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TRANSACTION INTRODUCTION

Caught in the maze of buying an apartment in New York City? The rules are different in New York City than in other parts of the country! For the inexperienced some of the differences may be perplexing, however, we can guarantee that if you do your homework and keep this introduction handy, the process will flow much more smoothly. Our law firm's job is to help you determine which type of apartment is suitable for you, to assist in neighborhood selection, to educate you regarding real estate prices, and to pair you with the agent that best matches your style and preferences

New York is a city comprised mainly of cooperative and condominium apartments with a smaller selection of private homes, which we call townhouses or brownstones. Most important is to understand the differences between the types of apartments you will find in Manhattan.

Co-operative Buildings

Cooperatives are not a new concept, although they seem to be a type of ownership that is more common in New York City than elsewhere in the United States. In New York City, approximately 75% of our apartments available for purchase are in cooperative buildings, while 25% are in condominiums. This means two very simple things to potential buyers in New York City:

1. There is more inventory to choose from if the buyer includes co-ops into the mix of properties, and
2. Prices are, in general, more attractive for cooperatives - simple supply and demand.

Cooperatives are owned by an apartment corporation. Individual tenants do not actually "own" their apartments as they would in the case of "real" property. Owners, (shareholders) of co-op apartments, actually own "shares" in the corporation which entitles them to a long-term "proprietary lease." The corporation pays the total amount of the building's mortgage (importantly, a cooperative may have an underlying mortgage on the entire building, whereas a condominium building must be owned outright), real estate taxes, employee salaries, and other expenses for the upkeep of the building. The tenant-owner, in turn, pays a portion of these expenses as determined by the number of shares the tenant owns in the corporation. Share amounts are dictated by apartment size and floor level. The considerations when buying a cooperative are:

1. The Board of Directors has the right to “approve” or "reject" any potential owner. The board, elected by all of the tenant-owners of the co-op, interviews all prospective owners. It has the responsibility of protecting the interests of all tenant-owners by selecting well-qualified candidates.
2. The quality of services and the security of the building are kept at high standards.
3. Portions of the monthly maintenance are tax deductible. Each building has its own tax structure, but all co-ops offer a tax advantage. Shareholders can deduct their portion of the building's real estate taxes, as

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well as their proportionate share of the interest on the building's mortgage.

4. The amount of money that may be financed is determined by each cooperative. Some buildings require substantial down payments. Generally speaking, in Manhattan prospective purchasers should be prepared to "put down" at least 20 to50% of the purchase price (depending on the building) when purchasing a cooperative apartment.
5. Subleasing a co-op must be approved by the Board of Directors of the cooperative. Each corporation has its own rules, and they should be examined if a potential owner intends to sublet.

With this in mind, it is important to remember that co-ops are the norm here in Manhattan, not the exception. However, before beginning a search for a cooperative apartment, think about the financing limitations and the application and interview process.

Condominium Buildings

While condominiums are quite common throughout the country, they are a rather new concept for New York City. A condominium apartment in Manhattan is real property. The buyer gets a deed just as if he were buying a house. Since this is real property, there is a separate tax lot for each apartment. Hence, this means the buyer pays his own real estate taxes for the property. An owner will also pay common charges on a monthly basis. Common charges are similar to maintenance in a cooperative. However, they will not include real estate taxes since these are paid separately, nor will they include the building's mortgage and interest given that a condominium, by law, cannot have an underlying mortgage. Condominiums are attractive for a variety of reasons:

1. Financing the purchase of a condominium apartment is governed by the financial markets not a board of directors and thereby much more flexible than in a cooperative. Generally, a buyer can finance up to 80% of the purchase price.
2. An approval process is usually required, and most condo boards are requiring application packages with financial disclosure. Generally, however, the requirements are not as rigorous as the co-op boards. A board meeting may or may not be required. The length of time for approval varies from building to building, but it is usually not as long as a co-op approval process.
3. There is greater flexibility in sub-leasing your apartment. This makes condominiums the better choice for investment property.
4. They are the ideal choice for non-U.S. citizens or for those with their assets held outside of the United States given that co-ops are unlikely to approve a buyer whose funds are not in the U.S.

Given that there are fewer condominiums than cooperatives and that they are "easier" to purchase, they are generally more expensive than co-ops. Additionally, monthly combined common charges and real estate taxes in a condo are typically less than a co-op's monthly maintenance charges, again resulting in higher purchase prices.

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Steps to Purchasing an Apartment

The steps to purchasing a co-op or a condominium in Manhattan are very similar. Let us assume that you have found the property on which you wish to place an offer and that you have spoken to a bank or mortgage broker (if financing) to determine a comfortable financing price level.

1. Offers are made orally in New York City. When you have found the right property, a bid or offer will be placed through your agent. They will convey your offer to either the seller's agent or to the seller directly.
2. The seller may "counter" your offer. This will begin a negotiation process that will eventually lead to a "meeting of the minds," at which point price, terms, and closing date have been agreed upon.
3. A real estate attorney is required in all property transactions in New York City. Contact an attorney familiar with real estate in Manhattan to represent you. The seller's attorney will begin preparation of a contract of sale, and during that time your attorney will begin to examine the financial condition of the building in which you wish to purchase. Your real estate agent can assist you in finding experienced attorneys.
4. After your lawyer concludes that the financial condition is satisfactory, that the by-laws of the building are acceptable to you, and that the contract of sale is also acceptable, your attorney will allow you to sign the contract. At that time you will usually be required to present a deposit of 10% of the purchase price. The contract plus the deposit will then be forwarded to the seller for signature. This money will be held in the seller's attorney's escrow account until closing. It is important to note that until all parties have signed the contract, and it has been delivered, the seller can still entertain and accept other offers.
5. If financing, you should move forward with your loan application. Your real estate agent can assist you in finding a mortgage broker. It is advised that you pre-qualify for a mortgage with a brokerage firm prior to beginning your housing search.
6. You will, by now, have received from your real estate agent the board requirements and application materials. The application materials can be similar for a cooperative and condominium. However, the actual process is quite different. You will need to complete all of the required materials which typically include: an application, a financial statement signed by a CPA, all requisite support for your financial statement, three years of tax returns, bank statements, letters of personal and financial reference, letters of professional reference, the contract of sale, bank documents (if financing) indicating that your loan is in place, etc.
7. When your "package" is finished, it will be reviewed by a broker, and then, assuming it is complete, it will be forwarded to the managing agent for review. Upon determination that it is in order and that credit checks were acceptable, it will be forwarded to the Board of Directors. No applications will be accepted by a Managing Agent unless they are complete.
8. In the case of a cooperative, if your application meets initial approval, you will be invited to be interviewed by the Board or by an interviewing committee. This is a serious matter and not to be taken lightly. It should be treated as a business meeting.
9. After approval by the Board, you are ready to begin planning for a closing!

In the case of a condominium, there is generally no formal interview. Your application will be reviewed, and

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if all required materials are included and in order, an approval is typically granted.

The entire process can move quickly in a condominium, and assuming a loan can be secured in a timely fashion, one can move from contract to closing in about 60 days. However, the cooperative process is more involved, and 60 to 90 plus days is not unusual.