

Condominium Fees

<https://www.investopedia.com/terms/c/condominium-fee.asp>

What Is a Condominium Fee?

The term condominium [fee](#) refers to a levy paid by every property owner in a [condominium](#) complex to cover ongoing [maintenance costs](#). The fee is often based on the size of the condo unit, the amenities that the building offers, and any anticipated annual expenses. Fees, which are paid in addition to mortgage payments and other expenses, often cover utilities, landscaping, general maintenance, and other amenities such as gyms, swimming pools, and parking lots.

How Condominium Fees Work

The condominium or [homeowners association](#) (HOA) is an organization that votes to decide on the rules as well as enforce them for the members living in the community. The association also meets regularly to prioritize work projects and submit and consider [bids](#) for work to be done for the entire complex. Those who purchase a condominium become a member of the association and pay a periodic fee as mandated by the HOA. This fee is called a condominium or condo fee, and may also be referred to by some companies as a homeowners association fee.

Important:

Each homeowners association has a Declaration of Covenants, Conditions, and Restrictions which set conditions for owners about how the property and units are maintained.

Every condo owner is responsible to pay the condo fee. This is in addition to any other obligations including mortgage payments, [property taxes](#), as well as mortgage and [homeowners insurance](#). This is the agreed-upon sum paid every month to the condo or homeowners association for maintaining the overall appearance and upkeep of the community. As mentioned above, these fees are used to pay for utilities, repairs, landscaping, snow removal, general [maintenance expenses](#) of areas such as parking garages and lots, exercise facilities, elevators, lobbies, patios, shared indoor/outdoor spaces, and other amenities.

Condo fees can range anywhere from \$50 to \$1,000 per month. The amount of the fee depends on a number of factors including:

- the size of the [property](#)
- whether the building is a high-rise
- how many buildings are in a particular complex
- the [amenities](#) covered such as concierges, tennis courts, or parks/playgrounds

Key Points:

- A condominium fee is paid by all property owners of a condominium complex to cover ongoing maintenance costs.
- The fee is based on the condo's size, the amenities offered, and any annual expenses.
- Condominiums are appealing for those who want maintenance-free living.

- The condo association may charge fees or assessments if there isn't enough money to cover major improvement costs.

Special Considerations

While fees are used to pay for regular maintenance, some well-managed condo or HOAs often maintain [reserve funds](#) funded by condo fees. These funds are used to handle any unexpected maintenance projects, even after owners pay off their [mortgages](#). By doing so, each condo owner within the development essentially sets aside money for repairs on a regular basis. For instance, the reserve fund may be used to repair the building's façade, renovate the lobby and/or hallways, or repair parking facilities and terraces for each unit.

Advantages and Disadvantages of Condo Fees

Condominiums have a lot to offer, and their maintenance-free lifestyle may certainly sound appealing, but there are distinct advantages and disadvantages of owning a condo and, therefore, paying a fee. Ultimately, owning a condo is a decision to live in a communal setting where everyone agrees to [pool their monies](#) for the betterment of the community.

Pros

Condos often appeal to people who want to downsize or are heading into [retirement](#). The monthly fee is, therefore, a small price to pay for these individuals as well as for those who want to own property but don't want the hassle of maintaining it.

Paying a fee helps prevent the building and its units from falling into disrepair, which has a big impact on property values. Because units are regularly maintained, individual condo values shouldn't drop. And if an owner wants to sell in the future, upgrades and upkeep can maximize the selling price. Condo owners avoid the large repair costs associated with homeownership by paying a monthly fee. If for example, a condo fee is \$250 per month, the annual cost of \$3,000 might be small in comparison to the cost of a large home repair. The fees also include the ease of dealing with maintenance costs and the time saved in getting a repair and service bids from [vendors](#).

[Budgeting](#) expenses is easier with the monthly condo fee versus a home. In other words, the condo owner is able to spread out the repair costs that go into maintaining the property in equal monthly installments. The predictability of payments can be especially important to senior citizens living on a fixed income.

Pros

- Condo fees provide maintenance-free living for condo owners
- Condo fees provide easy budgeting for upkeep costs
- Condo fees help to avoid major repairs associated with homeownership
- Condo fees provide amenities that a home might not such as a clubhouse

Cons

- Condo fees can be expensive and range from \$50 to \$1,000 per month
- Condo fees can increase over time
- Condo associations may impose additional fees for major repairs
- Members may need to cover the condo fees for those who foreclose or can't pay

Cons

Condo fees are used in the calculation of any [mortgage qualifications](#) and, in some cases, may push the borrower beyond the allowed income-to-expense ratios. If, for example, the monthly [mortgage payment](#) is \$1,100 and the condo fee is \$400 per month, the total cost is \$1,500 per month without including any other expenses or debt payments. If a borrower can only get approved for \$1,400 per month and condo fees in the area are usually \$300 per month, the borrower will likely need to look for a smaller condo.

Another drawback to condominiums is that the fee covers the upkeep for every unit in the complex. This means that if some owners neglect theirs, responsible owners may have to pay higher fees to cover extra [expenses](#). Some homeowners prefer to be solely responsible for their own living quarters and repairs. Some owners may also be able to perform their own repairs at a lower cost than could be negotiated through the condo association dealing with service providers. However, they'd be stuck paying condo fees for services they don't need.

The condo association may need to charge special fees or [assessments](#) or may decide to increase its fee at any time—including when one or more members fail to pay their dues—to replenish its reserve funds to cover major improvement costs such as a new roof, driveway, or elevator.