

This Month in Real Estate

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March 2013

12 Steps to Buying a Co-op

Newsletter



Purchasing Process

1. Mortgage pre-approval

A pre-approval is necessary in order for any offer to be considered when purchasing any property. It is very important to know how much you can spend before you schedule any appointments. Co-op apartments generally have stricter down payment requirements and debt – to – income ratios than other properties.

2. Get Prepared

Most co-ops require you to provide 2 to 4 letters of reference for each applicant, including personal and business, your last year's tax return. Very often, not having this slows down your process. In addition, your money must be seasoned.

3. Preview Available Properties

Most buyers start their search on the internet. You will be able to save time and eliminate many apartments by viewing pictures and seeing the maintenance. In person, you will see what the views are, exposure, if the apartment is above a garage, where the laundry rooms are, etc.

4. Make an offer

It will be helpful to have your agent supply you with comparable sales for apartments in the past three months so that you can make an educated offer. You are purchasing "shares," not a deed. Additionally, you are assuming a "proprietary lease" from the seller. Expect to fill out copious forms and present financial records to the co-op board, so if you are not prepared to supply this information, possibly a co-op purchase is not for you.

5. Review co-op documents, including board package

The buyer must first do their "due diligence" prior to contract signing. The co-op board has much broader power than a condominium board. This board is elected by shareholders of the corporation, and is empowered to make almost any rule that does not violate the law. The rules of the co-op will be provided to you for review prior to signing a contract. You will be given the offering plan, amendments, and financial statements of the past 2 – 3 years. Be sure to review them carefully. Sometimes your attorney will go review the minutes of the board meetings at the management office. Items to consider are assessments, parking transfer, air conditioners, washer / dryers, etc. If you cannot live with one or more of the rules, you should not be considering a co-op. Most co-ops do restrict apartment rentals.

6. Contract Signing

After you and your attorney have done your due diligence, your attorney will then review the contract which the seller's attorney has prepared. A co-op contract has more contingencies than that of a condo or house sale. They not only have a mortgage contingency but include time lines concerning application submission (usually 10 days after written mortgage commitment) & board acceptance.

7. Apply for & Receive a Mortgage Commitment Letter

"Share Loans", as co-op mortgages are officially known, are available in most varieties

available for traditional mortgages. Purchasers can select from adjustable rate, fixed rate, or hybrid loans. If an apartment is being financed, the board will require not only the written commitment but the actual loan application that was submitted by the lender.

8. Complete Board Package and Submit

Cooperative apartment buildings require board approval before a closing can take place. In order to do this, the board members require extensive information in a board package. The items requested include a full financial disclosure (net worth) with supporting documentation, employment history, current salary, personal and business references, tax returns for the previous 2 years, credit history, etc. After complete, review with your agent prior to submitting to the managing agent of the building who will inspect the package to ensure it is complete and then forward to the members of the co-op board. After review, the board will then decide if they would like to meet you.

9. Meet the Coop Board for an Interview

Co-op boards typically meet once a month. Every board is different, but generally a board meeting will be held in the evening on a weeknight. Although a board interview may be granted, this does not guarantee board approval. The interview provides the board with the opportunity to meet you and discuss their application in further detail. Board interviews can range from an informal meeting to a formal interview. You should review your their application prior to the interview. Be prepared to answer a wide range of questions from personal to financial. Couples should decide in advance who will answer which types of questions. Arrive promptly and dress appropriately. Answer all questions in a clearly and concise manner. Avoid providing information that is not directly asked.

10. Receive Approval from Board

After board interview, the managing agent will generally alert the you or the seller's broker whether a potential purchaser has passed the board.

11. Schedule a walk-through

Usually the day prior to the closing, you will inspect the property to make sure that everything is the same as when you originally made your offer. Test the appliances, plumbing, heating, air conditioners, etc.

12. Schedule the Closing & Enjoy your Apartment

After board approval the co-op's attorney will set the date for closings, and lawyers for sellers and buyers coordinate with the appropriate banks on available dates and times.

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