

A LESSON IN CO-OP'S



Top Twelve Reasons For Co-Op Board Rejections And How To Avoid Them

by Carol E. Levy

Before even beginning the hunt for that perfect co-op, the prospective buyer should be familiar with all the possible ways one's application might be rejected. Therefore, it is also essential that one choose a broker who not only knows the criteria and delicate nature of the co-op boards to which one might apply, but is also capable of creating a fail-safe board package that will be one's passport to a new home. Since boards never reveal the reasons for rejecting a buyer, one must rely upon an experienced broker who understands the delicate nature of purchase applications and the variety of unpublicized reasons why rejections occur. Here are a dozen of the most common reasons why prospective buyers are rejected by co-op boards.

1. Financials:

- a. Boards focus on the amount of liquid assets one has, and many of the premier buildings require one to have two to four times the value of the purchased apartment after closing. Other building boards may insist that one have two to three years of maintenance and mortgage payments in the bank post closing. A knowledgeable broker will not only be aware of each building's requirements, but will also keep abreast of changing criteria when new boards are elected.
- b. If a buyer's income is too low, that buyer may be rejected. The rule of thumb is that co-op boards generally want a buyer to be able to devote 25% of one's earnings to the payment of mortgage and maintenance. If those payments for one or more properties exceed more than 25% of one's gross annual income, one may very well be turned down.

2. Job History:

Most co-op boards review not only a prospective buyer's earnings from employment, but also one's job history. They will want a buyer who has demonstrated job stability, rather than someone who hops from job to job; otherwise a turn down will result.

3. Bad Credit:

Although a prospective buyer may have plentiful income and assets, if that buyer has a poor credit history, including a negative track record of paying current maintenance fees or rent, then that buyer will be a candidate for rejection.

4. Pied-a-Terre:

Some building boards are amenable to having pied-a-terres. Others make decisions on a case-by-case basis. Still others do not allow them. If one is looking for a pied-a-terre, he

6. Life Style:

While many co-ops accept those who profiles, there are others who do not want brought to their buildings by paparazzi. There are still other buildings that do not will disturb the peace, quiet, and shareholders.

7. Home Work:

Most boards will not object to tenants' homes, as long as their occupations do not revolve around a revolving door of client traffic. A writer is acceptable, but a psychotherapist will like

8. Failure to Fulfill Additional Requirements:

- a. After receiving a comprehensive board package, one may require additional documentation, such as a change in the purchaser's mortgage lender, a pre-conditioned escrow deposit, prior to an interview. If the buyer is unable or unwilling to meet the supplementary demands, then the board will reject that person.
- b. For example, if boards have financial requirements, they commonly ask a purchaser for one month's maintenance in escrow. After a shareholder has been financially responsible, the escrow will be returned.

9. Low Purchase Prices:

- a. If a shareholder attempts to sell a co-op apartment at a price below market price in order to facilitate a rapid sale, the board will object, as such proposed price per share values of all the apartments will be negatively impacted and future sales will be impacted.

10. Pets:

- a. A buyer's broker has to perform the necessary research to learn which buildings are pet friendly. If a building does not permit dogs, a broker must be aware of the breeds, weight, or number of dogs. When a buyer approves a dog, they will not approve the purchase.

11. Noise:

- a. A board may reject a buyer if that buyer has a hobby that might entail making noise in their apartment or hobby that might entail making noise in their apartment. And, if a trumpet player, for example, is approved, their acceptance will be contingent upon soundproofing their apartments before possession.

12. A Poor Interview:

- a. A savvy broker will prepare a prospective buyer for the inevitable board interview. Not only should the buyer have time for the interview and dress appropriately, but also be prepared to answer questions