

## The Buyer's Guide

Gaining Board Approval

By Carol E. Levy

If you're contemplating buying a new home, there are a few vital questions that should be asked, even before you start attending open houses and getting your heart set on one property or another. Among those questions might be, "How do I start the process?" "What can I afford?" "Does the right home exist in my budget?" "Should I buy a co-op, condo or townhouse?" "Will I be approved for financing?" "Will I be approved by a co-op board?"

Before entering the market, I advise my clients to follow a few basic steps to ensure that they will ultimately have a successful and happy ending to their real estate search. When one is ready, willing, able and properly prepared to jump into the exciting real estate game, they can look forward to a winning outcome.

### The Preparation: Budget Evaluation:

First, decide what down payment you feel comfortable spending; the customary deposit upon executing a contract of sale is 10 percent of the purchase price, and those funds should be available when you begin your search. When purchasing most co-ops, another 10 to 40 percent will be due at closing, depending upon the building's financing requirements, and the remainder will be provided by your lender, unless you plan to purchase with all cash. If you choose to purchase a condo, sponsor apartment or single family townhouse that allows you to finance up to 90 percent, then additional funds will not be required at closing. Obviously, your liquid assets will determine what type of property is most appropriate for you.

Second, thoughtfully determine your appropriate total annual expenditures, which should not exceed more than 35 to 40 percent of your reported gross income, including all mortgage payments for both primary and other homes, and maintenance or common charges and taxes, utilities, parking, etc. Keep in mind that your total annual housing expenses, which include only mortgages and maintenances or common charges and taxes, should not exceed approximately 25 percent of your gross income when being evaluated by the board of directors of a building.

### Financial Statement

Prepare a net worth and income statement with the substantiating documentation, including your latest bank statements, brokerage statements, tax returns, etc. Not only will most real estate brokers and sellers require this information to qualify your strength as a purchaser when making an offer, but your mortgage lender/broker will require the documentation, as well.

### Mortgage Broker/Lender

After speaking to at least two or more recommended and experienced mortgage brokers/lenders, choose one who not only quotes you competitive rates, but one you feel comfortable working with. Your mortgage specialist will help clarify your buying/borrowing power based on your income, assets and credit history. If necessary, he or she will also assist in improving a weak credit score in order to obtain more attractive terms for your loan; disputed claims and outstanding debt that can be cleared up will help increase your score. Also, obtaining a written pre-approval letter from your mortgage broker/bank will not only allow you to enter the market with confidence as a pre-qualified buyer, but will also be necessary to provide when bidding on a home, particularly if you're not the only one bidding on the property.

### Accountants and Attorneys

If you have a trusted relationship with your accountant, you might find it prudent and reassuring to consult with him or her regarding your projected earnings, savings and expenses in order to be certain that you're being realistic in the valuation of the home you can afford. Getting confirmation from an accountant in regards to an appropriate down payment and projected monthly expenditures will provide the peace of mind that you're following the correct financial boundaries in your hunt for a new home.

It is best to select a locally-based attorney who specializes in real estate prior to identifying the property you plan to purchase. New York City has complex real estate laws, and attorneys are utilized to close all real estate transactions and should be available to move quickly in all aspects of the deal.

### The Search: Your Broker

Choose a respected and experienced real estate broker who will make your search more successful and enjoyable. The vast majority of real

estate firms share the same database of listings, which is unavailable to the public, and a talented agent will work diligently to find the best properties for your needs as soon as they come on the market, and efficiently schedule appointments. An expert broker will not only guide you to properties that fit your budget, financial picture and lifestyle, but will also negotiate all aspects of the purchase, assist in procuring financing and prepare a board-worthy purchase application.

## Guidelines

It is critical to know and share your specific guidelines of your purchase with your broker, which include your detailed financial profile, budget, preferred neighborhood(s), desired school district(s), type of building, building amenities, property amenities such as square footage, light, views, etc. The more information you are able to provide your broker, the more effective your broker will be in selectively searching and ultimately finding your dream home. For any unclear guidelines, a skilled agent will counsel and direct you to the best solution.

## Accessibility

Make yourself as accessible as possible to your broker to view properties, as often the best homes are only available for an extremely short period of time before a contract is signed.

## The Purchase: The Offer

After identifying the property you want to purchase, your broker will submit a verbal offer, in addition to submitting the offer in writing along with providing the necessary financial documentation.

## Contract

Once your offer is accepted, your attorney will review the contract and perform his or her due diligence on the building, including reviewing its financials and board minutes. After receiving the "go-ahead" from your attorney, you will then sign the contract and submit the 10 percent down payment, in the form of a personal check.

## Mortgage

If you plan to finance, immediately apply for your mortgage and provide all the necessary financial information expeditiously. Your real estate broker will work with your mortgage lender to coordinate the appraisal and provide the required information about the building — the process can take between 20 and 45 days to complete.

## Board Package

Your board package/purchase application must be taken extremely seriously. Follow your broker's specific instructions and work in a timely fashion with her/him to compile a thorough, complete and strong application that is presented professionally and will pass the board with flying colors.

## Interview

Upon review of your co-op board package, the board will usually schedule an interview to meet with you within a few weeks of receiving the completed application. Again, you can rely on your real estate agent to prep you for a successful interview. Typically, the board's decision is conveyed to your broker or you within 24 to 72 hours, however some boards take longer. When buying a condominium, no interviews are required, although purchase applications must be submitted.

## Inspection

Once you receive the good news about your acceptance, your broker will schedule an inspection of the property a day or two before—or even the day of—the closing, after the seller has vacated. Your agent will accompany you on the "walk-through" to ensure that all the appliances and fixtures are in working order, all the sellers' personal property is removed and the home is good condition and broom clean.

## Closing

After you are notified of being approved, immediately contact your attorney to schedule the closing, which typically takes place one to two weeks after your application is accepted. Your attorney will advise you about the necessary certified checks to bring to the closing, and remember to bring your driver's license or passport and your checkbook for any last-minute adjustments. At the conclusion of the closing you will be handed the keys to your new home...Congratulations!

Be smart and do your homework when entering the thrilling real estate market! By following these guidelines, not only will the search for your dream home be more successful, it can also be a smoother and more gratifying experience.

*Carol Levy is president of Carol E. Levy Real Estate and specializes in representing buyers and sellers of high-end co-ops and condos.*

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