

What is a Lender Certification?

A **Lender Certification** from the Homeowner's Association (HOA) is a form required by the new lender that provides information regarding the number of units that are owner and/or non-owner occupied in the community, notices regarding pending litigation, and notices of pending and current assessments and reserves. Each lender has a form with specific questions that meet their underwriting requirements. The form is typically required for all loans on condominiums and PUDs as well as single-family residences which are governed by associations. In order to avoid delays in processing by the HOA, most mortgage brokers order the form and pay for its completion upfront; the Buyers are then charged as part of their loan fees in order to reimburse the lender for this upfront HOA payment.

When the Escrow company is asked to order a Lender Certification, the Escrow officer will do so and then charge the Buyer for the fee at closing. HOA's charge anywhere from \$75 to \$250 to complete the form and often require payment in advance.

The CAR Residential Purchase Agreement (RPA) requires the Seller to pay for the cost of HOA documents under Civil Code Section 4525. If the Buyers are obtaining a new loan, you should advise the Buyers that a Lender Certification may be required and they might have to pay its cost prior to closing. Even if the Seller has agreed to pay for the cost of additional HOA documents (not required by the Civil Code), Escrow will still charge the fee for a Lender Certification to the Buyers as this is a requirement for their loan only.