

What is a PUD?

The lines between condos, townhomes, co-ops and planned unit developments (PUD) can get blurry. Here's the definition of PUD and what you need to know before you buy PUD real estate.

A Planned Unit Development (PUD) is a community of homes that could look like single family residences, townhomes or condos, and can include both residential and commercial units, but on paper, they're most similar to condos. When you're shopping for homes and see the type of ownership listed as "condominium," even though the home looks like a typical house or townhome, then it's most likely a PUD.

A PUD includes ownership of a "lot," with common areas either owned by a homeowner's association (HOA) or collectively by all invested parties. If you buy a home within a planned unit development, you'll have to pay homeowner's association dues. PUDs often have amenities beyond the scope of most condos, like private tennis courts and outdoor playgrounds that are maintained by HOA fees and only open to homeowners. The monthly dues can be very high in some communities, so it's important to include them in your monthly budget when deciding whether or not to buy a PUD.

Before You Buy

Planned unit developments also come with rules and regulations set by the HOA, which you'll want to ask for before you buy so you know exactly what you can and can't do with your property.

Mortgage lenders will review a loan for a home in a PUD in the same way as they would a condo; the PUD needs to meet certain requirements, like having enough reserves saved up, proper insurance coverage, and reputation for collecting dues on time. If the PUD does not meet their requirements, you could be rejected for a loan.

There's growing demand for PUDs because they offer incredible convenience, with restaurants and even dental clinics often right downstairs. And thanks to the homeowner's association and shared amenities, PUDs can have a greater sense of community, where neighbors get to know each other well. However, the HOA dues can turn off some buyers.

If you're in the housing market and thinking about buying a home in a planned unit development, be sure to talk to a real estate agent about the extra steps you should take before you buy and what it might mean for your home value down the road.

Definition of Condominium

A condominium, or condo, is a unit that you own within a multi-unit complex such as an apartment building. While each condo is individually owned, the common spaces are

collectively owned and shared by all the owners in the complex. Condo developments are managed by homeowners associations that collect monthly dues, maintain operations, and enforce policies. Condo buildings are different from co-ops. With a co-op, the homeowners own shares in the corporation that owns the building, rather than owning units themselves. Co-op owners receive the right to live in a specific unit and enjoy common spaces in accordance with a written lease agreement.

Definition of Townhouse

A townhouse is a type of home that's usually constructed as a two- or three-story unit with a common wall or walls bordering the adjacent unit. The common form of ownership is similar to a condominium project, in that the property owner not only owns his or her respective unit, but also owns an undivided interest in any common area. Townhouse ownership sometimes differs from condominium ownership in that the townhouse owner owns the physical structure rather than just the airspace between the walls, floor and ceiling. However, in some areas "townhouse" can refer to the physical style of the structure rather than the form of ownership.

Why it really matters if it's a condo or PUD

If it looks like a duck and quacks like a duck, it's most likely a duck. But in the case of real estate, a PUD (Planned Unit Development) often looks just like a condominium, yet it is something completely different. This might not seem like an important distinction, but after speaking with a townhouse PUD owner recently who was rejected for a conventional loan because the lender AND appraiser incorrectly labeled her property as a condo, this is definitely relevant.

Why can financing work for a PUD but not a condo?

Underwriting guidelines and documentation requirements vary greatly depending upon whether the subject property is a condo or a PUD. It is important to confirm which type of property you are dealing with. Condos can require project approval and HOA insurance approval, which will require specific documentation which must be provided by the HOA. This documentation is analyzed for acceptability against investor guidelines. Many aspects of the project are reviewed and must meet specific criteria such as a certain number of units are expected to be occupied by owners, minimum square footage requirements, certain financial reserve requirements, whether the project has any commercial space just to name a few. The condo project review process can be lengthy and sometimes results in the project being rejected. A PUD on the other hand has far fewer eligibility and documentation requirements, and in some cases requires no review at all. If your PUD is a detached PUD, then these are normally just treated like a single family dwelling with no PUD project review required at all. If the PUD is an attached PUD, limited documentation may be required and the PUD project review process is much more limited with just a few project criteria checked. A conventional loan that can be approved for a PUD project may not be able to be

approved for a Condo project because the underwriting guidelines do differ for condos and PUDs.

Labels Matter: In short, the PUD owner mentioned above was denied a loan with her first lender because both the lender and appraiser thought her property was a condo. Some of the “condo” information just didn’t jive well with the lender (there were far too many rentals), so the loan was rejected. BUT since this property wasn’t actually a condo (despite Tax Records saying it was), the owner was able to get a loan on her PUD property despite a high level of rentals in her subdivision.

Is it a condo or not? How to use a plat maps to know: If you want to be a real estate expert and provide accurate information to clients, it is crucial to be able to be able to tell the difference between a PUD and condominium Remember, Tax Records can frequently label a PUD as a “condo”, which can be confusing.

It’s all about the lot: If you don’t have the CC&Rs or a legal description, it’s time to use the plat map in Realist. Does the plat map show specific lot dimensions for the subject property unit? If so, it’s most likely a PUD and not a condominium. Why? Because the owner of a condominium does NOT have ownership of the specific site on which the unit is built, so there is no reason to give specific dimensions on the plat map for the lot shape. If an individual parcel is identified with dimensions on the plat map for the individual lot, it’s not a condo. In contrast, since a PUD does own the lot, there should be dimensions for the individual lot. Click the thumbnails to view larger images.

