



BRICK UNDERGROUND

Real Estate. Real Life. Real New York.

July 23, 2020

Ask these questions before accepting an offer to buy your apartment



Establishing whether a buyer will be approved for a loan and that they will pass the co-op board are important considerations. iStock

If you are selling your apartment right now, you may be wondering—with so much uncertainty—how to evaluate an offer. An all-cash purchase is often considered the best type of offer because it removes financial questions about the buyer. However, with mortgage rates so low, even buyers who could handle an all-cash offer may opt for financing instead.

Clearly price is important when you are selling but in some circumstances, it makes more sense to take a lower-than-hoped-for offer. John W. Harrison, a broker at CORE, points out this kind of deal could be considered a “stop-loss” against further drop in value, so you’d sell low to avoid a bigger loss later. Ideally, this scenario is rare and your questions will focus on different aspects of the offer.

Either way, establishing whether a buyer will be approved for a loan and that they will pass a co-op board are important considerations, particularly in the current health crisis as buyers, brokers and sellers take on risks to view apartments. A condo board also has the right of first refusal when an offer is made, so board approval is also a consideration here.

What to ask about finances

Sellers are typically looking for a smooth and fast transaction, says Becki Danchik, a broker at Warburg Realty. When a buyer places an offer the seller needs to know that they will be approved for a loan if they are financing.

Pre-approval is the priority, says Aleksandra Scepanovic, managing director at Ideal Properties Group. Not to be confused with pre-qualification, which gives an indication of a buyer's creditworthiness, pre-approval tells you the bank is ready to lend, typically within a 90-day window.

Danchik says questions about the financing will provide clues about the strength of the offer. She recommends asking whether the buyer's offer has a mortgage contingency, or if the buyer is willing to sign a contract with a 30-day contingency to get a loan. Contingencies are a way of transferring risk—whether the seller or buyer is going to assume it, and by how much. The answer to these questions will help you decide whether your buyer is serious.

You might also want to know how much money the buyer will have left over after their down payment and what bank they are using. "All of these play a part in determining the viability of an offer," Danchik says.

Another consideration is whether the purchase is an investment exchange, Harrison says. "If the buyer is using funds from a 1031 exchange then there is a strong chance they will require certainty and speed." If that fits your goals as a seller, it is good to know that the buyer will be driven to complete the deal.

Questions about board approval

If you're selling a co-op, there's a lot of information you need from your buyer so they can satisfy your board.

The debt-to-income ratio is an important data point and co-op buyers will need to fall within a certain range.

And there's more: "If you're selling an apartment in a co-op, it would also be helpful to see the buyer's biography since co-ops care about additional factors of a buyer's life apart from financials and background," says Tania Isacoff Friedland, a broker at Warburg Realty.

Most brokers ask for the seller to complete a financial disclosure statement which gives a more accurate picture of their finances. Friedland points out, it can tell you if the person owns a home, if they need to sell their home first, or if they are currently renting.

In establishing the buyer's background, Harrison suggests asking whether the buyer is going to purchase with an intent to use the space in ways that fit the building's regulations. Some co-ops don't look favorably on investment purchases and in some cases there are restrictions around co-purchasing, pieds-à-terre, or parents buying for children.

You might also consider whether the buyer has a pet—"co-op boards care, but condos have pet rules, too," Friedland says.

What the buyer's search can tell you

Ask how long the buyer has been looking for an apartment, says Rowena DasGupta, an agent with Warburg Realty. "If they've been looking for a year, they're either very difficult to deal with or they're not sure if they actually want to make the purchase," she says.

An important aspect of identifying a strong offer is to establish how decisive your buyer is. DasGupta says it's important to distinguish between serious buyers and real estate tourists. "They want to go into people's homes and look at them as a pastime and they're looking at them for their own ideas," she says.

She recommends finding out what their priority is when looking for an apartment. For example, Tribeca is very different from the Upper West Side. Are they looking in several neighborhoods? Are the neighborhoods consistent?

You will also want to find out the buyer's timeline, Harrison says. "Do they want to close soon or might they try to delay? How does that fit with your goals as an owner?" he asks. If you are the one needing extra time, is a lease-back capability important for you? If you need to close but need to remain in your home for some limited time, will the incoming buyer allow you to stay?

Find out the buyer's plans

Is the buyer asking for repairs or requesting changes before the sale goes through? Are these conditions you are prepared to meet?

Harrison says it's important to establish what else is important to you. "Get to the heart of what matters most so that you can better understand the compatibility of your buyer's offer with your intent to sell," he says.

This is where a talented real estate broker that understands your essential driving factors can help you determine which steps to take and whether it's worth holding out for a better offer.