNMA) guidelines.

Q: Can this approval mean better security and assurances for the buyer? Tell me more about what does Fannie Mae (FNMA) approval means.

A: This means that FNMA has reviewed all legal and budgeting documents of the project and they meet all approval requirements and guidelines established by FNMA. Typically FNMA’s main concern with approving a project is to ensure that the investment does not fall into high risk or unstable categories such as condo hotel. FNMA also verifies that the estimated budget is sufficient to maintain the property for the long term, making lending in the project less risky than in those that do not meet those guidelines. Underfunded operating budgets and budgets that do not establish sufficient capital reserves to provide funds for future repairs are typically the reason why properties are not approved or lose their approval.

Q: Why does FNMA Project Approval matter?

A: Approval of a project makes more options available to owners who wish to finance their homes. Without FNMA approval, purchasers would have to either pay all cash (no financing) or obtain a “Non-Warrantable”. Typically non-warrantable loans are significantly less available, and come at a higher interest rate or with greater restrictions.



Q: I'm paying cash for the property and not financing any part of the purchase and can get a lower price at a comparable property. Why would FNMA approval matter to me?

A: Though you are paying cash today and not financing, one day you may want to sell your home. Without FNMA approval, the number of buyers for your home will be limited to other cash buyers, or buyers who are willing to pay premiums (such as more money down, higher interest rates, and higher fees) to secure non-warrantable financing.

Additionally, if the project is not FNMA approved, the condition of the property may be negatively impacted over the long run. For example, if the project was not approved because FNMA did not feel that the property was adequately funded, then it is likely that the physical condition of the property has not been properly maintained. One may find deferred maintenance in the common areas as well as other "big ticket" items, such as: roofs, mechanical equipment, pool, landscaping, and other operating systems in need of repair. When things like these begin to fail or are left unattended and there are not sufficient funds in the Association's budget to cover or repair them, then Special Assessments are levied to the owners to cover these costs. Bottom line, either you pay for these items monthly in a healthy Association budget that meets FNMA guidelines, or you pay for it in the future through Special Assessments and lower property values.

Q: Why would any building not be FNMA approved?

A: There are really only 2 reasons why a Seller would not be FNMA Approved.

1. They cannot qualify because of their product type or legal documents.
2. They have built an artificially low HOA fee structure in the hopes that buyers will overlook the lack of approval and be enticed by the savings in the lower HOA fees.

Q: Is the Fountains on Ocean Boulevard's budget fully funded with reserves? If so, why is this important?

A: Yes, the Fountains Reserve Budget is fully funded by the Developer on its' unsold units in 2010. This is important because in the current economy, having an association that is fully funded with building reserves leads to peace of mind. Having established acceptable reserves is also one of FNMA's requirements.



Q. Tell me about the Owners Association at Fountains on Ocean Boulevard.

A. You may find a disparity between the HOA fees you pay here and how much you pay elsewhere. Here is some possible insight into why.

New condominium projects in the State of Florida typically operate until nearly sold out in a Developer Control period where the Developer has the option to deficit fund the operating budget (vs. paying the full HOA dues on each unit monthly). By deficit funding, some developers are able to hide the true cost of the operations of the property, thus giving the owner the impression that costs to operate the property are lower than they actually are. Additionally, a Developer can elect to waive their contributions to the Capital Reserve fund on the unsold units until sold, thus saving themselves money at the expense of the long term financial health of the property.

At Fountains, the Developer has elected to fully fund its monthly share of the reserves of each unsold unit. Additionally, while we do deficit fund the budget, our budget is based on actual operating costs and as of the drafting of this document it has not had to subsidize the HOA budget beyond the full collections of each unit at its full HOA contribution.

Q: What was the design concept for Fountains?

A: Fountains was built with quality materials, workmanship and efficient operations in mind. The developer deliberately left out a large lobby, concierge, doorman, valet and little-used common area spaces and amenities which significantly add to the monthly cost for an owner. With its boutique design and elite privacy features Fountains has proven to be a rare investment only 61 lucky individuals will have the opportunity to own.

