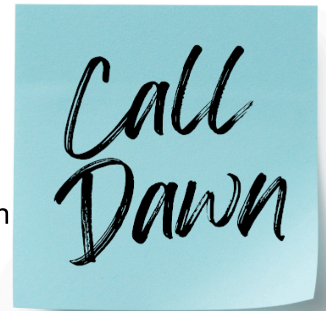
Occupancy



Whether or not you plan to occupy the property you are purchasing is a crucial aspect of your loan application. Your intended occupancy influences your down payment amount, interest rate, loan costs, and even the availability of certain loan programs. Lenders typically recognize three categories of occupancy:

1. Primary Residence

If you plan to live in the property as your primary residence, it qualifies as a primary residence. Lenders often refer to this as "owner-occupied" or "o/occ" for short. If you own multiple properties, your primary residence is the one where you reside for at least six months and one day each year. Additionally, your primary residence should be within a reasonable commuting distance from your workplace. With a primary residence, you can access the lowest rates, costs, and the most flexible loan terms. At closing, you'll sign a statement of occupancy, confirming your intent to move in within 60 days and to occupy the property for at least a year.

2. Secondary Residence

A property intended solely for personal use that you will not occupy for at least six months each year is classified as a secondary residence. Even if you rent out your primary home, a secondary residence cannot generate rental income. Common examples include vacation homes in resort areas, future retirement homes, or condos purchased near family. For financing purposes, only single-family homes, condos, or townhomes are eligible as secondary residences. While the down payment may be slightly larger, the rates and loan costs are generally similar to those for primary residences.

3. Investment Property

If you plan to rent out the property you are buying, it is classified as an investment property. This can include long-term rentals or vacation rentals. Lenders describe loans for investment properties as "non-owner-occupied" or "no/occ." Projected rental income, as assessed by the appraiser, can often be used to offset the loan payment when calculating debt-to-income ratios. Unlike primary residence loans, no occupancy statement is required at closing. However, down payments, rates, and loan costs tend to be higher for investment properties.

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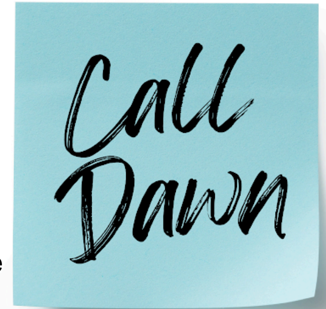
Special Cases



Cosigners: Many loans allow an owner-occupied buyer to include a non-occupying cosigner. This can help buyers who might not qualify independently by adding additional income and improving debt-to-income ratios. All loan activity will be reported on the cosigner's credit report, making them fully liable for the loan. Typically, cosigners must be family members by blood, marriage, or adoption. When purchasing a 2-4 unit property, a cosigner requires the loan to be classified as an investment property. If a cosigner is a possibility for you, let us know so we can guide you through the necessary rules for your loan.

Family Opportunity: Fannie Mae offers a broadened definition of "primary residence" for buyers purchasing property for a parent or child. This program allows for owner-occupied loan terms, including lower down payments, rates, and costs, under specific conditions:

- A parent buying a one-unit residence for a college-bound son or daughter.
- An adult child purchasing a primary residence for an elderly parent lacking sufficient income or financial resources.
- A parent acquiring a primary residence for a disabled son or daughter unable to work or qualify for a loan.

Properties purchased under the Family Opportunity program must be a single-family home, townhouse, or condo, not a multi-family property.

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