A Guide for Purchasing a Home In New York

About Dominic J . Stoddart Longcroft

Dominic Stoddart Longcroft joined Sotheby's International Realty in New York City after 12 years of selling luxury real estate in Geneva and Gstaad, Switzerland. Dominic brings to his clients in New York a deep knowledge of real estate, and a special understanding of the needs of an international clientele in the global real estate market, having worked with real estate firms and clients from around the world, including the United States, Europe, the Middle East, Russia, and Asia.

Dominic built a successful luxury real estate business in Switzerland, where he managed 13 employees and seven agents. He provided exceptional service to his high net-worth clientele, assisting in their purchase of residential and holiday homes as well as commercial properties, and providing his professional skills and reassurance to clients seeking to enter a foreign real estate market.

He was recognized for building the top-ranking, Internet-based real estate business in Gstaad, and for selling two of the highest value properties in the region for $18 million and $21 million.

Dominic is a British national, and speaks both French and English. Dominic has been educated internationally; he holds a BA in Marketing from New England College, USA, and graduated from Aiglon College in Switzerland following schooling in the United Kingdom. As a result, he has an understanding of diverse cultures and clientele, and their respective needs and approaches. He has translated these skills to the New York real estate market.

Dominic brings his excellent interpersonal, organizational and presentation skills to Sotheby's International Realty, and a demonstrated ability to operate in a diverse cultural and international environment. Dominic is a keen skier and enjoys an active life with his family in New York City.

Dominic J. Stoddart Longcroft
Licensed Real Estate Sales Associate
Top 1% of NRT Agents Nationwide
Sotheby's International Realty
38 East 61st Street
New York, NY 10065, USA
212-606-7654 (o)
212-606-7661 (f)
917-325-5381 (c)
dominic.longcroft@sothebyshomes.com
www.sothebyshomes.com/nyc/agents/Dominic.Longcroft
www.dominiclongcroft.com

Chapter I -Introduction

A home is one of the single biggest purchases a person may ever make, so smart buyers will take the time to educate themselves, make careful decisions and avoid acting impulsively. This guide should help with your education.

This pamphlet is setup to help guide you through the basics of buying and financing a home in New York City. Its aim is to give you a general overview of the process in the most straight forward and concise fashion possible. With that said, we encourage you to put together a team of professionals to help you with your purchase. Your team should consist of a trio of experts in their fields; a real estate broker, a real estate attorney and a mortgage broker/banker. Use these professionals as a source of more detailed information and ask questions if you do not understand something. Items and information may change without notice. Always consult an attorney before signing a contract of sale.

Chapter II -Decision to Buy a Home

There are a few things to consider when deciding to start the process to purchase a home. Before taking any other steps on the path to home ownership, you must first evaluate your financial situation, decide how much money you can afford to spend including that you'll be able to obtain a mortgage and make sure it works with your timing.

Ask yourself the following:

- What are my reasons for wanting to purchase a home?
- How much home can I afford?
- Can I pay my bills in addition to a mortgage and maintenance payments?
- Am I financially prepared for the unexpected expenses that come with home ownership?
- Do I have a clean credit record?
- What kind of mortgage can I get?
- Do I have enough cash to make a down payment?
- Can I afford the closing costs?
- Do you need the tax break? Mortgage interest and property taxes are generally deductible. So, you may be making a larger monthly payment than renting, but remember to take into consideration the amount you are saving on taxes.
- Know your time horizon. How long you plan on staying in a home. Are you planning to stay in NY or are you just here for a short time, hoping to eventually move somewhere else? The answers to these questions will ultimately help you decide whether or not to purchase a home and what type of property to purchase.

Advantages to Home Ownership

A place of your own…

Your home can be your castle and a place to call your own. Perhaps you are ready to settle down in your community, and want the feeling of permanence and involvement that comes with owning your own home. Perhaps you need more space to raise a family. Or, maybe you want more flexibility than you have in a rental unit to adapt your living space to suit your individual taste and needs.

Financial incentives…

For many people, the motivation for homeownership is primarily financial. Owning your own home can be a sound financial investment as well as a way to reduce your tax obligations.

Scheduled savings…

When you buy a house, your monthly mortgage payments serve as a type of scheduled savings plan. Over time you gradually accumulate what lenders call "equity," an ownership interest in the property that you can often borrow against or convert into cash by selling the house. In contrast, renters must continue paying rent to a landlord for as long as they rent, without the opportunity to build up equity.

Increased value…

Houses may increase in value, or appreciate, over time. In NYC, it's not unusual to find that a house that sold just a couple of years ago is worth a much higher amount today. This increased worth (equity) is as good as money in the bank to the homeowner.

Tax benefits…

Homeowners also get significant tax breaks not available to renters. Most importantly, interest paid on a home mortgage and property taxes are usually deductible. This alone can save you a substantial amount each year in federal and state income taxes. The after tax basis of owning a home may actually be lower than the actual costs.

- Mortgage Interest

  Your mortgage payment usually goes to both principal and interest. At the year end you receive a 1099 statement from your mortgage lender that shows how much interest you paid on your mortgage. The amount of mortgage interest paid is generally tax deductible from your income tax. There is a $1,000,000 limit of loans along with an additional $100,000 on additional debt, such as a home equity line of credit.

- Real Estate Taxes

  Your property tax payments are also tax deductible. If you happen to have an escrow amount where your mortgage lender pays the tax bill, then the lender will give you an end of the year statement regarding the amount of the taxes paid.

- Second Homes

  In general, a second or vacation home also qualifies for the tax benefits of mortgage interest and real estate tax deductions. With a second home, you can deduct interest on a loan (subject to the $1,000,000 limitation). If you rent the property to others for two weeks or less, you can treat the property as your residence (and you don't have to report the rental income). Generally, you can deduct interest on a loan (subject to the $1,000,000 limitation) to acquire two homes and the real estate taxes on the two properties and not as an "investment property" which can be triggered if you rent out your home for more than 14 days per year Maintenance Charges (Coops only) Because monthly maintenance charges include a portion of the debt service on the building's underlying mortgage and the real estate taxes, a portion of the maintenance (usually around 50%) qualifies for an income tax deduction for the coop owner.

Stable housing costs…

Another advantage of homeownership is that while rents typically increase year after year, the principal and interest portions of "fixed-rate" mortgage payments remain unchanged throughout the entire repayment period, which is 30 years for a 30-year fixed-rate mortgage. In fact, because of the effect of inflation, this means that over the years you pay the same amount but with ever "cheaper" dollars. (However, with an adjustable-rate mortgage or ARM, the interest portion of the mortgage payments may increase if interest rates increase.)

Financial Considerations

Qualifying for a Loan

If you are planning to obtain a mortgage to purchase your property it is very important to know how much you can borrow. The best way to find out is to meet with a mortgage professional (either a loan officer at a bank or a mortgage broker) who can pre-qualify you for a loan. A mortgage professional can give you a basic pre-approval based on your credit score and income. However, a more in-depth analysis will be needed to calculate how much you can borrow. Lenders will look at your income, assets, liabilities and your debt-to-income ratio. This process will require you to submit your financial statements, copies of tax returns for the last two years, pay stubs and W-2 statements.

Down Payment

At the time you execute the contract of sale, you will need to provide a down payment check which is usually a percentage of the purchase price. In most situations, you will be required to make a payment equal to ten (10%) percent of the purchase price. The down payment check may be a personal check and is made payable to the seller's attorney who holds the money in an attorney escrow account until the day of closing. At the time of closing, you will provide the rest of the funds necessary to close both to the seller and for your closing costs. If there is a default by the purchaser under the contract of sale, the down payment funds are at risk of being forfeited to the seller as damages.

Closing Costs

Depending on the property you are purchasing, there are numerous closing costs that need to be computed in order consider the actual cost of purchasing that particular property. In general, closing costs for a residential house or condominium apartment (real property) will be greater than those for a cooperative apartment (personal property) because real property requires the purchase of title insurance. Additionally, if you are purchasing a new property from a Sponsor or Developer of a coop or condo building, then your closing cost will substantially increase as the Sponsor/Developer will pass off many of the seller's closing costs to the purchaser. The closing costs cannot be borrowed; therefore the purchaser needs to carefully calculate all out of pocket costs when selecting a property to buy. Prior to signing a contract, a Purchaser should discuss all costs involved with their Mortgage Professional and their Real Estate attorney to have a complete understanding of the total costs involved in purchasing their property.

Monthly Expenses a/k/a Carrying Charges

Carrying Charges are the additional costs associated with owning your property. These costs will apply whether you have a house, coop or condo and are in addition to your monthly mortgage payment.

- Coop Properties – generally require one monthly payment to the coop called "maintenance" to cover the unit's proportionate share of the costs of operating the building. These expenses include the upkeep of the property, building's insurance, building's real estate taxes and building's mortgage payment. However, it is advisable to also obtain a personal insurance contents policy for the unit’s internal improvements and liability.

- Condo Properties – will have several separate additional payments.
    - Common charges: for the unit’s proportionate share of the building’s upkeep, employees and insurance.
    - Real Estate Taxes: the unit will receive it’s own separate real estate tax bill (typically paid quarterly or semi-annually)
    - HO-6 Condo insurance for the Unit’s internal improvements and liability

- Residential Houses
    - Homeowner’s insurance policy – covering the improvements on the land and the replacement cost should the building be destroyed. You will usually need to purchase a one year policy at the time of closing. It is advisable to also have a liability policy included with your homeowner’s insurance policy should anyone be injured on your property.
    - Real Estate taxes – depending on where you live you may have to pay taxes for the town/school, county, village. Also take into consideration that taxes tend to increase every year.
    - Water/sewer – if your property has municipal water and/or sewer, there will be regular fees for usage.
    - Upkeep expenses: other factors to take into consideration are the condition of the home and property. There will be regular maintenance items such as lawn care, driveway plowing. In addition to the items that run the house such as the utilities, oil/gas, along with the systems like the furnace, hot water heater, appliances, etc.

Chapter III –Types of Residential Property

Residential Houses, Cooperatives, Condominiums

Residential Houses

A residential house is a one to four family home and is the most common form of home ownership across the country. The purchaser receives a deed to the house and land upon closing. The owner of the property is responsible for payments of real estate taxes, insurance, utilities and upkeep costs. This type of property has the most freedom for the owner in its usage. However, it is still subject to the municipalities rules for renovations and additions.

Cooperative Apartments ("CO-OP")

A cooperative apartment is actually the most uncommon types of properties as it is mostly seen in New York and New Jersey, along with a few other states. In Manhattan, "Co-ops" account for approximately 60-65% of all owned apartments. In this type of ownership, the cooperative corporation owns the building and the land (most of the time*). The co-op corporation issues each unit owner a stock certificate with the allotted shares for that apartment. The original amount of shares for each apartment were determined by the offering plan when the building converted to cooperative ownership. Upon closing each owner signs a "Proprietary Lease" from the co-op giving you the right to live in the apartment so long as you pay your maintenance and abide by the house rules.

There are several layers of financial responsibility with a cooperative corporation. First there are maintenance payments made monthly to the co-op corporation. The maintenance covers the building' underlying mortgage, the building's insurance, upkeep of the building and common areas, utilities, employees, and taxes. There is an annual budget determined by the co-op to allocate how much maintenance is needed to run the building. There may be regular increases to maintenance as well as assessments to collect additional funds for big items or renovations.

The ownership will be governed by rules of the co-op (found in the corporate documents and Proprietary Lease) and an elected Coop Board. The Coop Board will make decisions in accordance with the corporate documents and run the daily operations of the building. The Coop Boards duties include reviewing and approving how much of a mortgage you can take out (most require a minimum of 20% down payment, and sometimes do not allow financing at all. Each coop has their own individual rules) on either a refinance or a purchase, unit interior renovations and alterations, whether or not a shareholder can sublet the apartment. In addition the purchase and sale of your unit, you will be subject to the unconditional consent of the coop board.

Condominium ("CONDO")

Owning a condominium apartment is like owning a house since you are purchasing real property with a deed showing ownership of the condo unit. In addition, as a condo unit owner, you own a percentage of the building's common areas or common elements, which include the lobby, common areas, laundry room, lobby and hallways.

There is more freedom for you to do what you want with on the interior of your unit so long as it does not structurally alter the building. The condominium is also governed by an elected Board of Managers whose powers are derived from a Declaration of Condominium and By-Laws. The condominium's Board of Managers makes financial decisions as to the amount of common charges needed to maintain the common areas of the building. A condominium unit owner may mortgage the unit, similar to a residential home mortgage and pay the real estate taxes on the unit. Purchasers and subtenants of owners must submit an application to the condo's Board of Managers.
The Board reviews the application and must either approve the applicant or exercise the condo's "right of first refusal". With a Right of First Refusal, the condo has the first option to purchase the unit at the same amount of purchase price as the current seller on the contract. Although this right is not commonly exercised by condo boards, the Right of First refusal must be obtained in order to close on a purchase. The right of first refusal also extends to the condo's right to rent the unit if you are intending to sublet your unit for rental purposes. In general, many condo policies are more lenient than most coops, including subletting, which is why purchasing a condo is often a better choice for investors.

Chapter IV-Team of Professionals

Once you have taken the time to think about the reasons for purchasing a home and concluded it is financially feasible, you need to assemble your team. As mentioned, you should put together a team made up of a real estate agent, a real estate attorney and mortgage broker/banker.

The Real Estate Agent

When choosing a real estate agent, you want to make sure you are comfortable with them and that they do not pressure you into making hasty decisions. A real estate broker should be on time, return calls/emails promptly and be knowledgeable about the neighborhoods and buildings they are showing. They are your "right hand" during the process so do not hesitate to use their expertise. They will act as your point person throughout the transaction and can help to coordinate the activities of the other parties. In NYC, the seller's typically pay the broker commissions, so it is in your best interest to have a broker work on your behalf. They will coordinate showings, help compare listings and past sales, negotiate on your behalf and present you in the best possible light to a coop or condo board for approval.

Ask for referrals from family and friends. Your real estate agent can refer you to attorneys and mortgage specialists their clients have had positive experiences with in the past.

The Mortgage Professional

The mortgage professional can be either a loan officer at a bank or a mortgage broker. In general, mortgage brokers are not lenders but act as a third party to arrange and negotiate the conditions and terms of loans from lenders on your behalf. Either mortgage professional will assist in processing your loan application, evaluating your financial situation, qualifying you for a mortgage loan and obtaining a mortgage loan commitment letter from the lender. The mortgage professional will provide you with a choice of loan products and programs and assist you with the clearing and closing of your mortgage loan.

The Real Estate Attorney

It is important to retain the services of an experienced residential real estate attorney who is licensed to practice in the State of New York. There are inherent conflicts of interest between a purchaser and seller on a real estate transaction. It is important to consult with a real estate attorney as soon as possible in the transaction, especially after an offer to purchase has been accepted by the seller but prior to signing any papers. Your real estate attorney's functions include:

- Due diligence review of the underlying documents of the property related to the property

- Review and Negotiation of terms of the Contract of Sale with Seller’s attorney
- Review and explanation of the terms of the Contract of Sale with the Purchaser prior to execution of the contract
- Review of engineer’s report or inspection of the property
- Calculation of all estimated costs, including closing costs and monthly carrying expenses
- Assistance with obtaining a mortgage loan commitment and review of the terms of the mortgage loan commitment
- Assistance with clearing your mortgage loan to close
- Obtain, review and clear any property title report or lien search issues
- Preparation for the closing, including coordinating attendance by all parties, preparation of all documents and calculation of final closing amounts needed for purchase
- Attendance at closing and assistance with the closing process
- Negotiation at closing of any walk thru issues with the property
- Closing by power of attorney for purchasers if required
- Review of all closing and mortgage documentation with purchasers
- Preparation of final closing binder with all documents from the transaction
- Finalizing any post closing items

Chapter V - Shopping for a Home

Once you have run the numbers and know what you can afford and have gathered your team of real estate professionals to help, you can focus on what type of home you would like to purchase. Prioritize your main requirements in a home and neighborhood and convey this to your real estate agent. Your budget, size of home, and "wish list" will help your agent with the search, but flexibility in any of these areas will greatly increase your chances of finding a home. As you begin to visit properties, you will get to know the market in your chosen area and understand what you get for your money. Attend as many open houses and visit apartments with your broker by appointment as you can. If your broker is not available, just be sure to sign in under his/her name so that they can assist you with the purchase when you decide to make an offer. Each home you see is an education. Don't be afraid to ask questions!

There are a number of factors to consider when visiting a home. For example:

- How long has the home been on the market? A long time on the market may indicate a problem with the home or property or an inflexible seller (usually it means that it is priced incorrectly).
- What is the overall condition of the home and the building, including the hallways and lobby, and are their any major repairs that are scheduled or necessary? Any building assessments that may be planned to fix these issues?
- If a coop or condo, where is the apartment located in the building? An apartment which faces the front of a building will provide light, but might be exposed to more traffic and noise.
- What is the reputation of the public schools in the neighborhood? Are there any parks, museums, or public transportation nearby? These all contribute to property value.
- Is the neighborhood in good condition or an up and coming area? This may affect resale value.
- What are the monthly maintenance and real estate taxes? Higher monthly costs affect your monthly payments and lower the mortgage amount you can afford.
- Are there any restrictions on subleasing? Most coops will have restrictions.
- Is there a "flip tax"? Some coops and condos have additional transfer fees when you sell or purchase a home.

After you have seen a variety of homes, use all the information that you have collected to compare them before you commit to one. Be sure to use your team to help with all of the due diligence so that you are comfortable with your decision. One home may have all the features that you want but the price is too high. Another home may need significant work but has other attractive features including the right amount of space, great neighborhood, and right price. Lastly and most importantly, consider the monthly carrying charges and resale value of the home and make sure that your choice is within your price range and that you can obtain financing.

Chapter VI- Making an Offer to Purchase

The Negotiation

Offers are made in writing and/or orally in New York City. When you have found the right property, a bid or offer will be placed through your buyer's agent. It is recommended you request your offer to be placed in writing. He/she will convey your offer to either the seller's agent or to the seller directly along with a brief overview of your qualifications as a buyer, i.e. assets and income. Most offers require a standard financial form to be submitted along with the offer. (See appendix) The seller may "counter" your offer. This will begin a negotiation process that will hopefully lead to an agreement as to the price, terms, approximate closing date, and loan amount, if any, and the length of time to obtain a loan if the seller has agreed to a financing contingency (defined below), any repair work, the condition of the property and inclusions or exclusions of personal property within the home.
If the seller accepts your offer, you should immediately inform your attorney of the transaction. The seller's broker will put together a "deal sheet" with all of the vital information for all parties involved, including: contact information for both buyer and seller, both attorneys, the managing agent (if applicable), and both brokers. It will also state purchase price, balance due at closing, maintenance for the building, any current assessments, broker commission, and estimated closing date.

Due Diligence

Prior to the execution of the contract of sale, it is important for both the purchaser, real estate agent and their attorney to find out as much as possible about the property. The due diligence process will determine any hidden issues, potential future financial considerations and the physical status of the property.

Residential House
As an owner of a house, you will be solely responsible for all repair and expenses to the home after the closing. It is imperative that you are as thoroughly advised about the condition of the home prior to signing the contract. We strongly advise all purchasers to obtain an engineer's inspection of the house. A home inspector/engineer will help to determine the condition of the appliances, roof, heating, plumbing, electrical systems, and basement and provide you with a written report as to the condition of each.

It is crucial that the home inspection is done prior to signing the contract of sale since the contract will have a provision stating that the property is sold in "as is" condition. The seller will not be responsible for any repairs needed after the contract has been executed. It is further recommended that the purchaser accompany the engineer during the home inspection so that they can be apprised of the potential issues and problems with the home prior to the written report being delivered a few days later.

Performing the home inspection prior to signing the contract allows the purchaser to walk away from the deal if they are unhappy with the condition of the property. It also allows the purchaser to further negotiate the contract terms with the seller to either perform certain repairs or obtain a reduction in purchaser price.

Some tests take longer to perform, and in these instances, the contract will be contingent upon the receipt of acceptable results. Tests for water potability, fuel tanks, radon and termites can take up to two weeks to complete. If the results of any of these tests are unsatisfactory, the contract will generally provide that the seller has the option of correcting the problem prior to closing. If the seller chooses not to correct the problem, the purchaser will have the right to cancel the contract.

New York Law requires the seller to disclose any known defects in the home to a purchaser under the Property Condition Disclosure Act. However, a seller has the option to give the purchaser a $500 credit at closing in lieu of providing this disclosure.

In summary, the items listed below should be reviewed prior to signing contract (if available)
Current deed to property
Survey
Certificate of Occupancy
Tax bills
Recorded documents including easements and restrictive covenants
Well water test
Heating bills
Engineer’s inspection
Radon
Asbestos
Termites

Condominiums
For condominiums, your attorney should examine the Offering Plan and Amendments, By Laws, the condominiums financials and the House Rules regarding pets, guests, alterations, repairs, and sublet policies. Factors such as number of owner-residents, number of investment apartments, common charge increase history, assessments history, construction and repair and major capital improvements, lawsuits will identify any serious problems with the building and whether a mortgage lender would have any issues in giving you a loan on that property.

Cooperatives
For coops, your attorney should review the above documents in addition to the proprietary Lease and the coop board’s meeting minutes. It is important to do as thorough of an investigation as possible to review a coop physical and financial status and history. This will allow you to gauge your potential future financial liability with the building after you become the owner of it.

Types of Home Ownership

There are four ways in which you can take title to a home. You should discuss these with your attorney before closing so you have a clear understanding of the advantages and disadvantages of each form of ownership:

- ***Sole Ownership***
  Where one person owns the home entirely.

- ***Joint Tenancy with Right of Survivorship***
  When two or more people own an equal undivided interest in the home. If one owner dies, the surviving owner automatically becomes the owner of the deceased owner's interest in the home.

- ***Tenancy by the Entirety***
  The same as Joint Tenancy with Right of Survivorship except that it only applies to married couples. If one spouse dies, the home automatically goes to the surviving spouse.

- ***Tenancy in Common***
  Where two or more persons own a share of the ownership of the home without rights of survivorship.

Chapter VII – The Residential Contract of Sale

Basic Summary of the Contract

The contract will identify the all the parties to the transaction including: purchaser and seller, their attorneys, the house or unit being sold, the party who will be holding the contract deposit (usually the seller's attorney will be the escrow agent), the real estate brokers, the real estate taxes (if a condo or residential home), common charges or maintenance fees and assessments (if any) levied against the coop or condo apartment, whether or not there is a flip tax levied by the cooperative corporation and the party who will be responsible for paying it at closing. The contract will also state whether or not the purchase is contingent on the buyer obtaining financing (known as the Financing Contingency) or an all cash deal. If the deal has a financing contingency, then the amount of the mortgage loan will need to be listed. For coop properties, the contract will also identify the proposed occupants of the home, including any pets.

What is a Contract of Sale

A real estate contract is written evidence of the meeting of the minds between a purchaser and a seller. The contract contains all of the terms and conditions of the transaction and describes the parties' respective rights and obligations. The contract will also contain contingency provisions and representations of the purchaser and seller that describe what will happen if the purchaser or the seller cannot meet their obligations under the contract. As soon as a purchaser's offer amount is accepted, the seller's attorney will prepare the contract of sale and forward it to the purchaser's attorney for review and negotiation. The purchaser's attorney should explain the purchaser's rights and obligations under the terms of the contract and negotiate necessary changes to the contract with the seller's attorney. After all of the terms in the contract are agreed to, the Purchaser's attorney will send the purchaser copies of the contract for signature. The purchaser will sign the contract and return it to their attorney along with a personal check for the contract down payment (usually in the amount of 10% of the purchase price). The down payment check is payable to the sellers' attorneys law firm, as escrow agent and will be held by the seller's attorney in an attorney escrow account until the closing.

Price - The purchase price will be stated in the contract of sale and the terms of the payment defined. The terms are customarily a 10% down payment deposit paid at signing of the contract by personal check with the balance due on the closing date (usually 45 – 90 days from the contract signing). At the closing the balance of the purchase price needs to be paid as official bank checks or certified funds. Customarily, a purchaser can get a 15 to 30 day extension of the closing date from the contract date. However, extensions beyond 30 days from the contract date may jeopardize the contract.

Personal Property (also know as the Personalty) - Personal property is everything not permanently affixed to the home including all fixtures, hardware, kitchen appliances, cabinetry, air-conditioners, light fixtures, wall to wall carpeting, washer and dryers, window screens and window treatments (drapes, shades and blinds). The contract will provide a list of those items of personal property included or excluded in the sale. Purchasers should discuss with both real estate broker and attorney which items are included s part of the sale to make sure it is addresses in the contract.

Condition of Property - Generally contracts for the sale of coop and condo apartments will provide that the apartment is being sold in its “as is” condition, unless otherwise stated. Most contracts for coop and condo apartments are not contingent upon a home inspection and purchasers generally do not have an inspection performed based upon the knowledge that the coop corporation or condominium association is responsible for the cost of repairs to the building’s structure and operating systems. If, however, the parties have agreed that the seller will affect some repair to the interior of the apartment prior to closing, this must be specifically stated in the contract. The contract will also provide that the seller deliver the premises vacant and broom clean at closing.

Most condominium bylaws and coop proprietary leases generally provide that the owner is responsible for the maintenance and repair of the interior of the apartment, including the plumbing, heating and electrical fixtures and systems within the apartment, the contract should contain language requiring that these fixtures and systems be in working order at closing.

For residential homes, the purchaser is advised to have an inspection of the property done by a licensed engineer or home inspector. The engineer should review all the major systems of the house, roof and basement. Based on the results of the engineer’s report, the purchaser may want to further negotiate either the price of the contract or the repairs to be done by the seller prior to closing.

The Closing Date - The contract will state an “on or about” date for closing. This date is a target date only because there may be many conditions that a purchaser must satisfy between contract signing and the closing date. The timing of many of these conditions, including obtaining a loan commitment and loan clearance, a lien search or title report, clearing any title conditions by the seller, are beyond a purchaser’s control. Most contracts can be extended for 30 days beyond the contract closing date without issue. For condo’s the closing cannot happen until the condo issues the “waiver of right of first refusal”. With Coop’s the closing cannot occur until he coop has issued approval of the purchase.

Financing Contingency - A financing contingency provision in a contract permits the purchaser to cancel the contract if the purchaser is unable to obtain a loan. The provision will describe the maximum amount of financing a purchaser is permitted to apply for and the term of the loan. Generally, the provision will allow the purchaser 30 to 45 days to obtain a loan commitment letter and permit the purchaser to cancel the contract and obtain a refund of the contract down payment if the purchaser has not obtained a loan commitment letter within the stated time period.

Coop Board Approval - In cooperative corporations, the sale of an apartment is subject to approval by the board of directors. The purchaser must submit an application and any other documents reasonably required by the board within 10 days of signing the contract or within three days of receiving a loan commitment and attend a personal interview with members of the board of directors. If the purchaser is rejected by the board, the contract is canceled and the down payment returned to the purchaser.

Condominium's Right of First Refusal – Most of the time, the sale of a condominium apartment is subject a right of first refusal of the condominium to purchase the apartment at the same terms that the seller is offering to sell the condo unit to the purchaser. The contract will provide that the condominium's board of managers must waive its right to purchase the apartment as a condition to close. In order for the waiver to be produced, the purchaser and seller will have to submit an application package to the condo including the contract and possibly some processing fees. The waiver is delivered at the closing along with the condo documents including a condo power of attorney and paid common charge letter.

Marketable Title - The contract of sale will state that the sale is conditioned upon the seller transferring the premises free and clear of all judgments, liens, mortgages, coop loans, real estate tax arrears or other encumbrances against the property, otherwise know as "marketable title." For a residential home or condo purchase, your attorney will order a title report once the contract is signed and will arrange to have copies sent to the seller's attorney and your lender's attorney. If the title report reveals defects in the seller's title, the seller's attorney may be required to clear the defects prior to the closing. Once the defects have been removed, the title company will issue a title insurance policy at closing that assures you and your purchaser's lender that the property has marketable title. You will pay a one-time premium for title insurance which guarantees that the title company will defend at its own expense the property's title for as long as you own the property. For a coop purchase, your attorney will order a judgment and lien search against you, the seller, and the coop corporation to determine if there are any recorded judgments, liens or other encumbrances against these parties. The contract will provide that the seller must remove any judgments, lien or encumbrances against him or her prior to closing. Although the lien search does not insure the transaction, you may obtain coop title insurance for a separate fee paid at closing.

Contract Deposit - The contract deposit is customarily 10% of the purchase price and held by the seller's attorney in a non-interest-bearing escrow account.

Lead-Based Paint – In the past, the U.S. government passed legislation that requires a seller to disclose to a purchaser any knowledge of, or information regarding the presence of lead-based paint or lead- based paint hazards in their home. Although lead-based paint has not been used since 1978, small children who ingest lead-based paint chips or inhale particles of lead dust may suffer neurological damage. Although lead-based paint may exist in older homes, it is not considered a hazard if the home's surfaces are properly maintained or covered with non lead-based paint.

Flip Tax - A flip tax is a charge levied by the cooperative corporation on the transfer of ownership of an apartment as

For Coop Contracts:

Flip Tax – is a means of generating income for the building. The seller customarily pays the flip tax. The flip tax is generally a percentage of the sales price or a set amount per share transferred.

Occupants – For coop contracts, all persons intending to occupy the premises must be stated on the contract of sale. This will determine who will need to be interviewed by the coop board.

Pets - If the coop building permits pets, the contract should clearly state the type and number of pets to be kept in the home. Some coops prohibit certain types of dogs or limit dogs over a certain weight.

Chapter VIII - Types of Loans & Financing Terminology

Mortgage Financing

Most purchasers, you will want to borrow a large portion of the purchase price by obtaining a loan from a bank. This loan is called a mortgage because it is secured by the property. Before you begin the process of searching for a new property, it is advisable to contact a mortgage broker or lender to obtain pre-qualification letter for the mortgage financing you wish to obtain. The loan application process is the most time-consuming task in purchasing a home. By selecting your mortgage broker or lender, completing a loan application and assembling and submitting the financial documentation required for the loan package prior to signing a contract, you will have gained the following advantages:

• You will know how much you can borrow so you won't waste time looking at properties you cannot afford.
• You will have an advantage over other purchasers when you make an offer since the seller will know you're qualified to get a loan and can close quickly.
• You will save time on closing your loan because you already assembled your paperwork.

There are many loan programs available for financing the purchase of a home. You should be familiar with the important differences among the loan types if you want to get the loan that is best for you. The type of financing you choose can make a big difference in your ability to afford the home you wish to purchase as well as the ultimate financing costs that you will bear.

Generally, monthly home loan payments consist of principal (the amount of the debt to be repaid), interest (the fee, based upon a percentage, charged by the lender for lending the money), and in the case of condos and houses, real estate taxes and homeowners insurance. The principal amount of the loan to be repaid is reduced over time with each monthly payment of a portion of the principal.

Note: Frequently, there are delays in closing, however, particularly when purchasing a coop apartment since board approval is necessary before you can close. In addition, a seller has the right to postpone the closing date beyond the date in the contract if they are not able or ready to close. It is highly recommended that you consult with your attorney before locking in your interest rate so as not to lock in your rate for too short a period.

Types of Loans

- ***Fixed Rate Mortgages* -** the purchaser and lender set the annual interest rate which will remain the same for the entire term of the loan (most commonly, either 15 or 30 years). The monthly payment repays a portion of the principal plus interest. At the end of the term, the monthly payment will completely payoff the original loan amount borrowed. By looking at an amortization schedule, a purchaser can see how much of each monthly payment is divided between interest and principal.

- ***Adjustable Rate Mortgages*** - also known as ARMs, differ from fixed rate loans in that the interest rate and monthly payments can change during the term of the mortgage. Most ARMs have an initial fixed interest rate period during which the borrower's interest rate does not change (anywhere from one month to 10 years). After this fixed rate period, there usually is longer period of time which the rate changes either monthly or annually. The amount change on the interest rate is usually limited by rate caps. Some only allow a change of 2% more than the preceding year's interest rate. Others have a maximum or lifetime cap that will never exceed a certain percentage rate above the initial fixed rate.

- ***Interest First Loan*** - an interest first loan allows you to pay just the interest on the loan for a set period, often the first five or 10 years. It is not required to pay any principal during the initial time period. When the interest first period is up, the monthly payments will increase to pay principal over the remaining term of the loan. With an interest first loan, there is always the option of paying principal during the initial interest first period.

- ***Home Equity Line of Credit (HELOC)*** – Usually used as a second mortgage loan, you may be able to borrow more than 80% of the purchase price. A HELOC loan may be obtained with a different Lender than the first mortgage loan. Generally the interest rate on a HELOC loan is adjustable and can change daily based on the prime rate. The rate of the HELOC is usually calculated by adding a certain amount of points over the prime rate.

The Difference between a Coop Loan and a Mortgage Loan

A purchaser financing the purchase of a coop apartment obtains a "coop loan." Cooperative financing is different from other types of housing loans because you do not get a mortgage in the traditional sense of the term. Since you are buying shares of stock in a corporation that owns the building. Also, many coop buildings have limitations on how much you can borrow for the purchase of the unit. Most coop buildings do not allow loans in excess of 75% to 80% of the purchase price. Condos and private homes have no such restrictions.

When you are financing your coop apartment, you are technically pledging your shares of stock in the coop corporation as collateral to the bank for the loan. In effect, you are getting a loan to buy the shares and proprietary lease to live in the coop unit you are purchasing. The proprietary lease allows you to live in a specific unit for so long as you pay you maintenance fees and abide by the house rules.

Prior to closing, your lender's attorney will file a UCC-1 Financing Statement in the county clerk or register's office to place a lien on the coop shares that you are purchasing At closing, you will sign a Promissory Note which evidences the debt and a Loan

Security Agreement which pledges the shares and the Proprietary Lease for the apartment as collateral for the repayment of the loan and gives the lender the right to take back the apartment in a foreclosure action if you fail to repay the loan. You will also sign a blank Stock Power and an Assignment of Lease to the bank so that they will have the foreclosure documents ready in it's file should you fail to pay your obligation to them.

In general, purchasing a coop property is much cheaper than a house or a condo because there is no mortgage tax on a coop and the title insurance is not required on a coop.

When paying a coop loan, the monthly payment to the bank will be just for principal and interest. The monthly maintenance fee will be paid directly to the coop's managing agent by the homeowner. Homeowner's insurance is paid by the owner directly to the insurance company

A buyer financing the purchase of a condo or residential home obtains a "mortgage loan." When you obtain a mortgage loan, the property you are purchasing is pledged to the bank as collateral for the loan. At closing, you will execute a Mortgage Note that evidences the debt and contains a promise to repay the loan, a Mortgage that pledges the condo or residential home as collateral for the repayment of the loan and other loan documents that set forth the terms of the loan. You will pay mortgage tax based on the current rate for the county of the property. Also you will purchaser title insurance for both you as the owner and the bank giving the mortgage to insure the first lien position. After the closing, your title company will arrange to record the Mortgage in the county clerk's office in the county where the condo or house is located.

Generally, monthly home loan payments consist of principal (the amount of the debt to be repaid), interest (the fee, based upon a percentage, charged by the lender for lending the money) and real estate taxes and homeowners insurance. The principal amount of the loan to be repaid is reduced over time with each monthly payment of a portion of the principal. If the property is a condo, the payments will be made monthly by the owner directly to the condo's managing agent.

Financing Terminology

When taking out a mortgage loan, a purchaser should be familiar with the following basic loan terms:

Amortization - The process of paying the principal and interest on a loan through regular monthly payments. Each payment is applied first toward interest owed then principal. This monthly payment is factored over the term of the loan so that you can see how much principal is paid off as each payment is made.

Application and Processing Fees – These fees are charged by the mortgage professional or lender in preparing and reviewing your loan application to a lender.

Appraisal - An appraisal is performed by an independent third party retained by the lender to evaluate the price of the property. The appraiser determines the value of the property based on recent sales of comparable properties in the community.

Conforming Mortgage Loan - Any loan that is at or below the amount that Fannie Mae or Freddie Mac can purchase or securitize in the secondary loan market. Please consult with your mortgage professional or loan officer for current loan limits.

Equity – The amount of the value of a property after existing liens are deducted.

Escrow Account– A designated account that a lender uses to pay for a borrower's real estate taxes and insurance.

Fannie Mae and Freddie Mac - The nation's two federally chartered and stockholder-owned mortgage finance companies. These banks do not provide direct mortgage loans to consumers. Instead, they purchase mortgage loans made by other banks. However there are limits on the size of the mortgages they will purchase or securitize, called conforming mortgages.

FHA Loans – a program under the Federal Housing Administration (FHA), a division of the federal government, to help low and moderate income families obtain mortgage financing. The FHA provides insurance to lenders to have them make loans to borrowers who might not be able to meet standard underwriting requirements by insuring the lenders against loan defaults.

Interest – The interest rate is a fee charged by your lender for loaning you the principal.

Jumbo Mortgage Loan - A loan for an amount exceeding the Fannie Mae and Freddie Mac conforming loan limit. A loan in excess of this limit generally carries a higher interest rate.

Loan to Value Ratio (LTV) - The money borrowed as a percentage of the value of the property. Most lenders will give a mortgage loan of 80% of the value of the property.

Mortgage Loan Commitment Letter – a written agreement from a lender to make a loan to a borrower after reviewing the borrowers loan application, credit score, income, assets, carrying costs and an appraisal of the property.

Points (also known as Loan Origination Fees) – Generally calculated as a percentage of the loan amount. For example, "1 point equals 1% of the loan amount". This is a fee that you can pay to your mortgage professional or lender to obtain your mortgage for a certain interest rate.

Prepayment Penalty - A loan that requires that the borrower pay a penalty fee to the lender if the loan is paid off in full or in part before a certain period of time.

Primary Residence - A home used as one’s primary residence will qualify for a lower interest rate than one used as second home or investment property.

Principal - The initial amount of money you borrow from the bank.

Rate Lock – A period of time where a lender agrees to give a borrower a specific interest rate so long as the loan closes within the time period. Rate lock periods can be either 15, 30, 45, 60 or 90 days. In general, the shorter the rate lock period, the lower the interest rate. If a closing does not happen during the rate lock period, there may be a cost to extend the rate or the borrower may lose the rate and be subject to the current market interest rates.

Term - The term of the loan is the period of time for which you have borrowed the money. Most loans have either 15 years or 30 years repayment period.

Underwriting - The process by which a bank determines the level of risk involved with approving a loan application. The under- writer reviews a myriad of factors including a purchasers’ credit score, existing liabilities and assets, employment income for the last two years, the value of the property and carrying costs in the underwriting analysis.

Chapter IX- Procedures of Purchase & Timing

In order to move towards a closing in a timely manner, your team must work together to coordinate a variety of tasks. After the contract of sale has been fully executed, a number of wheels will be in motion simultaneously.

Your real estate broker, attorney and mortgage specialist will each handle a different set of responsibilities. If you are financing your purchase, your lender will require financial documents to verify your financial stability in order to process and grant the loan. While verifying your assets and income, the home will be appraised. With increased regulation over the past couple of years, this can be one of the longer steps in the process. It is recommended you pull together as much of this as possible and start the lending approval as soon as you begin your apartment search. This can greatly speed the purchase process and also give you comfort that the lender is behind you and willing to lend to you from the beginning of your search.

While your loan is being processed, your attorney will order a title report (condo or house purchase) or a lien search (coop purchase).

While waiting for the mortgage commitment from your lender, your real estate broker will be assisting you with the coop/condo board package. Much of the same financial documentation is needed by the coop and condo boards for approval, so save some time and gather it all at once. Many purchasers find this process quite intrusive; however, there is no way around it if you wish to live in most buildings in New York. In most cases, your fully completed board package must be returned to the building management within ten days of the receipt of the fully executed contract of sale or within three days from the date you receive the bank commitment letter. Ideally, the board package is ready to go when the lender commitment is received and can be inserted into the package and turned in immediately.

Required documentation for lenders and coop/condo boards

Bank Statements
Brokerage Statements
Trust Accounts
Employment Verification
Real Estate Owned
Net Worth Accountant Letter
2-3 Years Federal Tax Returns
Personal and Business Reference Letters (ask real estate agent for examples)
Landlord Reference Letter

Timing

If you are purchasing a condominium unit or residential house and obtaining financing, you can generally close within six to ten weeks of the contract signing. If purchasing a coop apartment with financing, you can generally close within eight to 12 weeks from the date of the contract signing because of the additional requirement that you attend a personal interview with the coop's board of directors. Your real estate agent will help you prepare for the coop board interview. Since coop boards generally meet no more than once per month, the closing date may depend to a great extent upon when the coop board meets to interview you. Of course, you and the seller may agree contractually to close at a later date to accommodate a seller who does not want to close before a specific date or event such as the end of the school year or until a seller's new residence is ready, or to accommodate a purchaser who must first sell their current property before purchasing.

If you are purchasing a residential home, your attorney will schedule the closing as soon as all title conditions have been cleared and you have obtained bank clearance from your lender to close the loan.

If purchasing a coop or condo unit, you will also have to wait until you have obtained approval of your purchase application from the coop corporation or condominium. Also for coop properties, the seller has to request the seller's original stock and lease from the mortgage lender in order to close. The original stock and lease ("collateral") needs to be retrieved from the bank's storage and sent to their local payoff attorney. This payoff attorney will deliver the collateral documents along with a lien release to the closing.

As soon as all necessary approvals have been obtained, your attorney can schedule the closing with the seller's attorney, the lender's attorney and the managing agent (if a coop). Your attorney will prepare a preliminary closing statement containing a breakdown of checks required for the closing, attend the closing and explain all loan and closing documents that you will sign. After the closing, your attorney should provide you with a final closing statement and copies of all documents from the closing.

Chapter X –The Closing and Closing Costs

Closing Documents and Forms

The following forms and documents are usually signed and exchanged at closing:

Coop Closing Documents

Stock Certificate **-** the certificate issued by the cooperative corporation for the shares allocated to the particular apartment.

Proprietary Lease- the Proprietary Lease describes the rights and responsibilities of the purchaser and apartment corporation with respect to the use of the apartment.

Consent **-** the consent is signed by two members of the board evidencing its consent to the sale of the apartment to the purchaser.

Stock Power and Assignment of Lease – these documents are signed by the purchaser to permit the lender to sell the apartment at a foreclosure sale in the event of a purchaser's default under the terms of the loan.

Condo/House Closing Documents

Deed **-** The Deed is the legal document that transfers ownership of the condo unit or residential home. The Deed is recorded in the county where the home is located.

Equalization and Assessment Form **-** This document informs the taxing authorities that the home has been sold and instructs the taxing authority where to send future real estate tax bills.

Unit Owner Power of Attorney **-** In the case of a condo purchase, the unit owner power of attorney gives the board of managers the authority to act on behalf of each unit owner in order to manage the day to day affairs of the building.

Closing Documents for All Purchases

Transfer Tax Forms **-** Generally, the seller must pay transfer taxes to the State of New York and the City of New York (if the property is located within the city) and the purchaser is obligated to sign the forms to verify the accuracy of the information contained in the forms.

HUD-1 Settlement Statement **-** Prepared by the bank's attorney, the form summarizes the closing costs incurred by the purchaser and seller at closing.

Truth in Lending Disclosure Statement – The bank provides an estimate of what payments the purchaser is obligated to make to the bank over the term of the loan.

Disbursement Authorization Form - This form is signed by the purchaser to authorize the bank to disburse the proceeds of his or her loan in the amounts and to the parties directed by the seller's attorney.

Primary Residency Affidavit- The purchaser is obligated to sign the affidavit to certifying that he or she will be moving into the home within 30 to 60 days if the purchaser intends to occupy it as a primary residence.

Smoke Detector Affidavit and Carbon Monoxide Affidavit - The City of New York and the State of New York require that the purchaser and seller certify that there is a smoke detector and a carbon monoxide detector installed in the home.

Promissory Note
Mortgage
Good Faith Estimate

Closing Costs

There are various fees and charges that you will be required to pay before and at the closing. The closing costs will depend on the type of property you are purchasing, the number of units you are buying (coop or condo), county of property, whether this is a new construction or conversion, and contractual obligations.

An estimate of closing costs associated with obtaining financing is contained in the lender's Good Faith Estimate which you will receive within three days after you submit your loan application. Although only an estimate, the Good Faith Estimate (GFE) will give you a good idea of how much cash is required for the purchase. It is important that you work closely with your attorney and loan officer or mortgage broker to get an estimate of how much the purchase will cost you at closing and monthly after the closing. You need to make sure you have enough cash to cover these expenses and to insure that the expenses line up with your expectations of the costs purchasing and mortgaging your property.

In general for closing you will be paying:

- Seller (down payment and adjustments)
- Bank (application, appraisal, closing costs, pre-paid items such as interest and escrow account set up)
- Title Insurance (insurance, searches, mortgage tax, recording fees)- Condos and houses
- Lien search and UCC filing fees (coops)
- Real Estate Taxes
- Homeowner's Insurance
- Purchaser's attorney
- Seller/Sponsor's attorney (in new constructions)
- Managing agent fees (coop and condo properties)

- Mansion Tax ($1,000,000 + price)

A. INITIAL EXPENSES PRIOR TO CONTRACT

Engineer's Inspection - $500 - $1,000 (plus additional fees for radon, termite, bed bugs, fuel, septic tank, water and lead-paint inspections).

B. FINANCING/MORTGAGE RELATED EXPENSES

Loan Origination Fee – Application and Processing Fees - Paid to the mortgage broker or lender to cover the cost of the Application Fee, Credit Report and Loan Processing. Cost: $500 - $1,000

Discount Points – optional amount paid to a lender to lower your interest rate. One point is equal to one (1%) percent of the loan.

Appraisal Fee – Usually paid upfront by credit card. Cost: $300 - $1,500 depending on the purchase price of the property.

Tax Service Fee - If you are purchasing a condo or residential home, during the term of your loan, you will be making real estate tax payments, either directly or through your escrow account with the lender. Your lender pays an independent service to monitor real estate tax payments. Cost: $70- $80.

Flood Certification - Your lender must determine whether or not your property is located in a federally designated flood zone. The fee is usually charged by an independent service to make that determination. Cost: $15 - $20

Mortgage Insurance - If you put down less than 20% on your home purchase, many lenders will also charge you private mortgage insurance (PMI) premiums payable monthly. Since you don't have the traditional 20% in equity invested in the property, the coverage protects the lender if you default on the loan.

Wire Transfer Fee - Your lender will wire your loan to its attorney who brings the loan proceeds to the closing in the form of bank checks. Cost: $15 - $30

C. PREPAID PASS THROUGH ITEMS

Prepaid Interest - At closing, you will be obligated to pay interest on the loan accruing from the closing date until the last day of the month in which the closing occurs. This is not a closing cost, only a prepayment of interest for the first month of the mortgage.

In addition to these one-time bank closing costs, if purchasing a condominium or house, you may be required to make additional monthly payments into an escrow account to be used by the lender to make periodic payments for your homeowner's insurance, real estate taxes and mortgage insurance(if applicable). The lender's goal is to have accumulated sufficient funds to pay your bills as they come due. Some lenders do not *require escrow accounts and will give you the option of paying your bills directly. However, if your lender requires an escrow account, you can expect to incur the following additional costs at closing:*

Homeowner's Insurance - Insurance to cover possible property damage to your home. You normally pay the first year's insurance premium prior to closing (some lenders ask for a copy of a paid receipt) and pay an estimated monthly amount thereafter into an escrow account established by the lender.

Real Estate Taxes - At closing, you'll fund an escrow account at the bank in an amount sufficient to cover the upcoming payments of real estate taxes. With each month mortgage payment of principal and interest, you will also need to pay an amount equal to one-twelfth of the annual real estate taxes so that your lender will have enough money on hand to make all subsequent tax payments on your behalf when they become due. If the next installment of real estate taxes is due within 60 days of the closing, your lender will require that you pay these taxes at closing.

D. TITLE COMPANY AND RELATED ITEMS (CONDO'S AND HOUSES)

Condos and Single Family Home Purchases Only
You will be required to pay the following additional closing costs at the closing:

Title Insurance – In order to provide the purchaser and the mortgage lender with an insurance policy to insure them as to the clear title of the property being transferred, the title company will do a detailed examination of the municipal records of a property. The purpose of the search is to make sure that you are purchasing the property from the legal owner/seller and that there are items filed against the property or seller which would adversely affect the ownership, marketability or value of the property. Title insurance protects the purchaser and the mortgage lender against any unpaid liens, unpaid mortgages, or judgments. If after you become the owner of the property, there is a claim made against your property or legal ownership, your title insurance company will pay all fees in order to protect your ownership and defend the claim.

Your mortgage lender will require that you obtain title insurance to protect and insure that their mortgage will be in first lien position. Title insurance companies will charge you a reduced "simultaneous rate" for buying two policies at once, for owner and lender. Owner's Title Insurance is a one-time premium and the rate is regulated by the State of New York, so all title companies charge the same fee. However, if you do decide to refinance the mortgage loan in the future, you will need to purchase a new Lender's Insurance policy at that time.

SEARCHES – For approximately $500.00, the title company will generally run the following municipal and personal searches against the buyer, seller and property address to see if any items are returned.

- Bankruptcy
- Patriot
- Certificate of occupancy
- Housing/building department violations
- Environmental Control Board
- Judgments/Liens/Tax searches
- Parking Violations
- Street report
- Fire Department
- Emergency Repair
-

ENDORSEMENTS – plan on spending $100 for title policy insurance endorsements required by your lender. These endorsements include:

- Waiver of Arbitration
- Condominium Endorsement
- 1-4 Family Endorsement
- Variable Rate Endorsement
- Environmental Endorsement

RECORDING FEES – In generally you will pay $250 to record your deed, $350 to record your mortgage and $100 for filing fees. There are additional fees for recording a power of attorney $175 and (if applicable) assignment of mortgage $175.

Title Closer Gratuity - It is customary to give the title company's representative a gratuity for handling the closing. Cost: $200- $250.

Survey of the Property (House only) -
Cost: $500 - $1,000. Note if an acceptable old survey can be located then you may be able to just to an inspection which will cost $100.

E. COOP RELATED FEES

Lien Search - After the contract is signed, your attorney will order a lien search from a title or abstract company to examine the public records for any judgments or liens against you, the seller or the coop corporation. Your lender will require that any outstanding judgments, liens or loans be satisfied (paid-off) at or prior to closing. Cost: $250-$300. Unlike title insurance, the title or abstract company does not provide a certificate of title, although one can be obtained for an additional premium.

Uniform Commercial Code (UCC-1) Filing Fee -
Prior to closing, you will sign a document that permits your lender to file a lien against the shares allocated to your apartment in the county clerk's office. Cost: $100-$125 PER FILING

F. TAXES DUE AT CLOSING

1. Mansion Tax - If you purchase a home with a purchase price of $1,000,000 or more, New York State imposes an additional transfer tax on the Purchaser equal to 1% of the purchase price. Coop purchases of $1,000,000 or more are also subject to the Mansion Tax.

2. Peconic Bay Transfer Tax - If buying residential or commercial property on the East End of Long Island, Purchaser is obligated to pay a 2% transfer tax with the following exemptions:

- North Fork(Towns of Riverhead, Southold) – exemptions for $150,000 for improved property and $75,000 unimproved property

- South Fork (Towns of East Hampton, Shelter Island and Southampton) – exemptions for $250,000 for improved property and $100,000 unimproved property

Note the applicable exemption amount is subtracted from the purchase price then calculated at 2%.

3. Mortgage Recording Tax - The State of New York imposes a tax on the money borrowed for the purchase of a residential condominium unit or house (coop loans are exempt) and commercial properties.

- Mortgages on a 1,2,3 family houses or individual residential condo unit in New York City are taxed as follows:

    1. For all mortgages less than $500,000, the tax is 2.05% of the loan amount. The borrower pays 1.80% minus $30.00 if the property is a 1-2 family and the loan is $10,000.00 or more. The lender pays .25% of the mortgage tax if the property is 1-6 family.

    2. For all mortgage securing $500,000 or more, the tax is 2.175% of the loan amount. The borrower pays 1.925% minus $30.00 if the property is a 1-2 family and the loan is $10,000.00 or more. The lender pays .25% of the mortgage tax if the property is 1-6 family.

- The mortgage recording tax in Orange, Putnam, Nassau and Suffolk Counties is the tax is 1.05% of the loan amount. The borrower pays 0.80% minus $30.00 if the property is a 1-2 family and the loan is $10,000.00 or more. The lender pays .25% of the mortgage tax if the property is 1-6 family.

- The mortgage recording tax in Westchester, Dutchess and Rockland Counties (except Yonkers) is 1.30% of the loan amount. The borrower pays 1.05% minus

$30.00 if the property is a 1-2 family and the loan is $10,000.00 or more. The lender pays .25% of the mortgage tax if the property is 1-6 family.

- The mortgage recording tax in Yonkers is 1.80% of the loan amount. The borrower pays 1.55% of the loan amount. If the property is a 1-2 family and the loan is $10,000.00 or more. The lender pays .25% of the mortgage tax if the property is 1-6 family.

Note for mortgages less than $10,000 the mortgage tax is 0.30% less than the regular applicable rate. The .25% lender mortgage tax exemption does not apply when the lender is a natural person. However this lender mortgage tax exemption does not apply to vacant land.

4. COMMERCIAL RATE MORTGAGE TAX (applicable to condos and houses only) – The commercial rate applies for four+ family homes and condos). Also if a purchaser is simultaneously purchasing two condominium units from the same seller in the same building, the commercial mortgage recording tax is applied in New York City as follows:

- Loan amount $500,000 or less the rate is 2.05% and borrower pays the entire amount.
- Loan amount is $500,000 or more the rate is 2.80% of the loan amount.
-

Note in all other counties outside the four boroughs of New York City, the mortgage tax rate is the same as the residential rate. However the borrower pays the full tax rate with no contributions from the lender.

5. AGGREGATED MORTGAGES Mortgages made within a twelve month period of each other for the same property are also aggregated for the mortgage tax computation. When recording a subsequent or subordinate (2nd) mortgage within a twelve month period of the recording date (when the aggregated amount exceeds $500,000), you must pay the higher mortgage tax rate on the new mortgage and the difference between the higher mortgage tax and the actual mortgage tax rate previously paid on the earlier mortgage.

6. New Coop or Condominium Conversions Transfer Taxes – Transfer taxes are usually paid by the seller. However, if you are buying a new construction property or a conversion, there may be a contractual obligation for the purchaser to pay the New York State Transfer Tax (the "State Transfer Tax") and, if purchasing in New York City, the New York City Real Property Transfer Tax (the "RPT Tax") applicable to the purchase (collectively referred to as the "Transfer Taxes").

- The State Transfer Tax is currently $2.00 per $500 of the purchase price (or $4.00 per $1,000).

- The RPT Tax rate is currently 1% of the purchase price for individual coop and condo apartments priced at $500,000 or less and 1.425% of the purchase price for individual coop or condo apartment's price at $500,000 or more.

- If purchasing from a Developer or Sponsor in the cities of Mt. Vernon or Yonkers, the purchaser will be obligated to pay 1% of the purchase price as a city transfer tax in addition to the State Transfer Tax.

- There is no equivalent city transfer tax in Westchester, Nassau and Suffolk Counties except for the Peconic Bay Transfer Tax applicable in portions of Suffolk County.

GROSSED UP TRANSFER TAXES

Since the Transfer Taxes are ordinarily a seller's expense, New York City and New York State take the position that where a purchaser pays the Transfer Taxes, the purchase price should be increased or "grossed up" to include the amount of the Transfer Taxes (the "grossed up" consideration also applies to the calculation of the Mansion Tax discussed below). The State Transfer Tax and the RPT Tax are therefore calculated by New York City and New York State in situations where the purchaser pays the Transfer Taxes first by computing the Transfer Taxes on the purchase price listed in the contract of sale, and then adding the tax amount to the purchase price to arrive at a "grossed up" purchase price. The Transfer Taxes are then recalculated based upon this higher "grossed up" purchase price and the purchaser is obligated to pay the Transfer Taxes based upon this grossing up amount.

- For example if you are buying a condo in Manhattan at a price of $990,000 and are obligated to pay the Transfer Taxes (RPT Tax $14,107.50 + State Transfer Tax $3,960.00 = $18,067.50). The transfer taxes are then recalculated at the aggregate of the purchase price plus the Transfer Taxes ($990,000 + $18,067.50) exceeds to $1,008,067.50. You would pay RPT tax at the rate of 1.425% X $1,008,067.50 = $14,364.96. The State Tax amount would be $4,032.27.

In addition, where the purchase price is less than $1,000,000, but by paying the Transfer Taxes, the purchase price is grossed up to $1,000,000 or more, you will be obligated to pay the Mansion Tax at closing.

- For example if you are buying a condo in Manhattan at a price of $990,000 and are obligated to pay the Transfer Taxes (RPT Tax $14,107.50 + State Transfer Tax $3,960.00 = $18,067.50), you would be obligated to pay the Mansion Tax since the aggregate of the purchase price plus the Transfer Taxes ($990,000 + $18,067.50) exceeds $1,000,000. The purchase price is considered to be $1,008,067.50. You would pay 1% as Mansion Tax in the amount of $10,080.68

BULK SALE – TRIGGERING COMMERCIAL RATE TRANSFER TAX

If you purchase more than one coop or condo apartment simultaneously, the City of New York takes the position that the transaction is no longer considered a sale of an "individual" residential unit and applies the commercial tax rate to the transactions.

The applicable transfer tax rates are 1.425% for purchases with a price of $500,000 or less and 2.625% for purchases with a price of more than $500,000.

G. LEGAL FEES

Purchaser's Attorney's Fees - You can expect to pay a flat fee or an hourly fee depending upon the complexity of the transaction plus the cost of disbursements (i.e., messenger and overnight deliveries). This amount will vary based on what is customary for the county of the property and the type of transaction. $1,100-$5,000

Seller's/Sponsor's Legal Fee - When purchasing a coop or condominium apartment from a sponsor or a new construction, you will also be responsible for paying the sponsor's attorney fee. $1,250-$2,500

Lender's Legal Fee – If you are taking out a mortgage to finance your property, you will be required to pay your lender's bank attorney to cover the cost of reviewing the title or lien search, preparing the loan documents and attending the closing. Cost: $900-$1100

H. CONDO/COOP RELATED FEES

Financing (Recognition Agreement) Fee – At closing, you will be obligated to pay a fee to the coop corporation or its managing agent for signing a document, called a Recognition Agreement or AZTECH Form, in which the coop corporation acknowledges that the purchaser has obtained a loan and promises to notify the lender if the purchaser fails to pay monthly maintenance or other financial obligations payable to the coop corporation. Cost $250-$400

Managing Agent Application Fee - The managing agent for the building generally charges the purchaser a fee for processing the purchase application board package). Cost: $350 - $500

Move-in Fee - At closing, some coop or condominium buildings will charge you a fee to cover the cost of covering the interior of the elevator or arranging for a building employee to supervise your movers. Cost: $250 - $1500.

Move-in Deposit - At closing, most coop and condominium buildings will require that you deposit a refundable fee to protect the building against any damage that you or your movers may cause to the building during your move-in. Fee: $500 - $1,500.

Working Capital Contribution - Generally, you will be required to pay an amount equal to two month's common charges as a contribution to the building's working capital fund.

Common Charge/maintenance fees - In addition to your closing costs, if the closing occurs near the end of the month, you may be asked to make a payment for the common charges or maintenance for the following month.

I. SELLER RELATED FEES:

Adjustments – At closing, you will be required to reimburse the seller on a prorated basis for any expenses the seller has prepaid beyond the closing date for maintenance payments (coops) or common charges and real estate taxes (condo/house). For a house purchase, you will also be obligated to reimburse the seller for any heating or cooking fuel left in a storage tank.

Appendix

REBNY Financial Form
Agency Disclosure Forms
Carbon Monoxide and Smoke Detector Forms
Lead Based Paint Form
Bed Bug Form