

Buyer's Guide

Prepared By

MCDONOUGH HERSHKOWITZ TEAM

Ranked the 141st team by sales volume in the U.S. (top 30 overall in NYC)
on the 2016 *The Wall Street Journal/ Real Trends'* The Thousand List

Congratulations on your decision to purchase a home in New York City. While this decision is an exciting one, the steps required to purchase a home are numerous and can become confusing. We are active throughout the entire process and are here every step of the way. This guide has been compiled to help clarify the process and provide a general roadmap.

WHY WORK WITH THE MCDONOUGH HERSHKOWITZ TEAM

The proliferation of StreetEasy and other websites enable everyone to have real estate data at their fingertips, making some people question the necessity of a broker when looking for a new home. However, the process of purchasing a residence, especially in New York City, is anything but simple or straightforward. From sorting through hundreds of listings, to submitting a competitive offer, from conversations with attorneys and building managers, to compiling board packages and acing interviews, having an experienced professional to represent your best interests and devote the time and effort required for this process is invaluable. Your agent will not only be your guide, but also your confidante, so it is important to find someone you trust, both professionally and personally.

When deciding on a purchase as significant as a new home, you want a team of experts leading the way. The McDonough Hershkowitz team has a proven track record of satisfied clients, who repeatedly refer us to their friends and family. Please note that in NYC, the seller covers all broker fees. If you would like to have a conversation to discuss how we can best assist with your search, please contact us at mhteam@corenyc.com

BENEFITS OF HOMEOWNERSHIP

While there are many benefits to owning a home, here are two of the primary reasons people buy in NYC:

Investment

For most homeowners, their residence is their largest asset. With 20% or more equity invested in your home, as is typical in NYC, your home is a major investment. As you live in and make improvements to your home, and gradually pay down the principal on your mortgage, you are building on this equity.

Income Tax Savings

All of the interest you pay on your mortgage and payments of your property taxes are deductible for income tax purposes. If you own a co-op, you can also deduct the portion of your maintenance payments that go toward interest on the co-op's underlying mortgage and real estate taxes.

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KEY STEPS FOR PURCHASING A HOME

Buying a home is a process, and we are here to make it seamless. Below is a general outline of the steps involved with buying a home.

Consult with a mortgage broker, bank or financial advisor

Before you begin looking, you need to determine your budget. If you are going to finance the purchase, then you must know the loan size for which you qualify based on your personal finances. That in turn will dictate your purchase price which is key for you and your realtor as you embark on the search for your new home. Simultaneously, a financial statement showing a snapshot of your accounts should be completed. This document is typically required with an offer submission.

Get pre-approved for a mortgage

Once you have determined your budget, you should obtain a pre-approval letter from a bank or mortgage broker. This letter will need to be submitted with any purchase offers to demonstrate your credibility as a buyer.

Find a home

The timeframe for finding your home will vary depending on availability, and can range from one week to many months. It is best to give yourself plenty of time, two to three months if possible. Come up with your top criteria for your ideal home, for example neighborhood, building type, particular view, exposure, or amenities, and make sure to communicate these to your realtor. If you have pets or require specific services, be sure to let us know.

Negotiate

Once you have identified the property you want to purchase, we will guide you through the negotiation. While price is paramount, there are other important terms to consider including timing for close and contingencies for financing and board approval.

Contract signing

Once you have agreed to terms with the seller, your attorney will negotiate the terms of the contract with the seller's attorney, who prepares the contract of sale. At the same time, your attorney will conduct due diligence on the building in which the property is located, specifically reviewing the financial condition of the building, by-laws, and minutes of the board meetings, among other items. When your attorney has completed these steps, you will sign the contract and return it to the seller's attorney with a down payment (typically 10% of the purchase price). The seller will then countersign whereupon you have a binding contract.

Apply for a mortgage

If you are financing, you will need to finalize your loan application in order to obtain a loan commitment. This will require submission of substantial paperwork including proof of income and assets.

Complete the purchase application

Nearly all cooperative and condominium buildings require buyers to submit a purchase application, aka a "board package," for review and approval by the Board of Directors. Our team will work together with you through this process and assemble the package on your behalf. The required materials typically include the completed application; a financial statement detailing income, assets and liabilities together with substantiating documents including bank statements for all accounts; two to three years of tax returns; reference letters; and the loan commitment as well as other bank documents related to mortgage financing.

Submission of the board package

Once the board package is complete, we will submit it to the building's managing agent for initial review. It is then sent to the building's Board of Directors for final review. If you are purchasing in a cooperative, the Board will then decide whether to grant you an interview which is the final step in the approval process. We will provide tips on how to prepare for the interview. If you are buying a condominium, a board interview is not typically required.

Closing

Once board approval is secured, we will work with your attorney to schedule closing. We will attend a final walk through with you prior to closing. After this step you will be a new homeowner!

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DIFFERENT TYPES OF OWNERSHIP

In New York City, there are four property types:

Cooperative

A cooperative or “co-op” is actually a corporation that owns a multi-unit building. The corporation is governed by a board of directors that is made up of people who live and/or own in the building. When purchasing a unit in a co-op, you are purchasing shares in the corporation, not real estate. In exchange for the shares, you will receive a proprietary lease entitling you to use of the unit. The proprietary lease, by-laws, and house rules are the governing documents for the co-op and outline the rules and policies to which all shareholders must adhere. All shareholders pay a monthly fee called maintenance to cover the building’s shared expenses including utilities, insurance, staff salaries, the co-op’s underlying mortgage payment and real estate taxes. Although a co-op is not technically real estate, many lenders will provide financing to buyers with terms that are comparable to those for a condominium or single-family purchase.

In order to purchase a home in a co-op, you must be approved by the Board of Directors. Prospective buyers submit their qualifications in the form of a “board package.” The board can approve or deny any applicant and is not legally required to disclose the reasons for its decision. Your realtor is an invaluable resource in guiding you through this process.

Condominium

A condominium or “condo” is an apartment building or other multi-unit complex where the units are individually owned as real property. When purchasing a unit in a condominium, you purchase the physical real estate plus a proportionate share of the building’s common elements. Once purchased, you will receive a deed to the property. As a condo owner you are responsible for payment of monthly common charges for the cost of building operations as well as for real estate taxes. In New York, most condominiums require buyers to submit a purchase application. The condominium association has the right of first refusal on any sales or rentals within the condominium. This means the association legally can match the terms of your offer and purchase the unit in your stead, though as a practical matter this happens very rarely.

Condop

The term ‘condop’ refers to a hybrid apartment building that includes both condominium and cooperative ownership structures wherein the residential portion is treated as a single condominium unit owned through a cooperative-ownership structure, and the commercial portion is one or more separate condominiums. In practice, a ‘condop’ typically refers to a cooperative that operates more like a condo with respect to its policies and procedures. For example, many condops do not require a board interview and have flexible sublet policies; some may employ a right of first refusal in lieu of board approval for sales and rentals. If you are considering a condop, your agent can advise you further on the pros and cons of this property purchase.

Townhouse

In New York City, a townhouse most often refers to a single-family or two-to-four unit attached row house which often dates back to the mid-to-late-nineteenth century. A townhouse is considered real property for which the owner is solely responsible for payment of real estate taxes as well as all repairs and maintenance. There are a number of neighborhoods that are known for their concentration of townhouses including the West Village, Upper East and Upper West Sides, and several historic areas of Brooklyn.

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CLOSING COSTS

Closing costs vary depending on whether you are purchasing or selling your home, and also depending on whether the property is a cooperative versus real property (e.g., condominium or single-family home). As closing costs can be significant, it is important to have an understanding of them as you plan for your purchase. Below is a general guideline on costs for purchasers. Values should be confirmed with an attorney.

For the Purchaser

Attorney	\$2,500 + up*
Managing Agent Fee	\$250 - \$500
Credit Report Fee	\$50 - \$100 per applicant
Lead Based Paint Disclosure Fee	\$0 - \$50
Transfer Fee	0.5 - 2% of sale price (may be payable by seller and/or negotiable)
Processing Fee	\$250 - \$750 to Management
Mansion Tax	1% of purchase price where \$1 million and over
Move-in Deposit	\$500 - \$1,000 (usually refundable if no damage)

Mortgage Associated Fees

Origination Costs – points	0 - 3% value of loan
Application, Credit Check, etc.	\$500 + up
Appraisal	\$275 + up
Bank Attorney	\$500 + up
UCC-1 Filing	\$50 + up
Mortgage Recording Tax**	Up to \$500,000 is 1.8% of mortgage Over \$500,000 is 1.925% of mortgage
Title Insurance, Title Search & Recording Fees**	Approximately 0.5% of purchase price
Building Searches	\$200 - \$400
Recording Charge	\$17 per document plus \$5 per page
Real Estate Tax Escrow	2-6 months (verify with bank)

If Purchased Directly from Sponsor

NYC Real Property Transfer Tax	1% of purchase price if \$500,000 or less 1.425% of purchase price if over \$500,000 of the entire amount
NYS Transfer Tax	0.4% of purchase price
Sponsor's Attorney Fee	\$2,500 + up*

* Check with bank/mortgage broker for additional fees. New York State Law requires a written letter of engagement if the legal fee will exceed \$3,000. Non New York State residents should procure exemption for state transfer tax forms (TP584).

** These costs apply to real property only, not to cooperatives.

These are only estimates. Please confirm closing costs for specific transactions with your attorney and/or mortgage representative.

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