

CONDO'S & DON'TS

Condominium Reference Guide

CONDO'S

Know how a condominium works
Know the steps in buying a condominium
Know what to expect after you move in

DON'TS

Disregard the CONDO'S
Try to understand everything on your own

HOW A CONDOMINIUM WORKS

A Condominium is actually a legal definition that refers to the method of ownership, not the type of building. Any type of home - including suites in low rise or high rise towers or townhomes - can be a condominium.

When you buy a condominium, you own the interior space of your home outright. Then you and all the other homeowners in your condominium community jointly own all the other physical and mechanical structures, from the hallways and elevators to the recreational facilities and the outside grounds. These are for the shared use of all owners and are called "common elements". Your balcony or patio is also considered a common element, but it's what's known as an exclusive use common element. This means only you can use it, but the maintenance is not your responsibility.

STEPS IN BUYING A CONDO

Purchasing a condominium is a significant financial investment and as a result, can be a highly stressful experience. At Cornerstone Management, we recognize that fact and want to help reduce whatever stress you might feel wherever we can. Our representatives are well trained and extremely knowledgeable of the condominium buying process. They are always ready to answer any questions or discuss any concerns you might have.

Thinking of buying a condominium? Here are some simple questions to ask yourself when buying a condo. (Don't worry if you don't have all the answers to these questions. Just thinking about them will help you get ready to start your search.)

1. Where do you want to live?

What part of Tuscaloosa best suits your lifestyle? Will you be attending the University of Alabama? Where is your work located? Are there schools nearby? Where can you shop? The answer to these questions is also the answer to the first question of home buying-- which is "Where"? Cornerstone Management offers locations within close proximity of The University of Alabama, downtown Tuscaloosa, the interstate, and the riverfront.

2. What type of condominium do you want to live in?

After location, the next decision you'll have to make is about the kind of space you want to live in. There is a world of options to choose from, including high rise, low rise and town homes. You'll also need to think about the combination of rooms and living spaces that would best suit your

needs. Do you need 1 bedroom, 2 or more? What is the best type of layout for you? What direction do you want to face and how high up would you like to be? What types of amenities are you most interested in? Cornerstone Management has come to understand that a condominium is about more than square footage, and should reflect your tastes and values.

3. How much do I want to pay?

To answer this question, you will first need to determine how much you can afford based on the location and the type of home you want to live in. You will have to decide on an appropriate down payment as well as your mortgage carrying ability. You will need to add these numbers to all other loan expenses you might have as well as your total average monthly expenses. The sum of these numbers needs to be an amount that you can comfortably cover within your available financial resources. (Insert a mortgage calculator and link to a lender)

WHAT CAN I AFFORD

You will need to estimate your income, expenses, investments, savings and debt to determine what would be an appropriate mortgage for you. Bank of Montreal has an interactive worksheet that can help you with this exercise. First Federal Bank has provided a description of various types of mortgages along with the advantages of obtaining a pre-approved mortgage.

Some examples of these guidelines include:

- Total monthly mortgage payments should not exceed 27% - 32% of your monthly income before taxes.
- Total monthly payments for the mortgage and other loans and credit cards should not exceed 37% - 40% of your monthly income before taxes.

Other Home Ownership Expenses

It will be important to calculate all other expenses associated with a home purchase, as well as what you can afford for a down payment and mortgage payments.

Home Owners Association (HOA) DUES

Also referred to as common area expenses. HOA dues are a monthly charge (your share) for the utilities, regular upkeep, management, administration and insurance for the common element areas. The fees vary according to project and condominium size. Each homeowner's portion of these expenses is set out in the budget statement, which lists the percentage for which each unit is responsible. But for many people, the maintenance costs involved with living in a condominium are offset by expenses they used to have when they lived elsewhere. For example, many offer cable and high-speed internet service as part of your HOA dues. Further, you may no longer find it necessary to belong to an expensive health club or recreation club (not to mention the time and energy you spend getting there). When you live in a condominium, you often have access to amenities that you may not have been able to afford on your own. For example, when was the last time you owned a home with a pool? Or a state of the art exercise facility? Or a monitored alarm system? All these amenities, and more, are available in communities managed by Cornerstone Management. And, like the rest of the building, the maintenance is looked after, leaving you free to fully enjoy your new home.

4. How do I make my purchase?

Purchasing a condominium requires more information than purchasing a single family home, and usually requires that you use specific documents to make the purchase. Each development has different documents and funding requirements. Cornerstone Management can provide you with the necessary documents for you to review and assist you in a smooth transaction. The necessary documents typically can be categorized into three groups:

*Offering Statement**. The offering statement is the legal framework for the development of the condominium community, and communicates to the buyer what they are and what they are not

contracting to purchase. The offering statement must fully and accurately disclose certain information to the buyer. A summary of the information can be accessed by clicking here. The buyer is given a copy of the offering statement at the time of signing the Agreement of Purchase and Sale and asked to sign a form acknowledging receipt of the offering statement. The buyer has a seven day right of rescission period to review the offering statement.

Agreement of Purchase and Sale. The home purchasing process starts with signing the Agreement of Purchase and Sale. You need to review it carefully as it is a legally binding contract. Not only does it include the purchase price, it also includes terms and conditions that will apply to the transaction, a description of how the purchase will be financed; the closing date; the date possession will be delivered to the buyer; pre-delivery inspection and other contingencies.

Disclosure Statements & Condo documentation (by-laws, rules & budget of the condominium corporation): The disclosure statement and documentation encapsulates all the important information about the condo you are purchasing.

You will need to review each of these documents and sign the agreement to purchase and sale. You will also be required to sign a form acknowledging receipt of the aforementioned documents. **YOU WILL NEED TO MAKE SURE YOU READ ALL OF THESE DOCUMENTS VERY CAREFULLY.**

*If you are purchasing an existing condominium the offering statement will not apply.

AFTER YOU MOVE IN

Living in a condominium offers you many benefits to traditional home ownership. Here we have provided you with some key information and a glossary of terms as it relates to condominium living.

Condominium Corporation: A Corporation without share capital, created under the Condominium Act for the purposes of administering the operation, maintenance and repair of the common elements and assets of the condominium. The Corporation is guided by a democratically elected Board of Directors consisting of homeowners.

Board of Directors: An elected group of homeowners whose purpose is to serve the interests of the members of the condominium corporation. Each condominium community establishes a corporation to manage the details of shared ownership and the homeowners' needs and interests. The homeowners elect from the residents, a board of directors to oversee the corporation's business. The board sets up bylaws to ensure the safety, security and welfare of all the residents. Often sub-committees, such as a social committee or garden committee, are formed to co-ordinate specific tasks or organize special events. You can determine the degree to which you become involved with your condominium community. You may seek a position on the board of directors, or opt to leave the decision making up to your neighbors. It's all up to you.

Property Management: In a condominium, the Board of Directors appoints a professional condominium management company to manage the common elements and assets of the Condominium Corporation. The role of the professional condominium management company is to provide quality and timely information to the Condominium homeowners' elected representatives (the Board of Directors). This enables the Board to make informed policy decisions pertaining to the preservation and care of the common elements and assets of the Condominium Corporation, as well as the welfare, safety and lifestyle of the residents. Once the Board has made a decision, the condominium management company is delegated and entrusted with the responsibility of implementing that decision in an expeditious and efficient fashion. Cornerstone Management specializes in property management for condominium associations. Our efforts and commitment are to economically and efficiently manage your community to create the highest value, and also to enhance the lifestyle in your condominium community.

DON'TS

TRY TO UNDERSTAND EVERYTHING ALONE

There is a lot of information that pertains to the purchase of a condominium. At Cornerstone Management we can help simplify the process, aid you in making your condominium purchase, and recommend lending and legal professionals that are experts in condominiums. We can help you understand.

Here Link

Section 35-8A-403

Offering statement - General provisions.

(a) Except as provided in subsection (b), an offering statement must contain or fully and accurately disclose:

- (1) The name and principal address of the declarant and of the condominium;
- (2) A general description of the condominium, including to the extent possible, the types, number, and declarant's schedule of commencement and completion of construction of buildings, and amenities that declarant anticipates including in the condominium;
- (3) The number of units in the condominium;
- (4) Copies of the declaration, other than the plats and plans, as well as any other recorded covenants, conditions, restrictions and reservations affecting the condominium; the bylaws, and any rules or regulations of the association; copies of any contracts and leases to be signed by purchasers at closing, and copies of any contracts or leases that will or may be subject to cancellation by the association under section 35-8A-305;
- (5) Any current balance sheet and a projected budget for the association, either within or as an exhibit to the offering statement, for one year after the date of the first conveyance to a purchaser, and thereafter the current budget of the association, a statement of who prepared the budget, and a statement of the budget's assumption concerning occupancy. The budget must include, without limitation:
 - a. A statement of the amount, or a statement that there is no amount, included in the budget as a reserve for repairs and replacement;
 - b. A statement of any other reserves;
 - c. The projected common expense assessment by category of expenditures for the association; and
 - d. The projected monthly common expense assessment for each type of unit;
- (6) Any services not reflected in the budget that the declarant provides, or expenses that he pays, and that he expects may become at any subsequent time a common expense of the association and the projected common expense assessment attributable to each of those services or expenses for the association and for each type of unit;
- (7) Any initial or special fee due from the purchaser at closing together with a description of the purpose and method of calculating the fee;
- (8) A reference to, and a brief description of, any liens, known defects, or encumbrances on or affecting the title to the condominium;
- (9) A description of any financing offered or arranged by the declarant and if the contract of sale offered to the purchaser does not contain a provision conditioning purchaser's obligation to perform the contract on obtaining financing, a statement that the purchaser will forfeit any deposit he has paid if the purchaser requires such financing but does not qualify for such financing as is offered or arranged by declarant;

(10) The terms and significant limitations of any warranties provided by the declarant, including statutory warranties provided in this chapter and limitations on the enforcement thereof or on damages;

(11) A statement that:

- a. Within seven days after receipt of an offering statement a purchaser, before conveyance, may cancel any contract for purchase of a unit from a declarant,
- b. If a declarant fails to provide an offering statement to a purchaser before conveying a unit, that purchaser may rescind the conveyance within seven days after first receiving the offering statement, and
- c. If a purchaser receives the public offering statement more than seven days before signing a contract, he cannot cancel the contract;

(12) A statement of any unsatisfied judgments or pending suits against the association; and the status of any pending suits material to the condominium of which a declarant has actual knowledge;

(13) A statement that any deposit made in connection with the purchase of a unit will be held in an escrow account until closing and will be returned to the purchaser if the purchaser cancels the contract pursuant to section 35-8A-408, together with the name and address of the escrow agent;

(14) Any restraints on sale or lease of any units in the condominium and any restrictions:

- a. On use, occupancy or alienation of the units, and
- b. On the amount for which a unit may be sold or on the amount that may be received by a unit owner on sale, condemnation, casualty loss to the unit or to the condominium or on the termination of the condominium;

(15) A brief description of the insurance coverage provided for the benefit of unit owners;

(16) Any current or expected fees or charges to be paid by unit owners for the use of the common elements and other facilities related to the condominium;

(17) The extent to which financial arrangements have been provided for completion of all improvements that the declarant is obligated to build pursuant to section 35-8A-416 (Declarant's obligation to complete and restore);

(18) A brief narrative description of any zoning affecting the condominium; and

(19) The applicable amendment requirements as provided in the declaration or as provided by Alabama law.

(b) If a condominium composed of not more than 12 units is not subject to any development rights, and no power is reserved to a declarant to make the condominium part of a larger condominium, group of condominiums, or other real estate, an offering statement may but need not include the information otherwise required by subdivisions (9), (10), (15), (16), (17), and (18) of subsection (a).

(c) A declarant shall promptly amend the offering statement to report any material change in the information required by this section.

(Acts 1990, No. 90-551, p. 858, §4-103.)