

# Chicago Tribune



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## COMMUNITY LIVING

# Amid hard times, good news for associations

### New mortgage rules will boost financial health

By Pamela Dittmer McKuen

SPECIAL TO THE TRIBUNE

It's been a tough year for community associations. They've seen record numbers of foreclosures, bankruptcies and assessment delinquencies. Their reserves, if they didn't have to spend them on day-to-day bills, earned nearly nothing in interest. Young associations whose developers fall into hard times are struggling to get off the ground. Many older buildings are due for serious repair.

Despite the hardships, many good things have happened for associations as well. Take a look at the bright side:

■ **City high-rises get a break.** The Chicago Buildings Department recently eased several life-safety regulations for the tallest buildings. Among them, the deadline for buildings over 80 feet to install a voice communication system has been extended to Jan. 1, 2015, from Jan. 1, 2012. Also, the Exterior Facade Inspection Ordinance was amended to reduce the frequency of critical hands-on inspections for some buildings. Those that have been deemed safe by previous inspections may submit subsequent ground-level visual inspections.

The initiatives are a welcome respite for Chicago's condo associations, said Gene Fisher, president of 2626 N. Lakeview Condominium Association and the Diversey Harbor Lakeview Association neighborhood group.

"They help us introduce expense controls and assessment controls that are crucial in the currently difficult economy, and

importantly, to do so without compromising public safety," he said.

■ **Savings are everywhere.** "We have unprecedented availability of discounted utility services and unprecedented access to bulk telecommunications services," said association attorney David Sugar of Arnstein & Lehr in Chicago. "We also have a number of lenders ready, willing and able to make loans at low cost for major capital projects if you are a well-run association."

Contractors have fine-tuned their operations to see how they can provide the best service for the most competitive price so they can keep their crews working, said Don Kekstadt, executive vice president for Lieberman Management Services in Buffalo Grove.

■ **New mortgage requirements, Part I.** The Federal Housing Administration and other lenders are considering the financial health of associations in addition to that of borrowers before granting mortgage approval. They're looking for such indicators as reasonable reserves, low delinquencies, current reserve studies and high owner occupancies.

"In this competitive real estate market, those associations that comply will rise to the top and will make it easier for their units to sell and at a higher market value," said Shirley Feldmann, president of Association Advocates Inc. in Chicago.

■ **New mortgage requirements, Part II.** The U.S. Department of Housing and Urban Development, which oversees the FHA, revised its policy on the right of first refusal. No longer does the right of first refusal mean prospective buyers get an automatic denial. You don't need to amend your documents to remove it, said

association attorney Shelley R.Z. Barnett of Barnett Law Firm in Elgin.

■ **New mortgage requirements, Part III.** Today's buyers, who must meet stricter criteria than they did a few years ago, may be better off financially and have fewer delinquencies, said Barnett.

"With some of the older problems weeded out over time, the associations may begin to strengthen," she said.

■ **Association managers will be licensed.** The Community Association Manager Act sets minimum standards for managers, requires continuing education, imposes disciplinary action for violators and establishes fiscal protections for associations. The legislation goes into effect July 1, 2010.

"All management companies will be forced to learn the Illinois Condominium Property Act and proper condo guidelines," said association consultant Angela Falzone of Association Advocates Inc. in Park Ridge. "Without that, boards are in jeopardy of legal risk and liability."

■ **Short sales won't sink the value of your unit.** Most appraisers don't use those ultra-low selling prices as comparables to make a fair market analysis, said Juliana Yeager of Re/Max Edge in Lakeview.

■ **Associations are faring pretty well.** "From my experience, most boards are viewing their positions as decision-makers of a corporation and are not allowing the economic times to dictate," said Andrea Sorgani, president of the Illinois Chapter of the Community Associations Institute and Alma Property Management Services in Schaumburg. "They do what they need to do so they have the money to pay their operating expenses and maintain the common areas as needed."