

BUYING 101

It's different here!

Charles Rutenberg Realty has given you a quick reference guide with the definitions of a co-op and a condo, as well as a step-by-step guide to the "purchase process." 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. It's important to understand the nuances and differences to end up with exactly what you want and need. If you want to hear about it from the experts, call your Rutenberg broker. We'll walk you through the definitions and processes and tell you which options are best for you. We'll also tell you what to expect in the suburbs.

COOPERATIVES

Cooperatives are not a new concept for New Yorkers, although they seem to be a type of ownership that is more common here than elsewhere. In NYC, about 75 to 80% of our apartments available for purchase are in cooperative buildings, while 20 to 25% are in condominiums or townhouses. This means that there is more inventory to choose from if the buyer includes coops in the mix of properties; and, prices are, typically, more favorable for cooperatives because of supply and demand.

Cooperative buildings are owned by an apartment corporation. Individual tenants do not actually "own" their apartments as they would in the case of "real" property. One owns "shares" in the corporation which entitles them to a long-term "proprietary lease." The corporation pays the total amount of the building's mortgage (a coop may have an underlying mortgage on the entire building, whereas a condo must be owned outright), real estate taxes, employee salaries, and other expenses for the upkeep of the building. The tenant-owner, or shareholder, in turn, pays a share of these expenses as determined by the number of shares the tenant owns in the corporation. Share amounts are usually dictated by apartment size and floor level... space on a higher floor will have more shares associated with it than its counterpart on a lower floor.

Important considerations when buying a coop:

- The quality of services and the security of the building are kept at high standards.
- 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 well as the interest on the building's underlying mortgage.
- 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% to 25% of the purchase price. Importantly, this could be higher in some buildings.
- Subleasing a co-op must be approved by the Board of Directors of the co-op. Each corporation has its own rules, and they should be examined if a potential owner intends to sublet.
- Most cooperatives only accept buyers who intend to use the apartment as their primary residence. Co-ops are not for the investor!

Don't be frightened. Co-ops are the norm here and not the exception.

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CONDOMINIUMS

Condos are quite popular and common throughout the rest of the U.S., however they are a rather new concept for the Big Apple. A condo apartment is real property. The buyer gets a deed just as though he/she were buying a house. Since this is real property, there is a separate tax lot for each apartment. Hence, this means you pay your own real estate taxes for your property. An owner will also pay common charges on a monthly basis. Common charges are similar to maintenance in a co-op. However, they will not include real estate taxes since these are paid separately, nor will it include the building's mortgage and interest given that a condo, by law, cannot have an underlying mortgage.

Condominiums are attractive for the following reasons:

- Financing the purchase of a condo is much more flexible than in a cooperative. Generally, a buyer can finance up to 90% of the purchase price.
- While there is an application process, this is not as formal as in a cooperative. The likelihood of rejection is minimal.
- There is greater flexibility in sub-leasing your apartment. This makes condos the choice for investment property.

They are ideal choices 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. There are fewer condos than co-ops, and they are "easier" to purchase. As a result, they are 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.

THE PURCHASE PROCESS

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 and qualifiable price level. 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. 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. Contact a real estate attorney familiar with real estate in our area 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.

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 will then be forwarded for signature by the seller with the deposit. 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. There is "no deal" until all parties have signed!

If financing, you should move forward with your loan application.

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

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quite different. You will work 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, two or 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.

When your “package” is complete, it will be reviewed by your broker, and then, assuming it is accurate, 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.

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. Please take this meeting seriously. It should be treated as a business meeting.

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 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.

STEPS TO FINDING THE PERFECT HOME

1. Seek pre-approval for a mortgage

Typical time frame: same day – 2 days. You must know how much you can spend before you can spend it.

Sellers and their brokers will want to know you are qualified to purchase their apartment before they will begin negotiations.

2. Find an apartment

The time frame is varied. Some buyers need to see many possible choices before making a decision, while others need only see a few. However, once you have identified the home of your dreams and have negotiated the price, you can expect the time frame before closing to be anywhere from 60 to 90 days....sometimes longer.

3. Negotiate the apartment

Typical time frame: 1 day to 2 weeks. This depends on the buyer and seller....some move quickly and some don't. It's always a good idea, however, to keep momentum going. Remember that this is more than just price. What will the closing date be? Would a longer closing be more attractive or does the seller have the desire to close quickly? What personal items will remain with the apartment. In New York, for instance, all appliances typically remain, but do the window air conditioners? What about the curtains? Ask about everything and remember it's all part of the negotiation.

4. Signing the contract

Typical time frame: 2 days to 3 weeks. Both the buyer and seller are represented by counsel. We recommend you use a savvy New York City real estate attorney who is experienced in coop and condo closings. The seller's attorney will draw up the contract of sale and submit to the buyer's attorney. The buyer's attorney will begin his/

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her due diligence: negotiating the contract, reading the financial statements of the co-op or condo, reviewing the offering plan of the building, reading the board meeting minutes, etc. Once the buyer's attorney feels comfortable with his/her findings, the buyer will be invited to sign the contract and submit a deposit of 10% of the purchase price. The contract is then forwarded to the seller's attorney for signing by the seller. The 10% deposit is held in the seller's attorney's escrow account until closing. Importantly, there is no reason a contract cannot be signed relatively quickly. You must remember to manage your attorney if things aren't moving quickly enough. A seller will be advised to continue to entertain offers for purchase until you sign the contract, so if you take too much time, you could lose the apartment to another purchaser.

5. Apply for a mortgage

You have already been pre-qualified, but now you have identified the property and have a signed contract. The time to receive a Commitment Letter from the lender can be anywhere from 3 weeks to 9 weeks. It's important to use a reputable mortgage broker or banker and to, once again, manage the process.

6. Complete the board package

Typical time frame: 3 to 9 weeks. Your Rutenberg agent will have supplied you with a list of all of the necessary elements for inclusion in the board package. Both the co-op and condo packages look almost the same, but you will have to sit for an in-person board interview in the case of a cooperative. Once your package is submitted, in a co-op situation, the board will review your application and decide whether or not they would like to interview you. Given the schedules of the board members who may sit for the interview, this can sometimes take time to schedule. Some buildings move more quickly than others. Your board package will typically contain: an application, financial statements and all back-up, tax returns, letters from bankers and accountants and employers verifying all claims, letters of personal and business reference, as well as a bank commitment letter, in the case of financing. This is the document that seems to be a bit out of our control and can slow the process down.

7. The board interview

The meeting will typically last from 30 minutes to an hour. This is a business meeting and should be viewed as such. Each cooperative can have its own way of handling new applicants: some meet monthly and you must wait until their scheduled meeting; some meet on an as-needed basis; some don't meet at all in August or December because of holidays and vacations; etc. Do everything possible to make yourself available. It will seem to you that all of this is on "their" terms, but it's just the way it's done, so try to keep emotion out of the process.

8. Approval from the board

Assuming you have been approved, you should hear within one to two days after your interview. Occasionally it can take a bit longer.

9. Schedule the closing

Assuming all parties are "ready to go," the closing can generally be scheduled for one to two weeks after board approval.

10. But, we caution everyone to be flexible. There are many moving pieces to this process and lots of things that are simply beyond your control.

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CLOSING COSTS FOR BUYERS AND SELLERS

The following guide will give you general closing costs associated with the purchase or sale of a cooperative or condominium. Please note that these are estimates and that potential buyers and sellers should consult their real estate attorney or financial advisor for specifics. Importantly, we do not represent that these are the entirety of potential costs, but are only to be used as a guide.

Condominiums

For the Seller

Broker: Typically 6% depending upon size and marketing

Own Attorney: Consult your attorney

Processing Fee: \$450+

Move-out Deposit: One time fee of \$500.00+

Bank Attorney: \$450+

NYC Transfer Tax: 1% of price up to \$500,000; or, 1.425% of price if \$500,000 and over. Plus \$25 administrative fee.

NY State Transfer Tax: \$2.00 per \$500.00 of price, or 0.4% of purchase price

Miscellaneous Title Fees: \$200

Payoff Fee to Title Closer: \$300+

Note: For condominiums in new developments, the Purchaser will pay costs normally paid by the Seller. These include Seller attorney fees as well as NY and NYC Transfer Taxes.

For the Purchaser

Own Attorney: Consult your attorney

Bank Fees: Points: 0% to 3% of loan value

Application Fee: (Credit Report, Appraisal) \$500+

Bank Attorney: \$450+

Short Term Interest: Equal to interest for balance of month in which you close

Tax Escrows: 2 to 6 months

Recording Fees: \$300

Mortgage Tax: 2.05% of amount of mortgage on loans under \$500,000; or, 2.175% of amount of mortgage on loans of \$500,000 and over

Fee Title Insurance: Approx. \$450 per \$100,000

Mortgage Title Insurance: Approx. \$200 per \$100,000

Municipal Search: \$275+

Managing Agent Fee: \$250+

Common Charge Adjustment: Pro-rated for the month of closing

Real Estate Tax Adjustment: 1 to 6 months

Mansion Tax: 1% of entire purchase price where price is \$1,000,000 or more.

Move-in Deposit: One time fee of \$500+

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Co-ops

For the Seller

Broker: Typically 6% depending upon size and marketing

Own Attorney: Consult your attorney

Co-op Attorney: \$450.00+

Flip Tax: 1% to 3% of Price (if applicable)

Stock Transfer Tax: \$0.05 per share

Move-out Deposit: One time fee of \$500.00+

NYC Transfer Tax: 1% of price up to \$500,000.00; or, 1.425% of price if \$500,000.00 and over. Plus \$25.00 administrative fee.

NY State Transfer Tax: \$2.00 per \$500.00 of price, or 0.4% of purchase price

Payoff Fee to Title Closer: \$350

UCC-3 Filing Fee: \$30

For the Purchaser

Own Attorney: Consult your attorney

Bank Fees: Points: 0% to 3% of loan value

Application, credit check, etc.: \$500+

Bank Attorney: \$450+

Miscellaneous Bank Fees: \$500+

Lien Search: \$300

UCC-1 Filing: \$20

Appraisal Fee: \$300+

Application Fee: (Credit Report/Appraisal): \$500+

Short Term Interest: Equal to interest for balance of month in which you close

Move-in Deposit: One time fee of \$500+

Recognition Agreement Fee: \$200+

Maintenance Adjustment: Pro-rated for the month of closing

Mansion Tax: 1% of entire purchase price where price is \$1,000,000 or more.

WHY SHOULD A BUYER WORK WITH A BROKER?

WHY WORK WITH A BROKER?

1. There's no additional cost to you.
2. It saves time.
3. It makes you a more informed and educated buyer.
4. It helps you navigate through the complicated process of acquiring a home in New York City.
5. Good brokers are good negotiators on your behalf.

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SHOULD YOU WORK WITH BROKERS FROM MANY COMPANIES?

Charles Rutenberg Realty cooperates with virtually every real estate firm in Manhattan. As a result, we not only show you the properties listed with our firm, but you will also see those listed with every other firm in New York City.

BUT WHAT ABOUT OTHER COMPANIES' EXCLUSIVES? HOW CAN I SEE THEM IF THEY'RE NOT YOUR EXCLUSIVES?

An exclusive listing does not mean that the property is only available to be seen through the exclusive listing broker. It simply means that the seller has chosen one broker to represent him/her in the marketplace.

That broker, in turn, invites all other brokers with potential buyers to participate in the sale. This is called a co-broke and the two brokerage firms will share equally in the commission.

WHAT ABOUT SUNDAY OPEN HOUSES?

This is a great way to see many properties in one day...and on your day off. However, you will only be seeing a very limited amount of the total inventory. If you're working with a Rutenberg agent and you visit an open house on your own, please remember to register using your Rutenberg agent's name...should you ever decide to bid, you can be assured you'll have your own representation.

HOW DO I KNOW MY BROKER ISN'T GOING TO MISS ANY POTENTIAL PROPERTIES?

Rutenberg Realty participates in On-Line Residential and the Manhattan Association of Realtors, shared databases of virtually all available property listings in Manhattan. In today's on-line world, we know you'll be doing a lot of your own searching...If you find something your broker hasn't yet identified, just let him/her know about it. This is a team effort!

IF I'M ABLE TO FIND LISTINGS ON MY OWN, WHY DO I NEED A BROKER?

First of all, you'll never be able to find all of the available listings on your own. There is no one public space where all listings are stored and published. Secondly, you'll be looking at company websites and those are marketing oriented...every property is supposed to look good! You get information, but not knowledge...and that's what a good broker will provide. Finally, there's a lot of misinformation floating around...wrong prices, already sold, etc. You want someone on your side.

WHAT ELSE WILL MY BROKER DO?

- Find the right mortgage broker
- Put together a strong offer...showing you at your best
- Negotiate the best price and terms for you
- Find the right attorney
- Assemble the best board package
- Coach you on the interview process
- Get you to the closing table

YOU HAVE THE RIGHT TO EXPECT AND RECEIVE:

Honesty	Knowledge	Accessibility	Availability
Accountability	Professionalism	Dedication	