STEP 1: CO-OP OR CONDO?

Co-op versus condo: Which is best for you?

New York City apartments come in two flavors: Co-op (short for "cooperative") and condominium. The first step in the NYC buying process is to decide which one suits you better.

Older buildings (built pre-1980s) tend to be co-ops, while pretty much everything built from the 1980s onward is condo. Beyond that distinction, your personal or financial circumstances, along with your lifestyle preferences and past experience, might guide you toward one or another.

Or, like many people, you may simply decide to look for the best apartment you can afford in a financially sound building, be it co-op or condo.

Read on for an overview of the key differences and considerations--and practically everything else you need to know to navigate one of the most complicated and expensive real estate markets in the world.

The legal ownership structure of co-ops versus condos--and why it matters

CONDO: Buying a condo is very much like buying a single-family house. You get a deed to the apartment that gives you ownership of the interior of your unit and the surface of its walls, as well as an undivided interest in the building's common elements. This is the type of ownership almost everyone has in mind when they think about buying a home, and almost all newer buildings are condos.

CO-OP: In New York City, co-ops far outnumber condos. In a co-op, the entire building is owned by a single corporation. Instead of a deed, buyers get shares (stock certificates) in the corporation, and a proprietary lease that allows buyers to occupy a specific unit and lays down the rules and rights much like a lease in a rental building. In fact, technically speaking, buyers of co-op apartments are referred to as "tenants" or "shareholders," not "owners," and when legal issues arise, they are decided in accordance with landlord-tenant law, which typically gives co-op shareholders more protections than the laws that apply to condo owners.

After you buy your apartment, you will largely find that it's legal ownership structure has little impact on your use of it. That said, there are a number of quirks related to each that will be discussed on the following pages.

Co-op boards versus condo boards: A story of unequal power

In a CO-OP, shareholders elect a volunteer co-op board that--except in some very small buildings that choose to save money by self-managing--works with a property management company to oversee the care and maintenance of the building.

The board also creates and enforces rules about everything from renovation inside units, to what's allowed to transpire on the roof deck, to whether you can speak on your cell phone in the lobby, or whether (and what kind of) dogs will be allowed in the building. Unlike condo boards, co-ops can even evict an extremely disruptive shareholder and force them to sell their apartment.

Overreaching, power-hungry co-op boards are the stuff of legend here, and some of the stories are true. However, at least as many co-op boards are made up of volunteers with full-time jobs and families who try to make the best of what is a demanding and time-consuming role if done right.

In a CONDO, individual owners elect a board of directors that perform many of the same functions as a co-op board. Generally speaking, though, most condo boards tend to be more hands-off when it comes to rulemaking.

That slightly more laissez-faire approach is partly due to philosophical underpinnings (more on that on the following pages) and partly because condo boards legally wield less enforcement muscle. Yes, the board can fine owners for the expense related to any rule infraction and get a court-ordered injunction to stop it from happening again. But because a condo owner actually owns his or her unit (versus shares in a co-op corporation), a condo board can't evict an owner from an apartment like a co-op board can.

Note: In both co-op and condos, your voting power increases with the size of your apartment.

Monthly charges and assessments: Condos may seem cheaper--but don't be fooled

In a CO-OP, shareholders pay a monthly maintenance fee. Part of it goes toward the expense of operating the building. The other part is the amount of property taxes apportioned to each shareholder based on the number of shares assigned to their apartment. Particularly these days, when property taxes and fuel costs are rising sharply, maintenance fees are frequently adjusted upward each year (3%-7% annual increases are quite common).

In addition, co-op boards can require shareholders to pony up extra cash from time to time to boost the reserve fund or pay for a specific project. In a 40-unit building, for example, an assessment to replace an elevator might run $8,000-$15,000 per unit, depending on how many shares you own. Typically, shareholders can spread their payments out over a period of time such as 6 to 18 months.

In a CONDO, the monthly charges are referred to as common charges. Property taxes are not included; individual owners are billed directly by the government. This is an importance nuance to keep in mind when comparing carrying costs of co-ops to condos, because at first glance, condos may look cheaper on a monthly basis.

Like co-op boards, condo boards also levy assessments when necessary.

Monthly charges in both co-ops and condos tend to increase with the expansiveness of amenities and staff. However, larger buildings have economies of scale when it comes staffing and operation that are often reflected in lower common charges.

Co-ops vs condos: The power to reject a buyer

We'll go into more details about the somewhat infamous CO-OP approvals process later on, but for now, let's start with the fact that a co-op board can turn down a buyer for any lawful reason. And because the reason need not be divulged, this means that in practice, unlawful reasons (race, religion, profession, sexual orientation, nationality, etc.) may also prompt a rejection. (Note: If you buy an apartment directly from the sponsor, you will not need board approval at all.)

For various reasons, most CONDO buyers these days are subjected to nearly as much financial and personal scrutiny as co-op buyers. But rather than being turned down outright, pretty much the worst that can happen to a condo buyer is that they wither away on the vine while a board engages in deliberate stalling tactics. Stalling is about all an unenthusiastic board can do, except for buying the place outright via the right of "first refusal"—which virtually never happens.

Minimum downpayment and asset requirements in co-ops vs condos

Most CO-OPS require buyers to put down 20-25% of the purchase price, about the same as what most lenders require these days. But the range can be vast, depending on the co-op—anywhere from 10% down (rare) to 50% or more at higher-end buildings.

Co-ops also expect you to have sufficient money left over (also known as 'liquid asset requirements'). The required amount can range drastically, from a few months worth of maintenance payments to 1 to 3 times the purchase price of the apartment. Two years worth of mortgage and maintenance charges is about average.

In addition, each co-op will expect you to meet a debt-to-income ratio, usually around 25%-29%. That means your total monthly payments--mortgage and maintenance--cannot exceed the specified percentage of your gross income. An excellent credit score is also required.

Add them all up, and you will find that the average co-op's financial standards are much higher than the average mortgage bank...a primary reason NYC co-ops withstood the last recession so well.

While in recent years, some CONDOS have started to require co-op-sized down payments, most typically don't have any financing minimums. Bear in mind, though, that if you're getting a mortgage, banks these days often require 20%, unless the building qualifies for an FHA loan, which carries a 3.5% downpayment requirement, or you and the apartment qualify for a SONYMA loan, which has a 3% downpayment.

Many co-ops and condos these days require buyers to put an additional one to two years of common charges in an escrow account as insurance against nonpayment. The odds of this happening to you increase along with the perceived 'riskiness' of your application, as measured in debt-to-income ratio, U.S. citizenship status, or a variety of other factors.

Co-ops vs condos: A cost comparison

NYC co-ops are cheaper, on average, than condos. In the 1st quarter of 2016, for example, condo buyers forked over an average of $2,061 per square foot in Manhattan, approximately 62% more than co-op buyers, who paid an average of $1,269 per square foot, according to the appraisal firm Miller Samuel. (The firm's reliable quarterly market reports show pricing trends by size and type of apartment as well as by borough.) That said, those figures are skewed by a number of factors--including the fact that the average condo is about 300 square feet larger than the average co-op (therefore commanding a higher per-square foot price)--shrinking the true price differential on apartments of similar location, size and amenities down to 10%.

Part of the reason co-ops tend to cost less is because they are typically older, lacking the bells and whistles of the tens of thousands of new condos constructed in the past decade. Many newer condos have also secured property tax abatements that enable developers to command higher sales prices than if buyers had to pay full tax bills right away.

Another reason co-ops are cheaper is that buyers usually must be approved by a board. That process involves a mountain of paperwork, a personal interview, the possibility of rejection, and the total (and totally one-sided) opening of your financial kimono to folks you will share the elevator with for years to come.

In addition to higher purchase prices, condos also have substantially higher closing costs if you're taking out a mortgage: You will pay a mortgage recording tax of 1.8% of the mortgage amount for loans under $500k or 1.925%

for loans above that. Also, your lender will require you to buy title insurance, which costs about .5% of the purchase price.

(Note: The New York State legislature is trying to extend the mortgage recording tax to co-op purchases as well.)

If you're buying a new condo (versus a resale), transfer taxes (1.825% of purchase price for properties over $500,000, and 1.425% for properties under $500,000) are also your responsibility, though these can often be a point of negotiation with a developer, who is more apt to cover fees like this than reduce the sales price, which can affect future sales.

Planning to sublet? Think twice about buying a co-op

Most CO-OPS have very strict policies about subletting, which does not make them an ideal investment opportunity and can present a serious challenge if your job suddenly relocates to London, for instance. The rules vary, but owners are usually allowed to sublet their apartment for no longer than 1 to 2 years in any 5-7 year period. The board also gets to approve your tenant and charge you a fee for subletting.

CONDO sublet policies are far more liberal. While there may be rules against short-term sublets (say, less than 6 months), there is usually no outside limit nor do boards have the right to turn down a tenant unless they exercise that right of first refusal and lease your apartment themselves. But just like a co-op, the application fees, move-in fees, processing fees, etc., can range from a few hundred to a couple of thousand dollars extra that you or your potential tenant will have to pay. And you will be living in a building with a more transient population than a co-op.

Common stereotypes of co-ops versus condos--and their owners

Now, brace yourself for some sweeping generalizations about lifestyle and other considerations in a co-op versus condo. You will need to do your research to discover which of these statements actually applies to the building you’re considering.

- CONDO owners favor freedom and autonomy. Among other things, they don't want to be told whether they can buy an apartment or to whom they can sell it or sublet it to; whether they can have a dog (or what kind, or the maximum it can weigh); whether they may refinance or take out a home equity loan, etc.

- CO-OP owners are more worried about whether the living environment they think they are buying into will live up to their expectations—and they want to protect it.

- For the reasons above, CONDOS may be noisier and filled with a high turnover of renters who don't care about getting along with the neighbors and may have a greater tendency to neglect the building. CO-OPS, while often more peaceful and better tended, can be micromanaged, inbred, and change averse.

- Newer CONDOS that sprang up during the recent construction boom and afterward—the majority of condos for sale today—tend to be located in less convenient or desirable areas, where land was available. In Manhattan, for instance, Harlem, the Financial District and Midtown West in particular saw a disproportionate share of new development.

- Newer CONDOS tend to have more desirable amenities both inside the apartment (washer/dryers, anyone?) and outside (roof decks, playrooms, health-club-quality gyms, etc.) than co-ops and older condos. (That said, many CO-OPS have started retrofitting some amenities in order to stay competitive...often with mixed results.)

- It can be difficult, and expensive, to find CONDOS in the most desirable areas such as Central Park West or the best parts of the West Village. Similarly, if you're looking for prewar details, these buildings are almost always CO-OPS--and when you find a rare prewar condo, demand and prices are typically high.

Tipoffs that you may be the condo type

In addition to the generalizations in the previous section, you may want to focus your search on CONDOS if:

- You have a large or feared breed of dog (basis for being rejected from a co-op even if it allows dogs and does not have a stated size or breed restriction)
- You are looking for a newer building (1980s through present)
- You are buying using a trust or an LLC (though many co-ops have grown more tolerant in recent years)
- You want to use the apartment as a pied a terre
- You are buying the apartment for your kids
- You have sued a landlord or your last co-op or condo board, or you're generally litigious (or you are an attorney)
- You're a musician
- You have a home-based business that involves noise or lots of visitors like teaching music or practicing psychology
- You can't afford a 20-25% downpayment
- You're a foreign citizen

STEP 2: FINANCING

How to get a mortgage on a NYC co-op or condo

Like everywhere else in this country, New York City is living through a post-boom credit crunch that has made securing a mortgage one of the most nail biting aspects of buying an apartment here. The more you know going in, the better off you'll be. On the following pages, we'll explore the pre-approval letter, commitment letter, mortgage contingencies vs funding contingencies, and how financing works for international buyers.

First get a mortgage preapproval letter

Before you start looking for an apartment, you need a preapproval letter. Getting one is a cursory process that involves calling up a lender or mortgage broker, spending a few minutes on the phone answering questions about your income and financial history, and pretty much immediately receiving a letter stating that you are preapproved for a loan up to X amount at an interest rate of Y.

It's easy to get a preapproval letter. Too easy.

One of the problems of the letter is that not only has none of the information you provided been verified yet, but all too often, some critical nuance has been missed and inevitably surfaces later. Therefore, this piece of paper means very little beyond giving you a *sense* of whether you qualify.

Next, get a mortgage commitment letter

Once your offer on apartment is accepted, you ask your lender or mortgage broker for a commitment letter. You submit a lot of financial information, the apartment is appraised, the lender or mortgage broker looks at the building itself to make sure it meets their lending guidelines, and finally they give you a commitment to lend up to X amount by Y date at Z interest rate.

Once upon a time you could go to sleep on that assurance and quit worrying about financing the hugest purchase of your life.

These days, the letters are riddled with conditions. Some lenders try to sneak in "subject to appraisal" if they've issued the letter before the appraisal or "appraisal subject to underwriting review"—essentially, these are loopholes inserted by the lender that allow them to walk away from the "commitment."

Which leads us to…

Ask for a mortgage contingency and

funding contingency clause, but don't hold your breath

Some NYC sellers *may* agree to a **mortgage contingency** clause in the contract. The clause gives you the right to walk away with your deposit if you are unable to secure a mortgage commitment letter.

Because commitment letters have so many loopholes, many buyers' attorneys ask for a **funding contingency** in addition to a mortgage contingency. A funding contingency frees you from the contract with your deposit if the bank fails to fund the loan ***for any reason except one that is your fault.***

Unfortunately for buyers, sellers are unlikely to agree to any of the above unless the market is slow or they're having trouble selling.

How to get a mortgage if you're not a U.S. citizen

If you are not a U.S. citizen, you will have trouble getting a mortgage from a U.S. bank unless you are a private banking customer of theirs overseas, you are in business here and the bank wants your business account, or the bank wants accounts overseas that it doesn't currently have.

Exception: You may be able to take out an interest-only 'commercial'-type loan with a balloon payment due at a specified time in the future, or one that requires you to keep a certain amount of money in the bank as a minimum balance during the term of your loan.

STEP 3: WORKING WITH A REAL ESTATE BROKER

Why some buyers work with a broker, and some fly solo

While the vast majority of NYC homes are represented by a listing agent (FSBO—or For Sale By Owner—listings are relatively rare in NYC) whose 5-6% commission is paid by the seller, buyers do not have to pick one real estate broker with whom to work exclusively, nor do they have to work with one at all.

Some buyers fly solo and deal directly with the seller's broker because they believe it gives them an edge in a competitive bidding situation. They theorize that because the seller's broker won't have to split a 5% or 6% commission with a buyer's broker, the seller's broker may subtly or not so subtly encourage the seller to accept it. In a slower market, some buyers choose to work directly with the seller's broker in order to ask the seller's agent to kick in a percentage point of the commission toward the purchase price.

Whether most buyers successfully wrangle that extra percentage point is unclear. Moreover, as this New York Times article explains, working directly with the seller's agent--whose loyalties are divided between buyer and seller--is a bad idea in pretty much every other way. Among other things, you won't have a real advocate during contract negotiations, and you may not hear about problems with the apartment or the building or resale potential.

When you should definitely work with a buyer's broker

It's especially imperative to work with a (good) broker if:

- **You're busy.** You don't have the time or inclination to manage your search, including researching available properties and comparables or setting up appointments with agents.
- You are a **first-time buyer.**
- You are **new to New York City.**
- You are **unfamiliar with the neighborhood** in which you are looking.
- There are **special circumstances about your qualifications, circumstances or desired apartment** that will make your search particularly challenging. As in any business transaction, creative deal structuring can save the day. For example, while many co-ops will not approve a pied a terre purchase by parents who intend for their adult child to live there, some will

approve a co-purchase situation in which all parties (parent and child) are on the proprietary lease and stock certificate.

● You are **buying in a difficult co-op:** A good broker will be able to determine the likelihood that you will pass the board before you ever make an offer, which will save everyone substantial time, money and heartache. Also, a good broker will be able to help you craft an application package that caters to the whims of the board so that your chances of being approved are higher.

● You are **buying for investment:** A good broker with a solid understanding of investment properties should be able to help you develop your pro forma to model anticipated cash flows, cap rates, internal rates of return, and expected net profits. They will also be able to put you in touch with lenders and property managers that specialize in investment property and help you determine the market value of rents. They may also be able to help with leasing after you buy.

● You are **buying from a developer:** Because this can be much more complicated than the resale process, the sponsor/developer drafts their own purchase agreements (unlike the boilerplate contracts typically used for resales). That often leaves more issues to be protected against and negotiated that are largely unfamiliar to the typical purchaser. Also, a good broker should be able to provide you with some industry insight into the building before you submit an offer.

How to pick a good real estate agent

New York City has around 15,000 licensed real estate agents, but as the bar to entry is pretty low, a license alone is no testament to skill, commitment, or experience. Below, a few indications that the agent will be an asset to you in your search for a home here:

● They are intimately familiar with the neighborhood(s) you are looking in

● They have at least a few year's experience

● They are busy, but not so busy that they hand you off to an assistant

● They work full-time

● You have a good gut instinct about them (no high-pressure tactics)

● They have experience with condos, co-ops, and new developments (whichever you are focusing on)

- They seem to understand your taste and sensibilities.

STEP 4: HOW TO PICK A GOOD CLOSING LAWYER

How to hire a good real estate lawyer

Once a seller has accepted your offer, you will need to hire a real estate attorney to prepare and negotiate the details of the contract.

But don't wait until then to figure out which attorney you plan to work with. There will be a lot of fast moving pieces and heightened emotions--and you don't want to rush this.

Here are a few pointers for picking a good closing lawyer:

- Just about the worst thing you can do is hire an attorney who does not specialize in NYC residential real estate. Do not—repeat, do not—try to save money by dragging Uncle Morty away from his trusts & estates practice. The intricacies of closing a NYC real estate deal—from due diligence on a co-op to reading a condo board minutes—are not taught in law school or dealt with in many other real estate markets.

- On the other extreme, don't pick a chop-shop closing lawyer who takes a cookie cutter approach to your transaction and/or is too overloaded to be responsive.

- If you don't already know a good closing attorney, ask for referrals from people you know, but be skeptical about referrals from brokers involved in your transaction. These attorneys may be quite competent, but they may also feel the need to help a transaction go through in order to keep getting referrals. This is especially true with referrals by a broker representing a new development, where the potential for future business can be huge.

- Fees typically range from $1,500 to $2,500 for the average transaction. Expect to pay up to a few thousand more if, for instance, you want to preserve your privacy by buying an apartment under an LLC created for this purpose.

- Make sure the fee includes due diligence, and that your attorney (not a paralegal) will be going to the managing agent's office to read the financials and minutes (and read the offering plan if the building is less than 5 years old). It's also best practice for your attorney to administer the managing agent questionnaire (about bed bugs, leaks, noise complaints, reserve funds, major capital projects, etc.) in person or over the phone. (As one closing attorney told us, "They have a duty to the building but generally they don't want to lie. You can tell if they're trying to avoid something.")
- Find out how much of the attorney's fees are refundable if the deal doesn't go through.

STEP 5: FINDING THE RIGHT BUILDING

In NYC, the building matters as much as the apartment

Living happily ever after in a New York City apartment has as much to do with the building you live in as the apartment you buy. That's a lesson first-time buyers and people new to NYC generally wind up learning the hard way--falling for the view and living to regret the high maintenance charges (or the high-maintenance board). Especially if it's your first time at the rodeo, you may not be sensitive to all the ways buildings diverge--from service, financial health, to flood zone location to sublet policies. Read on for the rundown.

A brief guide to NYC apartment buildings--white glove, prewar, Mad Men and more

Before you start shopping, it's wise to master the lexicon and the nuances of the various types of apartment buildings in New York City.

'Full service' and 'white-glove' vs plain old "doorman" buildings: A 'doorman building' may sound fancy, but it can be as no-frills as a part-time doorman building that has a live-in super. 'Full-service' implies all the trimmings you would expect such as porters, a resident manager, and possibly a concierge in addition to round-the-clock doormen. A truly 'white glove' building is full-service with a five-star-hotel level of service and cleanliness.

Your monthly charges will reflect the level of staffing, and generally speaking, there is an economy of scale: It can cost less per apartment to staff a 300-unit full-service building than it does to staff a 125-unit building. Holiday tips in a full-service building can range from $1,000-2,500 per year, though there is no obligation to tip.

"Attended elevator" buildings: This is a rapidly dying breed of smaller prewar buildings that still feature old-fashioned manually-operated elevators. The elevator is operated by a uniformed attendant who functions as a doorman when not ferrying passengers. However, there is not a separate doorman, so package acceptance and other types of duties cannot be reliably carried out at all times, with the attendant toggling back and forth between the front door and the elevator.

We can't really think of an upside to this arrangement (besides delaying the cost of upgrading the elevator). All things being equal, we'd rather have a doorman.

Elevator buildings: Compared to luxury full-service buildings, these are generally on the smaller side, topping out at around 10-15 stories. At most, they are staffed with a live-in super and maybe a part-time porter/handyman to help out.

Many people swear they would never live in a non-doorman building, citing safety and convenience. Others find that a good live-in super who accepts packages is an excellent trade off for increased privacy and significantly lower monthly charges. These days there are also sophisticated remote doorman systems that can perform many of the functions of a traditional doorman.

Walk-ups: These five- or six-story buildings are usually very competitive pricewise. Many if not most rely on help from a part-time off-site super, and some require that owners take up some duties usually performed by a super, such as shoveling snow.

Prewar vs postwar vs new:

Prewar buildings were built before World War II and generally but not always embody the elegant, iconic architectural styles associated with "old" New York. On the positive side, they tend to be very solidly constructed (resulting in less sound transmission between apartments, except in tenement-style apartments and brownstones) with more gracious proportions, from room size to closet size to ceiling height.

On the negative side, prewar buildings tend to have fewer amenities, and unlike the newest crop of construction, comparatively few allow in-unit washer dryers, though there is some progress being made on that point as prewar buildings revisit plumbing issues to try to remain competitive in the resale market. Due to their older vintage, most prewars are co-ops rather than condos.

Postwar buildings basically span the period from World War II up until the latest circa-2000 construction boom. These buildings include the huge middle-class housing projects like Stuyvesant Town, to the 60s-era white-brick high-rises plentiful on the Upper East Side east of Lexington Avenue (currently in retro-chic style for fans of the popular television show *Mad Men*), to red-brick cookie cutter construction that characterizes much of the 1980s construction.

While there are exceptions, the cookie-cutter nature and lack of architectural detail of many of these buildings can make them a more affordable option than prewar or the newest construction. They are likely to have amenities like laundry rooms and fitness centers, and their windows, bathrooms, and elevators are often larger than prewar, but many are also known for their low ceilings and slapdash construction that shows up in noise-transmitting walls and floors.

New construction buildings born in the most recent (post-2000) construction boom and afterward tend to lavish much attention on style and design. Hallmarks include an emphasis on floor-to-ceiling windows, open kitchens, and amenity spaces that can range from full-service gyms and screening rooms to pet spas, landscaped roof terraces and children's playrooms with a full schedule of classes and activities. Many units were designed to accommodate washer-dryers.

All of this comes at a cost: The sense of spaciousness provided by huge windows and open kitchens allow developers to shave actual square feet from living areas. Amenities boost the common charges. Many newer buildings (1-3 years) are still experiencing growing pains related to construction defects and sponsor control that is not always in the best interest of residents. Depending on the developer, noise transmission and air quality issues can also be a problem. Newer buildings may be less conveniently located than older housing stock. Also, because they are condos with characteristically lax sublet rules (unlike co-ops), and because they attract investors who neer intend to live there year round, newer buildings can have a higher proportion of renters than some live-in owners are comfortable with.

Make sure the building has its finances in order

After your offer is accepted, a good real estate attorney will conduct a thorough analysis of your prospective building's financial situation. (Remember, we mean a good attorney; if you pick one unfamiliar with NYC real estate, or who runs an assembly-line chop-shop practice, or who receives a steady stream of referrals from someone who stands to gain from your sale--such as a broker or developer--your attorney may not give this critical process the attention it needs.)

Some things to keep in mind: If a building hasn't raised its monthly charges in years, this is likely a sign of bad management in that important projects are probably being deferred. Similarly, while some higher-end buildings make a practice of "running lean" and levying assessments for emergencies and improvement projects, a reserve fund of less than 3 months may mean this building is struggling.

20 questions to ask about the building before you buy an apartment

Having to wait 10 minutes every single day for an elevator during rush hour can really crimp your happily-ever after. Issues like that and the ones below are not necessarily deal breakers, but it's good to think about them in advance to identify the ones that might be:

1. Elevators: Are there enough elevators to accommodate the number of residents, especially during rush hour? In a tall building, are all of the elevators "local" or is there an express option to speed things up?

2. Sublet policy: What restrictions are there on your ability to sublet the apartment? Are there any fees?

3. Heat and a/c: If the heat and air conditioning are centrally controlled, what time of year does the building switch over? (You could be poaching/freezing for a long time.)

4. Food delivery: Can meals be delivered to your door or do you have to go down to the lobby to get them? Are there enough restaurants that deliver to the building? (Check restaurant-delivery website Seamless.)

5. Package delivery: Over the past few years, the explosion of grocery delivery services, meal delivery services, Amazon shopping and all other forms of online shopping have severely strained the ability of even full-service doorman buildings to store and/or deliver to residents. Some have banned certain types of delivery altogether, so be sure to inquire.

6. Amenities: Are all of the amenities included, or are there some pay-to-play options?

7. Board personality: Is the board liberal or conservative? (For clues, ask to see a copy of the house rules.) A board's personality will influence your day-to-day existence and can even affect resale values.

8. Flood zone and evacuation zone: Post-Hurricane Sandy, it's important to be aware of your building's vulnerabilty to flooding. Find out whether the building was affected by Hurricane Sandy. If it was, you and your attorney need to make sure the damage was fixed properly, by professionals, and find out how the building will address vulnerabilities going forward (and how much your share of that will cost).

You should also check to see if it lies in a FEMA-designated flood zone. If it is, you will need to be prepared for the possibility of future disruption and if you are taking out a mortgage, you may need to purchase flood insurance on your apartment, even if it's on the 15th floor.

Finally, determine whether your building lies in a NYC flood evacuation zone. There are no insurance consequences to being inside a NYC evacuation zone, but you may be ordered to evacuate in another severe storm.

9. Bed bugs: Has the building had a bed bug problem within the past year, how was it handled, and what is the status? Red flags include a longterm problem (6 months or longer); an infestation that is centralized in the apartment of a 'hoarder', notoriously difficult to control or even gain access to; a recent bed bug problem in your own unit, or any unit in an adjacent cloverleaf pattern (above, below, beside your prospective apartment).

10. Dogs: Even if you don't want one now, does the building allow dogs? If so, are there any restrictions on number, breed or size? Will you need to pay a fee to keep a dog, use the service elevator or even carry your dog through the lobby? If, on the other hand, you prefer to live in a no-dog building, recognize that the proliferation of "emotional support pets" has introduced dogs to many no-dog buildings in recent years.

11. Washer/dryer rules: If your apartment doesn't already have one, may you install a washer/dryer? (Don't take the seller or broker's word on this, and beware of any answers to your renovation questions that include the words "the board approves this on a case-by-case basis.")

12. Neighborhood nuisances: Are there any nuisances on the block, such as a nightclub that gets going at midnight every night, or a restaurant that exhausts cooking smells into your apartment? (Come back and check at the appropriate time of day.)

13. Smoking policy: It's not just restaurants, bars, and public parks that are smoke free these days: Some apartment buildings have declared smoking off-limits inside apartments, not just within the public spaces of the building.

14. Schools: What public elementary schools are in your zone, and are they considered "good"? Even if you don't have kids, your next buyer may care. Fair Housing Laws preclude your real estate agent from discussing schools, but you can investigate on websites like InsideSchools.org and GreatSchools.org and stop by the local playground to ask a few a parents about the schools and any scuttlebutt about future rezoning initiatives.

Before you sign any papers committing you to a new apartment, confirm and reconfirm that the building is in the school zone you think it is. In theory, you can find out which school a building is zoned for by calling 311 or checking the Department of Education website but due to continual rezoning, this information has not always been accurate. We suggest calling the school principal's office to confirm that your building falls in that school's zone.

15. Your future neighbors: What kind of people live in the building? Fair Housing Laws prevent your agent from talking about the presence of families, retirees, or young party animals—so ask the doorman and/or sit outside the building to watch who comes and goes.

16. Family-friendly vs not: Life with small children can be much easier in a building that is truly "friendly" to families, and parent friends (and potential playdate partners) in the same building are a major plus. On the other hand, if you're single or your kids are all grown up, you may not want to live next door or beneath young children. Brokers aren't allowed to discuss the composition of the building, but the doorman or super can. Other tips: Sit in the lobby or outside the building and look for yourself, particularly before and after school.

If there's a bike room, look for little bikes. Buildings with up-to-date playrooms and those with predominantly larger (2+ bedroom) apartments tend to have more families, particularly in highly regarded school zones.

17. Odors and secondhand smoke: Be alert to any objectionable odors, ranging from cigarette or pot smoke to cat pee to strong cooking smells and make sure they are something you can live with.

18. Sponsor control: If more than 50% of the apartments are owned by the developer or sponsor, you and your neighbors will not be able to make key decisions about the biggest investment in your life until the sponsor owns a minority stake and residents take control of the board. There may also be issues with financing: Banks are reluctant to issue mortgages in buildings with high investor or sponsor ownership, meaning you may have to pay all-cash--and resale values may be depressed because the pool of potential (all-cash) buyers is small.

19. Trash disposal: How is garbage disposed of—for example, can you leave it on the service stairs for pickup or do you have to bring it down to the basement yourself?

20. Stroller policy: Are strollers allowed in the elevator or relegated to the service elevator?

STEP 6: SHOPPING FOR THE RIGHT APARTMENT

How to make the most of an open house

Open houses are an excellent way to become familiar with the buildings and apartments in your price point in a particular neighborhood. Most are held on Sunday afternoons and you do not need to attend with a broker. (Note that not all buildings allow open houses, in which case showings may be done by appointment only.)

The sign-in sheet

Many buyers visit open houses on their own either while working with a broker (writing the broker's name on the sign in sheet) or while getting their feet wet before choosing a broker. If you sign in without a broker, and want to make an offer on the apartment, you usually have the right to bring in your own broker at any time up until an offer is submitted, no matter what the seller's broker (who now has to split the commission) tells you.

There are two important exceptions: If the seller's broker is not a member of the Real Estate Board of New York (REBNY), which is more common in boroughs outside of Manhattan, they are not obligated to split their fee with another agent (a.k.a. "co-broke"). The same is true in some new developments where the developer's agents are in-house or not REBNY members.

In these two circumstances, although you have a legal right to choose an agent to represent you, you may have to pay them yourself.

How to "do" an open house

Walk through the apartment as if you live in it, thinking about your daily routine. Don't assume that you can change something, like expand the bathroom or add a washer-dryer. Could you live with it the way it is?

Don't take the broker's word for anything--from claims that there are offers on the apartment, to the cost of existing renovations or future ones, to the seller's reason for moving. Ask for documentation on issues like these--you probably won't get it, but the broker's reaction can tell you a lot. You may find that brokers let their guard down more toward the end of an open house.

Size matters: How big is it really, and is there room to grow?

Because of the high transaction costs involved in buying and selling apartments in New York City, you should buy an apartment with room to grow over the next 5-7 years. So if you're newly married and planning for children, you may want to keep renting rather than buy a one-bedroom starter apartment.

Do not rely on anyone's claims about square footage of a particular apartment. Bring your own tape measure and run the numbers yourself.

When it comes to location in the building, look out for these troublespots

Even within a building, the real estate maxim "location, location, location" holds true. Here's a quick tour of things to consider that may affect the value of an apartment and/or your enjoyment of it:

Ground floor: Be wary of noise from the street (if the apartment faces the street) and the lobby. Sound travels in two directions, so realize that people in the lobby can hear you too. Mechanical equipment in the basement can produce noise, vibrations and odors; a boiler beneath your apartment can keep your place uncomfortably warm; and if you have a garage downstairs, be prepared for gas fumes from idling cars.

Ground floor apartments typically have window bars for safety and can be quite dark, and if you're facing the street, you may be keeping your blinds drawn much of the day for privacy. Vermin coming up from the basement can also be problem.

On the bright side, ground floor apartments in the rear of the building might come with outdoor space. And ground floor apartments can be a bargain. In an elevator building, they typically sell for 10 to 20 percent less than a second floor unit and 15 to 25% less than units above the second floor. (The opposite is true in a walk-up building, where apartments nearest the street sell for the most money.) Common charges or maintenance charges, which typically increase with floor height, are also the lowest in the building. Parents of young, active children may also appreciate living on the ground floor as there are no downstairs neighbors to mind the noise of jumping feet and crashing toys.

Next to an elevator shaft or trash chute: Elevators can send vibrations into neighboring apartments. Noise is also sometimes a problem in the form of rattling elevator cables and the chatter of neighbors waiting for the elevator (who are also privy to sounds coming from your apartment).

Trash chutes can also produce vibrations and in newer buildings some residents complain they can hear trash as it falls down the shaft, as well as the slamming door of the compactor room as residents drop off their trash.

Directly below a roof or setback terrace: All roofs leak eventually, and it can take months or years to find a culprit. Living under a terrace or roofdeck--particularly an actively used one--can be noisy as well.

The tradeoff of living on a high floor (views, light) and not hearing noise from upstairs neighbors (or only occasionally if there is a terrace) may be worth the drawbacks. At a minimum though, get an inspector in to look for potential leaks and make sure your attorney hones in on the issue in his or her due diligence.

Down the hall from a community room or playroom: Foot traffic and noise from the room itself can be a problem.

Along an airshaft: You won't get much light shining through windows that border an airshaft and you will probably want to further obscure the view and potentially prying eyes with window treatments. However, air shafts can make lovely quiet neighbors; just make sure the neighboring buildings that share the shaft are residential. You don't want a restaurant dumping garbage into the shaftway next to you.

Adjacent to an upper-floor mechanical room: These rooms can house boilers, a/c equipment, pumps and other devices that can produce noise, heat, or vibrations.

Very, very high up: Living on the 30th, 50th or 70th floor of a sleek high rise is a dream come true for many. But life is a little different when lived among the clouds, so go in with your eyes open by reading The Ups and Downs of Sky High Living.

A few things to keep in mind about rent-to-own deals

Very occasionally, condos and even some co-ops are offered with a rent-to-own option in which some or all of your rent over a certain period of time--typically 6-12 months--is applied to a pre-negotiated purchase price. It's an option worth considering in a market where it's cheaper to own than rent, though keep in mind that the option usually is presented only on an apartment that's taking too long to sell or a new development where the developer is anxious to move a lot of apartments, so due diligence is key.

You might consider a rent-to-own deal if you have a stable job with rising income but you're 1-2 years from being able to afford the apartment you want, or you need to build up your credit history in order to get a mortgage, or you want to kick the tires of a new-construction condo to make sure it isn't riddled with construction defects.

A few things to remember about rent-to-own deals:

- Rents are often higher than market-rate
- If you're planning to get a mortgage, you'll only be able to apply the portion of the rent that is above market-rate rent toward the downpayment. The rest can be applied to closing costs and the purchase price.
- Terms vary greatly. Get a lawyer to review your contract to purchase, make sure it's valid and binding, and help negotiate fair terms. Negotiate all the terms of the purchase now, when you have the most leverage, not when it's time to buy a year from now.
- You may be obligated to make repairs instead of your landlord.
- Be wary of a contract that obligates you to buy, and make sure your purchase agreement includes a financing contingency in case you can't get a mortgage.
- In a co-op, make sure the board approves the contract and you as a purchaser so that you don't get rejected after a year of rent payments.

Buying a co-op apartment from the sponsor will cost a little more -- but it can pay off

A sponsor co-op apartment is one that is owned by a building's original owner or the corporation responsible converting the building from a rental into a co-op.

The big advantage of a sponsor co-op--and the reason they are so sought-after--is that buyers do not have to be approved by the co-op board. You may even get to bypass the building's normal downpayment and reserve requirements, and be grandfathered in on certain perks held by the sponsor such as rights to a storage unit or to install a washer-dryer.

Sponsor apartments tend to cost about 5-10% more than comparable non-sponsor units, but for many people who might not be approved by a co-op board (such as freelancers, foreign citizens, and the unemployed or retired) the alternative is buying a condo, which is much more expensive on average than a co-op.

Closing costs are higher for sponsor units, as transfer taxes (1.825% of purchase price for properties over $500,000, and 1.425% for properties under $500,000) are paid by buyers. Also beware of the "sponsor renovation" -- often a low-cost quickie renovation meant to spur a quick, high sale and emphasizing surface appeal over quality and longevity.

Beware of lot-line windows, and "two-bedrooms" that are not

If you're a first-time buyer--or even a second time buyer--there are a couple of concepts that you should be familiar with in case you run across them.

Lot-line windows: Not all the windows in an apartment are necessarily there forever. Lot-line windows, which face onto the 'lot line' or invisible property line between two buildings, are at risk of being bricked up, at your expense, if the adjacent property is built up.

How can you tell if a window is of the lot-line variety? Very often they look a little bit different--with wire visible in the glass itself. But that's not always true. If you're buying a newer apartment it will probably be disclosed in the offering plan. Real estate agents must disclose the presence of a lot line window but only if they're aware of it, so make sure your attorney confirms that no windows in your prospective apartment are lot line windows.

Usually lot line windows are 'secondary' windows are on the side of apartments--never in the front and rarely in the back. For more information on the impact to the value of an apartment--even before the window is bricked up--read this.

A home office/den is not a legal bedroom: Legally speaking, a bedroom must have a window. Yet you will still run across apartment listings for "two-bedroom" apartments consisting of one legal bedroom and a windowless home office/den.

Many apartment dwellers do, in fact, use windowless rooms as bedrooms, even though it's illegal.

As one real estate attorney told us, "Child Protective Services will not come knocking at your door if you make [this room] into a nursery or kid's room." And many adults like them for their cocoon-like, blackout-quality peace and quiet.

However you decide to use the space, don't be persuaded to pay as much as you would for a legal bedroom: Depending on the strength of the market, a windowless room is worth about 30-50% less than a legal bedroom, say real estate brokers and appraisers.

The best buys for investors

If you're buying an apartment as an investment and intend to rent it out or only reside there part time, you will need to focus your search on condos, as very few co-ops welcome non-resident buyers and almost all severely restrict the ability of owners to rent out their apartments.

Find a broker who is experienced in investment sales and buy an apartment with the widest appeal to renters. Two- and three-bedroom apartments in luxury buildings are usually in highest demand--with two bedrooms having an even broader appeal than three. A large one-bedroom that can be easily converted into two might seem like a good substitute for a true two-bedroom, but there are usually more of those available, so you'll have more competition. Having more than one bathroom is a major plus.

STEP 7: CONSIDERING NEW CONSTRUCTION

Go ahead and fall in love with that shiny new condo--with your eyes wide open

It's easy and not necessarily foolish to be seduced by the obvious charms of a brand new condo--falling for sleek, modern architecture, floor to ceiling windows that make the most of light and views, and building amenities perfectly attuned to the needs of modern-day living versus, say, the needs of New Yorkers in 1926.

Just don't confuse new with perfect. Construction defects ranging from minor to serious are not uncommon. They can cramp your quality of life for years and even interfere with your ability to sell until the issues are fixed.

The most frequent problems involve exterior leaks, windows that don't work, defective wood floors, inferior substitutions of materials and appliances, missing fire proofing, heating and cooling system problems, and bad ventilation.

Complications ensue if the developer (also referred to as a 'sponsor') either doesn't want to fix a project he doesn't stand to make any more money on, or can't afford to. Worst case translation: Two to three years of lawsuits, five- or even six-figure assessments, mild-to-severe inconvenience, and repair work that could wind up costing each owner tens of thousands of dollars.

In light of the uncertainties surrounding the quality of brand-new construction, some buyers these days are opting for "slightly used" condos—apartments in two-to-three-year old buildings that have already had their tires kicked.

Buy from a reputable developer

While buyers of brand-new will never be able to eliminate the prospect of construction defects, the best hedge is to buy from a reputable developer—one who not only builds to a greater standard of care, but can afford to fix things that go wrong and wants to in order to preserve its reputation and be able to sell future projects.

So how do you find the good ones? A good real estate attorney (not one referred to you by the developer) should be able to steer you away from the worst and recite a list of the best.

You should also Google the name of the developer for discussions about problems in past projects. Remember that many developers create a new LLC for each project, so look in the offering plan—a huge telephone-book-sized document that along with its amendments essentially explains everything about the building, from how many units have to sell in order for the sponsor to relinquish management of the building right down to the finish of the countertop in the powder room—to find out exactly which entities are partners in the LLC, and Google those names too.

Buying “preconstruction” units: Rely on the offering plan, not the renderings

Buying “preconstruction” means relying on renderings (which may be deliberately distorted) to depict everything from the view outside the window, to the spaciousness of the master bedroom, to the finishes in the bathroom.

See How to Analyze a Rendering and How to Buy Preconstruction Smart for some common trouble spots, and always remember that the sponsor is only legally obligated to deliver what’s specified in the offering plan; the pretty pictures are irrelevant, and so is the model apartment.

There are two main advantages to buying off of a floorplan: Securing a unit in a hot market like this one, and typically lower early-bird pricing.

Sponsors release units for sale in several batches, raising prices each time. The spread between the first group and the last is usually 5 to 20%.

Note, however, that while you may get a cheaper apartment if buy early, you won’t necessarily get a better one. Sponsors include a number of the most desirable units in each new batch of units and often save the best for last, when they expect to receive the highest price.

What to know about getting a mortgage on a brand new condo

In the skittish modern credit climate, lenders look as closely at the building as at your financial history and income in deciding whether to give you a mortgage.

Building-wise, lenders require that anywhere from 15% to 50% of the apartments in the building must be in contract. The exact percentage is up to the lender, and so-called “preferred” lenders are typically at the lower end of this range. Preferred lenders, named in the offering plan, become intimately familiar with the development and don’t have to start from scratch as an outside lender might. This minimizes the possibility of the loan being denied because of issues with the building though it doesn't rule it out; the lender may decide at some point to put a cap on the number of units it is willing to finance, for instance.

Before issuing a mortgage to a buyer, lenders also require that the building have a Certificate of Occupancy or Temporary Certificate of Occupancy issued by the Department of Buildings.

Most lenders require that you put at least 10% down on your new condo; the average is around 10-20%. If your building is FHA-approved (more and more common in many emerging Brooklyn neighborhoods, for instance), you will only need to put 3.5% down.

A few important words about property abatements

Many new buildings offer property tax abatements that range from 5 to 25 years, meaning that you will owe no property tax or only a specified fraction each year until the program expires and you rejoin the highly taxed herd.

A few points about abatements:

- The longer abatements tend to be located in emerging neighborhoods like Upper Manhattan and certain parts of Brooklyn.

- Make sure you understand the phasing-in schedule: You may owe zero taxes for 10 years, then 25% of "normal" taxes in year 11, 50% in year 12 etc. A rapid phase-in can be a financial shock.

- Make sure you have a realistic sense of your actual tax burden once the abatement expires. Understand that the dizzyingly high number that the offering plan says will be your tax at the expiration of your abatement is based on current tax rates and assessed property values. Your actual number in 7, 14, or 25 years is likely to be much higher as tax rates and assessed values continue their inevitable climb.

- Don't assume you are going to sell in Year 7 in the event your income can't keep up with your taxes. Many of your neighbors may have the same idea—and the competition will make it harder to sell for the price you need.

- As a general rule of thumb, don't spend up because you have an abatement: Buy the apartment you could afford if there were no abatement.

How to negotiate with a developer on the price of a new condo

With demand for new construction outpacing supply except in the ultra-luxury market, don't expect to find much negotiability except in troubled projects, at critical moments of a development's lifecycle (see below), and/or if you're paying all cash.

Keep in mind that unlike individual sellers, developers (also referred to as sponsors) generally avoid outright price reductions. Price cuts affect future sales, as each unit's recorded sale price is a matter of public record. So if the sponsor gives you $25,000 off, he will probably have to give every other buyer in that line $25,000 off.

Instead, focus on extracting "off-deed" concessions that the rest of the world will not automatically learn about, such as:

- 3-12 months of common charges paid in advance
- Payment of attorneys fees
- Upgrades to your unit like a better flooring (if not yet installed) or other finishes and appliances
- Roof rights, rooftop cabanas, storage bins, bike spaces, parking
- Payment of your contribution to the building's reserve fund ("capital contribution")
- Mortgage recording tax "splitter": Not many buyers know about this, and it certainly pays to ask, as it can save you the entire amount of your mortgage recording tax (nearly 2% of your mortgage amount)
- An interest rate "buy-down"
- Furnishings, particularly when you're buying a model unit

In some cases, you may have more leverage at the beginning and end of a project. That's because during the preconstruction phase, the sponsor will be focused on getting 15% of the units under contract. Fifteen percent is the magic number at which the offering plan is declared effective by the attorney general and closings can legally begin. It is also the minimum threshold at which most lenders will even consider financing sales in the building (some want to see as many as 50% of the units under contract).

If you're paying all cash in the preconstruction phase, you may have the most negotiating leverage of all as far as concessions, if not purchase price.

Conversely, you may have extra leverage at the very end of the project, when a sponsor may be eager to close down the sales office and focus fully on the next project.

Other points of negotiation:

- **Deposit amount:** Most sponsors ask for 10% down when you sign the contract, but in the preconstruction phase, when the sponsor is eager to hit the 15% mark described above—and is likely to be sitting on your deposit a very long time before delivering the unit—you may be able to negotiate a lower amount, such as 5%.
- **Drop dead dates:** Sponsors will never offer this up, but most will agree to a reasonable "drop dead" date at which point you are let out of the contract. For example, if you're signing a contract in August and the sponsor predicts closings will start Oct. 1st when the building is predicted to be 25% sold, you can ask to be let out of the contract if closings are delayed 3-4 months past Oct. 1st.

STEP 8: NEGOTIATING OFFER AND THE CONTRACT

How to make a successful offer to buy an apartment

When you see a place you like, the next step is making an offer, through your agent if you're working with one, or directly to the seller's agent if not.

Typically, the elements of an offer are pretty basic. These include price, expected closing date, the amount of the broker's commission, the percent of the purchase price that will be financed through a mortgage, and whether you are asking for a mortgage contingency and/or a funding contingency.

Less commonly, the offer may include terms like the right to take possession before closing and pay rent to the seller. Inspection contingencies, which allow buyers to walk away from contracts with their deposits, are not common practice in NYC, but most sellers will agree to an offer that specifies "inspection prior to signing." That basically means the seller will allow the buyer to have the apartment inspected before signing contract, leaving the buyer room to walk away without signing the contract if an insurmountable problem surfaces.

When making an offer below the asking price, make sure it's reasonable and share with the seller the facts that your offer is based on--specific comparable sales, an issue in the building, a change in the economy, etc. This approach works psychologically by communicating that you're serious and attempting to be fair, even if the seller does not agree with you.

Another tip: Don't assume the seller's broker is going to articulate your position very well. Always give them something (a well reasoned and worded email, comparables pulled from StreetEasy, etc.) that they can cut and paste into an email to help convince the seller.

Tips for successfully negotiating the purchase of an apartment

Even if you consider yourself a decent negotiator, chances are you've only negotiated the purchase of a home a handful of times at most. Here are a few key do's and don'ts:

- **Don't talk too much in front of the seller's agent.** You may give the agent reason to believe you can afford more than you initially offer or you might disqualify yourself as a buyer by inadvertently underselling your qualifications. Your own broker, if they're experienced, will be able to best present your net worth statement as even the most educated buyers tend to leave out assets that they didn't realize could be counted.

- **Don't present your best offer first.** The other side assumes it isn't your best offer and will keep chipping away, while you've got nothing left to give.

- **Do write an offer letter.** Your agent should write a carefully crafted Word document on your agent's letterhead (scanned and emailed is fine) explaining your offer and the reasoning behind it, reference supportive information like comparable sales. It communicates sincerity and demonstrates you are probably not making offers on 10 properties at once. And usually the seller's broker will show it to the seller, ensuring that your points will not be lost.

- **Don't ask for everything at once with your first offer.** A lowball offer, for instance, is best digested alone.

- **Do be nice.** It will get you a lot further than being a jerk, because residential transactions are more emotional. This includes your broker--so make sure you don't select one with an abrasive or bullying personality.

- **Don't blow small things--like who gets the window a/c's--into deal breakers.**

How to win a bidding war in NYC real estate

If you find yourself competing for an apartment, here are a few things to keep in mind:

- **Offer all cash if you can.** In today's topsy-turvy financing world, this eliminates a major element of risk that the transaction won't go through if you can't get financing.

- **Act interested.** Wouldn't you rather sell your home to someone who is thrilled with it than someone pointing out flaws or acting blasé because they think enthusiasm will compromise their negotiating leverage?

- **Keep in frequent touch with the listing broker** so you know when things change (for example, if another buyer changes their offer to all cash) and you can stay competitive.

- Most people bid in round numbers. **Try making an offer with an odd number**, so you'll come in just above a close offer--like $753,000 instead of $750,000.

- **Put a deadline on your offer**, like 48 hours, so you'll have a clear idea on when to expect a response. Additionally, the seller may feel more compelled to take your offer.

- **Get personal by writing a letter** explaining who you are, your intentions, and why you love the apartment. In a close bidding situation, this may make all the difference to someone who has lived in a place for 15 years and has deep emotional ties to their home.

- **Accommodate a seller's special needs** like agreeing to a quick close, buying furniture, or letting the seller stay in the apartment for a period of time after closing.

Offer accepted? Time to go to contract

Once you have an accepted offer in hand, it's time for your attorney to get busy. Generally speaking, it takes about 10 business days to go from accepted offer to signed contract and another 30 – 75 days to close depending on whether you're using financing and the speed with which your lender and the building's board move. Of course there are always things that can delay closings even longer.

During this time, your attorney will review the last few years worth of minutes and financial statements and ask the managing agent some probing questions, all of which is intended to disclose any pre-existing or potential problems related to everything ranging from finances, bed bugs, leaks, noise complaints, reserve funds, major capital projects, problem neighbors, etc. As we've said before, your attorney will ideally do these things him or herself, rather than dispatch a paralegal, and speak to the managing agent in person or by phone, rather than sending a questionnaire.

Your attorney will also review the building's offering plan, bylaws, rules and renovation policies to make sure there are no surprises that might change your mind about buying the place.

How to get approved by a co-op or condo board

Whether you're buying a co-op or a condo resale, your purchase usually must be approved by the building's board. This involves submitting a 45-page-long, invasive, much bemoaned application package assembled by you and your broker that includes tax returns, recommendation letters, financial statements and much, much more. Some applications only reach back a couple of years; others go all the way back to the day you graduated from college.

As explained earlier, condos may make you work just as hard as a co-op, but basically have to accept you, unless they exercise their right of first refusal and buy the apartment out from under you. This almost never happens. And in new construction, there is not even an application package.

There are also a couple of situations in which a co-op cannot reject you:

- **"Cond-ops"** A few buildings (sometimes referred to as "cond-ops" for their condo-like approvals power) are actually forbidden by their own bylaws from turning down a buyer who satisfies basic conditions for buying.
- **Sponsor sales** (See discussion of sponsor apartments in the section entitled 'Shopping for the perfect apartment' as well as this article)

If your application is approved by a co-op board, you proceed onto the final step: The board interview. But first…

Reasons you might be rejected by a co-op before you ever reach the

interview

The vast majority of rejections occur *before* the co-op board interview, based solely on your application. As one Manhattan property manager shared with the NY Times, out of 350 transactions in buildings managed by his company, 20 buyers were turned down before the interview, and only 1 afterward.

Co-op boards do not have to explain why they rejected you. So although, legally, they must abide by Fair Housing Laws and not discriminate on the basis of race, religion, family status, etc., the fact is that anything can and probably does happen behind closed doors and sealed lips.

Here's a brief tour of the possible, not always obvious reasons (most legal, some not) for rejection based on your application:

- The size, breed, temperament, etc., of your dog.
- The board suspects you plan to use the apartment as a pied a terre rather than your primary residence.
- You are buying the place for your grown kids.
- You need a guarantor to afford the apartment.
- You won't have enough cash left over after buying the apartment to meet "liquid reserve" requirements, which can range from $25,000 all the way up to 1x to 3x the purchase price of the apartment.
- You don't have a strong enough presence in the United States (where will they sue and collect money if you default on the maintenance).
- You are a musician (noisy), record producer (like to party), or attorney (litigious).
- You are an at-home music teacher (noise + lots of visitors) or operate some other objectionable home-based business.
- You have a history of being litigious and/or suing a former neighbor, board or landlord.
- You posted stupid pictures of yourself on Facebook that suggest your lifestyle is not an ideal fit.
- You are paying too little for the apartment (it will drag down property values for the whole building).

- There are discrepancies in your financial package that have not been adequately explained.

- Your income relies too much on discretionary bonuses or on commissions.

- You haven't been at your current job long enough.

What to say (and what not to say) in a board interview

As mentioned previously, the good news about the co-op board interview is that the vast majority of turndowns--based on a buyer's financial package--occur before an interview takes place. Attorneys have counseled their boards to do this in order to cut down on lawsuits alleging discrimination.

That means that most of the time, if you've gotten to the interview, the apartment is yours to lose—something will need to go very awry in the interview.

That said, here are some tips:

- Don't answer any questions you're not asked; give lots of "yes" and "no" answers, resisting the urge to elaborate or sell yourself.
- Have a copy of your application with you and be familiar enough with it to quickly and concisely answer questions about it without looking (shuffling through papers gives a bad impression).
- Arrive on time and dress professionally.
- Couples should decide in advance who will answer certain types of questions (for example, one spouse answers all the financial questions, and the other handles the rest).
- Don't ask questions, as they can unintentionally convey negative feelings or intentions such as, "Do you intend to renovate the lobby?" Plus, all your questions should be answered by now as you've already agreed to buy the place.

Short, cordial interviews are generally a good sign. You won't find out whether you're approved until later though, usually within a few days.

STEP 10: THE CLOSING

Crossing the finish line: What exactly happens on closing day

Typically, about 60 days elapse between the time the seller accepts your offer and the time you actually close on the apartment.

The closing will be attended by attorneys for you and the seller, a title company representative, a managing agent if it's a co-op and probably the brokers for both sides, who have no official function but come to network and pick up their commission checks. While buyers and sellers are usually there, they can elect to skip it and hand power of attorney to their lawyer.

Arrive with your ID and your checkbook, to cover any minor last-minute 'adjustments' that spring up. You may also need to provide proof of apartment insurance.

Ideally, your closing will last one to two hours, though any number of things like problems with the walk-through, tardy transfers of loan funds, and tardy arrivals of humans can slow things to a crawl.

Eventually, you will walk out with a signed purchase agreement, keys and a great new place to rest your head at night.