

Questions to ask before buying a condo

By ALEX VEIGA
AP Business Writer

Los Angeles — For many aspiring homeowners, buying a condominium is an affordable way to transition from being a renter and begin reaping the benefits of homeownership without a lot of the added costs involved in maintaining a house with a yard on a piece of property.

Condos also may come with added perks many first-time homebuyers might not be able to afford in their starter home, such as a swimming pool or hottub, or resort-like amenities such as tennis courts and security guards.

But the condo life also requires owners to give up some of the freedom they would enjoy if they owned their own detached home, all while being exposed to onerous maintenance fees on top of their mortgage payments.

And too often, experts say, condo buyers don't stop to consider exactly what they're getting into.

"The biggest single mistake that people tend to make is to think that buying a condo is just a less expensive way of buying a house and not really understanding that it's shared ownership, which is a lot different," says Robert Irwin, author of "Tips and Traps When Buying a Condo, Co-op, or Townhouse."

"They aren't going to be able to do a lot of the things they can freely do when they own their single-family detached house," Irwin says.

Still, there are steps buyers considering a condo purchase can take to ensure they know what to expect before taking the plunge.

What are the costs?

The first thing one should try to find out is how much one will have to pay in maintenance costs, or monthly homeowners association fees. You also want to know if there are any big special assessments on the horizon.

Special assessments are fees that condo associations sometimes decide to charge

owners in order to pay for an unexpected cost, such as an emergency repair, litigation or even to help cover a shortfall in monthly dues in the event of multiple foreclosures.

Assuming that the maintenance is reasonable and there aren't any special assessments on the radar, you can delve deeper.

You may be happy with a building's looks, the size of the unit and location. But a condo is real estate, just like a detached home. And just like a detached home, the value of a condo will rise or fall largely based on how comparable units sell.

Buildings with high proportions of unsold, empty units can send the wrong signal to buyers and can hurt comparable resale prices.

Also, a condo complex that has too many investor-owned units being rented rather than occupied by owners can make it tougher to obtain financing, experts say.

What's the occupancy rate?

"The first thing I want to know is what the occupancy rate is," says Ken Roth, author of "Everything You Need to Know Before Buying a Co-op, Condo, or Townhouse."

In a market with declining sales and home prices, condo owners who bought during the peak or speculators who bought with the intention to unload their properties quickly could be in financial trouble, particularly if they took on risky adjustable-rate mortgages, Roth says.

Buyers looking to snap up a unit in such a complex might find it difficult to get a mortgage because banks typically won't finance or will charge a premium to finance a unit in a building where 40 percent or more of the units are rentals, Roth says.

Irwin says the threshold is even narrower, as low as 20 percent.

Therefore, condo buyers should find out what the occupancy rate of the building is and what percentage of its units are being rented out by their owners. Ask the homeowners' association, or in the case of a new building,

the developer.

In many markets like Miami and San Diego, heavy condo construction combined with flipping by investors during the last housing boom left many condo complexes pockmarked by empty units that were foreclosed, so buying a condo in a newly built complex requires a lot more research on the part of the buyer these days.

Experts advise buyers to examine the financial state of a developer and to ask to have some guarantee that any money you put in toward a unit in a building under construction be kept in escrow.

In some states, part of the money is allowed to be used for construction, so if the developer goes belly up, you're only going to get half back.

One gimmick to watch out for is when developers advertise a building as 80 percent or 90 percent sold.

That sounds good, but sometimes what developers are really saying is they've sold most of the units they've released, or put on the market, rather than most of the units in the building.

"Your due diligence in this economy is going to certainly have to be much heightened than what it was a few years ago during the heyday of the (housing) bubble," Roth says.

What are the rules?

The next key step when considering a condo purchase is to go over the building's condo rules, sometimes known as the covenants, conditions and restrictions documents.

The condo documents are typically handed over to buyers when the contract is signed, but depending on the state where the condo is located, buyers have several days to look over the documents and back out of the contract, experts say.

The documents are crucial because they spell out all the rules on everything from how parking spaces are assigned to what types of restrictions owners must heed for remodeling

and decor.

Too often, buyers don't look through these documents thoroughly and end up in a bind after it's too late.

That's what happened to Tara Washlack and her husband, first-time homebuyers who purchased a condo in Los Angeles in July 2007.

The couple skimmed through the condo documents and later ran into trouble when they wanted to install a satellite-TV dish. The condo rules, however, prohibited the installation of such hardware on the building, said Washlack, a pharmaceutical researcher.

The condo rules also did not allow the Washlacks to run a TV cable through a different location in their unit because it would have been necessary to drill a hole in the exterior of the building. They also couldn't add an overhead light in their living room because they'd have to run cables through the building's roof, Tara said.

Then, they discovered they couldn't install a canopy on their balcony.

"That's one of the things that was disclosed to us, but again, it was overlooked since we had thousands and thousands and thousands of pages (to read)," said Washlack, 29, referring to the condo documents. "I think for the average homeowner it's kind of an overload."

One other big reason to plow through the condo documents closely: To find out what the condo association's financial picture looks like and whether it is involved in litigation.

Although the homeowners' association will typically have some insurance coverage for litigation, it may not completely shield owners from liability, Irwin warns.

"If you get into a situation and you find where there's a whole bunch of lawsuits going on — regardless of how well you like the physical layout and the building itself," says Irwin, "it may be the sort of thing you might want to pass on."

Creating a home theater requires a certain amount of TV know-how

By JAMES and MORRIS CAREY
For The Associated Press

If you don't know a burn-in from a black black, your TV is probably stuck in the last century.

It took three months of investigation to decide which type of flat-screen television was best for us, picking up some new vocabulary on the way: "refresh rate," "screen performance" and "black blacks." You may want to study our findings before you begin your own shopping trip.

There are two major types of flat

screens: Plasma and LCD. Here are a few key differences:

Lighting: When we were first compared them side-by-side, it was immediately apparent that the plasma screen offered a much crisper picture. The image seemed slightly sharper, the blacks were blacker (a higher contrast image) and thus the colors were more vivid. But the LCD picture seemed "brighter," and it was easier to see detail in highlights and shadows from almost anywhere in the room.

We were soon to learn that each

of the two types had advantages. For example: where the plasma had a sharper image and brighter colors, room light and outside light reflecting off the highly polished screen made it difficult to see the picture from any angle. And where the LCD picture was slightly muted and not as sharp, we could see fine detail in shadows and highlights even in a brightly lighted room.

That means the LCD is perfect for use in rooms filled with windows. The screen is back-lighted which nullifies reflection of ambient light.

On the other hand, a plasma screen, placed in a room where windows could be completely shaded, offered the very finest picture by far.

Action: Because the image on plasma screen refreshes more quickly than an LCD, action on a plasma screen is far more realistic. This can be important if you are a sports fan. On an LCD screen, a football flying through the air is usually followed by a ghost image. No ghost image on a plasma screen.

PlasmaProblems: In a controlled environment the plasma is sharper,

provides more brilliant colors, offers greater detail and doesn't have ghost images. So what's the down side? Most important is price. A plasma screen television is literally double or more an LCD's price.

But there are other problems: The screen's lasting quality is poor, with about a six year life span with average use. The condition that shortens the life of a plasma screen is known as "burn-in."

This is where a still picture can burn an image of itself into the screen.