

Angry neighbors pushing for 'renter rules'

By Ilyce Glink
and Samuel J. Tamkin
Tribune Content Agency

Q: Our three-unit condo building allows renters as long as the lease is for a term of at least one year. We bought a unit and then met the other two unit owners on the day we closed. We told them we'd be renting our unit and one of the unit owners has been quite distraught, as he has no interest in having renters in the building.

As a result, he is harassing the renter for tiny things and creating a very tense situation all the way around. Now the two other owners are considering putting a separate set of rules in place for renters.

We are committed to having the renter follow the bylaws of the association and do not know why there would be a separate set of rules for them. Have you heard of this? I

feel this is a slow and steady march to prevent renters in the building, which is not an option for us.

A: Let's start with the fact that personalities are always a factor when you live in a community, and with a three-unit building, you're in a very small community. So, whatever personality issues arise, they tend to get magnified, whether the issue is noise sensitivity, smoke intolerance, indifference to the building appearance, pickiness about the level of cleanliness, or a host of other issues.

In your particular situation, the neighbor is concerned about rentals in the three-flat building. You didn't indicate if the neighbor had issues with the renter because they were renting or if there were problems with that person. We'll have to assume that the neighbor doesn't

want to live in a building with rentals.

Generally, the governing document for a condominium association is the ultimate determinant as to what you can and can't do in a condominium project. If the document allows rentals, the board may not have the authority to eliminate rentals in the building without an amendment to the document. If the document requires all unit owners to sign off on an amendment, they would need your vote to make the change.

Now, you still would have to read the condominium declaration or other governing document to determine what restrictions the board can place on rental units. The board may have the ability to screen renters, pass rules and regulations that apply to all residents living in the building, but they probably don't have the right to pass rules

and regulations that specifically apply to renters and not owners. So they can't pass a rule that says that owners have the right to use the common areas of the property but renters can't.

As an owner of one of the three units in the building, we assume that you have the ability to sit on the board for the association. We'd suggest you go to the meetings to see what the other owners are trying to do. There are times that talking things through can de-escalate situations and addressing concerns by neighbors helps limit some of the problems that may have arisen. You can't eliminate all issues but perhaps you can figure out what has your neighbor up in arms and try to work things out.

Again, when it comes to personalities in buildings there may be little you can do and being on the right side of the

law may not matter. If you have to take legal action against the board or your neighbor, that route can be quite expensive and may not be cost effective. And, if going the litigation route ends up being your only option, your neighbor might end up winning because it might be more beneficial for you in the long term to sell your unit -- if it can sell for a profit -- than continue owning it and dealing with the neighbor.

(Ilyce Glink is the creator of an 18-part webinar+ebook series called "The Intentional Investor: How to be wildly successful in real estate," as well as the author of many books on real estate. She also hosts the "Real Estate Minute," on her YouTube channel. Samuel J. Tamkin is a Chicago-based real estate attorney. Contact Ilyce and Sam through her website, ThinkGlink.com.)

Home Buyers' Glossary

Adjustable-rate Mortgage (ARM) - A mortgage for which the interest rate and the payments change during the life of the loan.

Agreement of Sale - The contract in which the seller agrees to sell and buyer agrees to buy, with conditions and terms spelled out and signed by both parties.

Amortization - A plan for gradually repaying, in periodic payments, money borrowed.

Balloon Mortgage - A mortgage that has a large amount of the principle due at the time of maturity.

Bridge Loan - A loan that finances a mortgage at the end of one loan and the start of a new one.

Closing Costs - Expenses and fees that are added to the price of the property, paid by the buyer and the seller at the closing. The Agreement of Sale states who pays which costs.

Commercial Bank - A financial institution authorized to provide a variety of financial services, including consumer and business loans (generally short-term), checking services, credit cards and savings accounts.

Condominium - The buyer owns title to a residential unit, shares common areas with other unit owners and pays maintenance fees to the condominium association for property upkeep.

Conventional Loan - A loan not guaranteed by the VA or insured by the FHA.

Co-op - In exchange for the right to occupy a co-op unit, the buyer owns shares in the co-op corporation (made up of co-op residents), rather than owning real property.

Debt-to-income Ratio - A percentage arrived at by dividing the borrower's fixed monthly obligations by the borrower's monthly income.

Due-on-sale Clause - A mortgage stipulation demanding payment of the entire loan balance upon sale or other transfer of the real estate securing the loan.

Equity - The ownership interest remaining in property after payment of all liens or other charges on the property.

Escrow - Funds left in trust with a third party, to be paid to a designated recipient at a designated time.

Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) - A quasi-governmental secondary market agency that purchases whole mortgage loans. Freddie Mac sells interest in pools of mortgage loans to obtain funds for mortgage loan purchases.

Federal Housing Administration (FHA) - A government agency within the Department of Housing and Urban Development that administers many programs involving housing loans made from private funds, including mortgage insurance for lenders and rent or interest assistance for low-income tenants and mortgagors.

Federal National Mortgage Association (FNMA or Fannie Mae) - A privately owned and managed corporation that purchases mortgage loans originated by other lenders. Fannie Mae issues stocks and securities to obtain funds for its purchases.

Fixed-Rate Mortgage - A loan that has one set interest rate. Installment Debts - A buyer's long-term debts; they usually extend for periods longer than nine months.

Intermediate-term Loan - A home loan of less than 30 years.

Life-of-loan Cap - A consumer protection on some adjustable loans. It limits the total upward adjustment that may occur during the life of the loan. Also known as an overall cap.

Loan-to-value Ratio - The relationship between the amount of a home loan and the total value of the property. Lenders may limit their maximum loan to 80-95 percent of value.

Lock-in Rate - A rate commitment made by lenders when making a mortgage loan to commit to or "lock in" that rate pending loan approval. Lock-in commitment periods vary.

Market Value - The highest price the buyer is willing to pay for a property and the lowest price the seller will accept.

Mortgage - A lien or claim on property given by a buyer to a lender as security for money borrowed.

Mortgage Broker - An individual or company that obtains mortgages for others by finding lending institutions, insurance companies, or private lenders to lend money.

Payment Cap - Limits the amount that a monthly payment on an ARM loan can increase at the time of adjustment.

Points - One percent of the amount of the mortgage loan.

Prepayment - Payment of a mortgage loan, or portion of the loan, before the due date.

Prime Rate - The interest rate that banks charge to their preferred customers. Changes in prime rate are used as indexes in some adjustable rate mortgages, especially home equity lines of credit.

Principal - The basic loan amount, separate from interest, insurance, and taxes.

Private Mortgage Insurance (PMI) - The insurance coverage offered by a private company that protects a lender against loss on a default mortgage loan. Its use is usually limited to loans with high loan-to-value ratios. The borrower pays the premiums.

Title - Proof of ownership.

Title Search - A check of title records to assure that the buyer is purchasing property with no liens, encumbrances, or other claims which might adversely affect the title's value or marketability.

Veterans Administration (VA) - A government agency that helps veterans of the armed forces obtain housing.

