

THE KING-BROWN TEAM

AT THE CORCORAN GROUP



NEW YORK CITY BUYER'S GUIDE CO-OP BOARD REQUIREMENTS

Congratulations on your decision to purchase an apartment in New York City. While every Cooperative building has a unique set of financial requirements for prospective purchasers, this guide is designed to provide a starting point and general reference for buyers within the early stages of their search. In order to determine the appropriate budget it is recommended you consult with a local mortgage broker to start the mortgage application process and attain a pre-approval letter from the respective bank.

INCOME REQUIREMENTS

The housing costs, including maintenance and mortgage expenses post-closing should not exceed 25% of the buyer's household gross income (aka. debt to income or DTI ratio). All parties contributing to household income will need to be listed as an 'applicant' on title to purchase the apartment.

Housing costs per month example* = $\$15,000 \times 12 = \$180,000$

Buyers combined household income = $\$750,000/\text{year}$

$\$180,000$ divided by $\$750,000 = 24\%$ debt to income ratio (Qualifies under 25%)

* Itemized housing costs per REBNY financial statement include the maintenance of the subject property, financing expenses for subject property post-closing, mortgage debt obligations for alternate properties, bank loans, and auto loans. These numbers are tallied into the 'total projected monthly expenses' section of the financial statement and used to calculate the debt to income ratio.

THE KING-BROWN TEAM

AT THE CORCORAN GROUP

corcoran

ASSET REQUIREMENTS

While this requirement is often undefined and widely varies, most boards require post-closing liquid assets equivalent to 1-2 years of housing costs (maintenance + mortgage). Some co-ops want to see 3-5 years of subject property maintenance in liquid assets post-closing. In extreme cases, certain boards (Ex. Fifth & Park Avenue) want to see north of 2x the cost of the apartment in assets post-closing.

Using 2 years of housing costs as an example on a \$2,500,000 purchase with 25% down; 75% LTV mortgage (monthly payments = \$8,950/m based on 4% interest rate, 30-year mortgage) + \$4,750/m maintenance = monthly housing costs of \$13,700/m.

Asset requirement = \$328,800 liquid assets post-closing representing 2 years of housing costs.

Asset requirement = \$285,000 liquid assets post-closing representing 5 years of just \$4,750/m maintenance payments.

CREDIT HISTORY

All applicants will complete a credit authorization form; the managing agent for the board will run a full credit & background on each prospective purchaser. 'Good to excellent' credit (typically north of a 700 FICO score) is generally required along with a positive reference letter from a current landlord or managing agent confirming all financial obligations are up to date.

REBNY FINANCIAL STATEMENT

The REBNY Financial Statement is the standard form template used for most Co-op purchases in New York City. This 2-page document is submitted initially with the offer for purchase so the seller can assess the financial qualification of the buyers while considering their offer and submitted again with the Co-op board package once the buyers are in contract.

Note it is imperative the figures provided on the REBNY Financial Statement are thorough and match exactly (to the dollar) the figures represented by the most recent available statements for all assets, liabilities, and income. This document will prove to be the most scrutinized and reviewed item in the Co-op board package and can make the difference of an offer being accepted or overlooked. See REBNY Financial Statement on the following 2 pages with financial definitions outlined in detail.

FINANCIAL STATEMENT

Name (s) _____

Address _____

The following is submitted as being a true and accurate statement of the financial condition of the undersigned on the _____ day of _____, 20____.

ASSETS			LIABILITIES		
	Applicant	Co-Applicant		Applicant	Co-Applicant
Cash in banks			Notes Payable:		
Money markets Funds			To Banks		
Contract Deposit			To Relative		
Investments: Bonds & Stocks			To Others		
-see schedule			Installment Accounts Payable:		
Investment in Own Business			Automobile		
Accounts and Notes Receivable			Other		
Real Estate Owned - see schedule			Other Accounts Payable		
Year Make			Mortgages Payable on Real		
Automobiles:			Estate - see schedule		
Personal Property & Furniture			Unpaid Real Estate Taxes		
Life Insurance			Unpaid Income Taxes		
Cash Surrender Value			Chattel Mortgages		
Retirement Funds/IRA			Loans on Life Insurance Policies		
401K			(Include Premium Advances)		
KEOGH			Outstanding Credit Card Loans		
Profit Sharing/Pension Plan			Other Debts - itemize		
Other Assets			TOTAL LIABILITIES		
TOTAL ASSETS			NET WORTH		
COMBINED ASSETS					
SOURCE OF INCOME			COMBINED		
	Applicant	Co-Applicant			
Base Salary			CONTINGENT LIABILITIES		
Overtime Wages			As Endorser or Co-maker on Notes	\$	
Bonus & Commissions			Alimony Payments (Annual)	\$	
Dividends and Interest Income			Child Support	\$	
Real Estate Income (Net)			Are you defendant in any legal action?		
Other Income - itemize			Are there any unsatisfied judgments?		
TOTAL			Have you ever taken bankruptcy? Explain:		
GENERAL INFORMATION			PROJECTED EXPENSES / MONTHLY		
	Applicant	Co-Applicant			
Personal Bank Accounts at					
Savings & Loans Accounts at			Maintenance		
Purpose of Loan			Apartment Financing		
			Other Mortgages		
			Bank Loans		
			Auto Loan		
			TOTAL		

SCHEDULE OF BONDS AND STOCKS			
Amount of Shares	Description (Extended Valuation in Column)	Marketable Value	Non-Marketable Value

SCHEDULE OF REAL ESTATE				
Description and Location	Cost	Actual Value	Mortgage Amount	Maturity Date

SCHEDULE OF NOTES PAYABLE					
Specify any assets pledged as collateral, including the liabilities they secure:					
To Whom Payable	Date	Amount	Due	Interest	Pledged as Security

The foregoing application (pages 1 through 5) has been carefully prepared, and the undersigned hereby solemnly declare(s) and certify(s) that all the information contained herein is true and correct.

Date _____ 20__

Signature _____

Date _____ 20__

Signature _____

Rev. May/01

FINANCIAL DEFINITIONS

Assets

Liquid Asset

Categorized under "Cash in Banks"

Cash – Asset account on a balance sheet representing paper currency.

Checking – Day to day bank accounts.

Savings – Deposit account at a bank that pays interest.

Liquid Asset

Categorized under "Money Market Funds"

Money Market Funds – Open ended mutual fund that invests in highly liquid and safe securities.

Liquid Asset

Categorized under "Contract Deposit"

Contract Deposit - Typically 10% of the purchase price which is placed in sellers attorney's escrow account until closing.

Liquid Asset

Categorized under "Bonds and Stocks"

Mutual Fund – A fund operated by an investment company that raises money from shareholders and invests it in stocks, bonds, options, futures, currencies or money market securities.

Treasury Bills – Commonly called bill or T bill by money market professionals, a treasury bill is a short term discounted government security.

Certificate of Deposit – CD's are a debt instrument issued by a bank that usually pays interest.

Stocks – Ownership of a corporation represented by shares that are a claim on the corporation's earnings and assets.

Bonds – Any interest bearing or discounted government or corporate security that obligates the issuer to pay the bondholder a specified sum of money usually at specific intervals and to repay the principal amount of the loan at maturity.

*Marketable Securities – Securities that are easily sold. On a balance sheet, they are assets that can be readily converted to cash.

Non Liquid Asset

Categorized under "Real Estate"

Real Estate – Must include copy of Title and Tax Bill for ownership verification.

Non Liquid Asset

Categorize under “Retirement Funds”

IRA - Personal, tax-deferred, retirement account that an employed person can set up.

401 K – A plan whereby employees may elect as an alternative to receiving taxable cash in the form of compensation or a bonus, to contribute pretax dollars to a qualified tax –deferred retirement plan (at age 59 or above can be considered a liquid asset without penalty).

Keogh – Tax-deferred pension account designated for employees of unincorporated businesses or for persons who are self-employed (either full-time or part-time).

Pension Plan – Provides replacement for salary when a person is no longer working. In the case of a defined benefit pension plan, the employer or union contributes to the plan, which pays a predetermined benefit for the rest of the employee’s life based on length of service and salary.

Non Liquid Asset

Categorized under “Life Insurance”

Life Insurance – Insurance policy that pays a death benefit to beneficiaries if the insured dies.

*This amount should not be added into the asset column.

Cash Surrender Value – the amount the insurer will return to a policy holder on cancellation of the policy.

Non Liquid Asset

Categorized under “Other Assets”

Stock Option – Right to purchase or sell a stock at a specified price within a stated period.

Vested Stock Option – Has value at the point of being vested. This value is not defined *This is considered a liquid asset only once vested and defined.

Profit Sharing – Agreement between a corporation and its employees that allows the employees to share in company profits. Annual contributions are made by the company, when it has profits, to a profit-sharing account for each employee, either in cash or in a deferred plan, which may be invested in stocks, bonds or cash equivalents.

Deferred Compensation – Currently earned compensation that, under the terms of profit-sharing, pension or stock option plan is not actually paid until a later date and is therefore not taxable until that date.

Limited Partnership – Organization made of general partner, who manages a project, and limited partners, who invest money but have limited liability, are not involved in day-to-day management,

and usually cannot lose more than their capital contribution. Usually limited partners receive income, capital gains, and tax benefits; the general partner collects fees and a percentage of capital gains and income.

Subchapter S – Section of the Internal Revenue Code giving a corporation that has 35 or fewer shareholders and meets certain other requirements the option of being taxed as if it were a partnership. Thus a small corporation can distribute its income directly to shareholders and avoid the corporate income tax while enjoying the other advantages of the corporate form.

Non Liquid Asset

Categorized under “Investment in Own Business”

Investment in Own Business - Must be based on an accountant’s letter and accompanied by a Financial Statement of the company.

Non Liquid Asset

Categorized under “Accounts and Notes Receivable”

Accounts and Notes Receivable - Funds owed to applicant that must be accompanied by documentation.

Liabilities

Notes Payable

To Banks, Relative, or Other

Installment Accounts Payable

Automobile

Other Accounts Payable

Mortgages Payable on Real Estate

Unpaid Real Estate Taxes

Unpaid Income Taxes

Loans on Life Insurance Policies -Include Premium Advances

Outstanding Credit Card Loans

Alimony and/or Child Support

Income

Base Salary – this is found on the W-2

Overtime Wages

Bonus and Commission – Must show and average 3-years history

Dividends and Interest income – Found on tax returns

Real Estate Net Income – Must supply copy of lease

Trust Fund – Must have trust document to define liquidity

Alimony

Child Support

*Salary, bonus and commissions, sometimes (not always) equal gross income to be considered for Debt to Income (DTI) ratio.

Guarantor - Applicant typically has satisfied the Debt to Income ratio but is usually lacking in assets. The Guarantor must have substantial assets and must submit full financial disclosure required by the board.

Co-Applicant - Their name is on the contract but they may or may not occupy the apartment. Their name is on the mortgage and stock and lease.

Gifted Money - Must be in account upon submission of board package, typically recommended in bank 3 months' prior. Must have gift letter stating funds are not a loan but permanent gift.

Foreign Buyers - Must have Green Card (unless they have a work visa or can provide tax returns). Must have employment history. Must have assets in USA.

Mortgage Commitment Letter - Check conditions on last page. Beware of interest only loans; principal is not necessarily being paid down and boards can be wary of this.

OTHER BOARD PACKAGE REQUIREMENTS

In addition to the financial requirements outlined above, most co-ops will require an extensive application including 1-3 months of supporting financial statements for all financial line items. They will also require 2-5 personal & professional reference letters advocating the purchaser's character & qualifications for the subject building; templates and samples can be provided by Corcoran.

CO-OP BOARD RULES TO KNOW

Financing Requirements – Co-op boards usually have financing requirements (on initial loans and re-financing) which typically fall between 50-80% maximum financing allowed by shareholders.

Pet Policy - Some boards prohibit pets to reside in the building. Others allow pets but have restrictions on weight, breed, and number of animals permitted in each apartment.

Sublet Policy – Many co-op boards do not permit subletting. In more liberal boards, they might allow subletting after a designated amount of time, typically for a fee. For example, they might permit a shareholder to sublet for 2 years of every 5 years for a fee of 15% of the gross rental income payable for the duration of the sublet. All sublet tenants will be required to submit a full board package and be subject to board approval.

Pied a Terre Policy – Various boards don't permit part time residents (Pied a Terre owners). In other words, the subject property must be the buyer's primary residence. Most boards allow Pied Terre purchasers but this is an important point to distinguish beforehand.

Renovation Policy – Some boards have restrictions on time of year they permit renovations (Ex. They allow construction to take place only between Memorial Weekend through Labor Day, Monday to Friday

9am-4pm, except Holidays). All boards will require a full scope of work and alteration agreement paperwork for full review and board acceptance before it is allowed to begin. Buyers should inquire if the building permits a washer & dryer in the apartment if it doesn't already exist.

Ownership/Title Policy – Each board has their own policy regarding buyers who wish to purchase in the name of a Trust. Most prefer the apartment is purchased in the buyer's personal name but each board has their own preference/policies on this matter.

Co-purchasing & Gift Money – Each board has various rules and/or restrictions regarding co-purchasing (a third party guaranteeing the maintenance but not living in the apartment); should the buyer plan to receive gift money to be used for the purchase they should inquire and plan ahead of time (3+ months before board package is submitted).

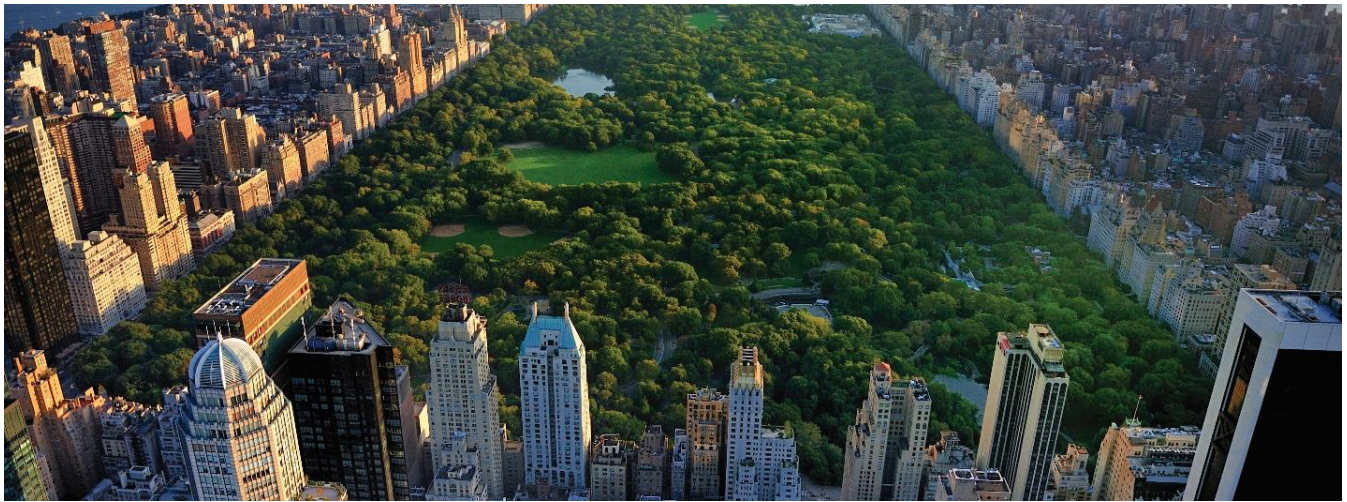
Guest Policy - Some boards prohibit overnight guests when the shareholders are not present; most boards allow specified guests up to 2-4 weeks at a time with a cap/limit per year so long as the guests are not a disturbance to the building residents.

* In addition to the co-op board rules, the prospective buyer should carefully assess the buildings financial status including the budget, reserve fund balance, upcoming capital expenditures, etc.

SUMMARY

Purchasing a Cooperative apartment in New York City can be an incredibly rewarding experience. The initial co-op board package and screening process can feel intimidating even for the most seasoned purchaser; so long as proper care is taken to present the purchaser's qualifications in the best possible light they should rest assured the transaction will materialize. Ultimately the co-op boards are looking to screen prospective buyers in order to create a stable and financially healthy co-op for all shareholder's long term benefit and security.

The King-Brown Team at The Corcoran Group leverages decades of experience within the NYC co-op market and are committed to helping buyers achieve a smooth and successful transaction.



Tara King-Brown

King-Brown at The Corcoran Group

Top 1% NRT Agents Nationwide, Multi-Million Dollar Club, Platinum Council

660 Madison Avenue 11th floor, New York, NY 10065

Email: tarakingbrown@corcoran.com | Mobile: (917) 371-0551