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## **Why buying a co-op in New York can be a grueling experience**



*If you're looking to buy a co-op in New York, get ready for your potential neighbors to ask you lots of probing questions.  
(Michael Nagle/BLOOMBERG NEWS)*

If you're thinking about purchasing a co-op unit in New York City, I have some disturbing and painful news for you. Co-op boards will probe and prod you, without swearing to the Hippocratic Oath to do no harm.

After 20 years as a real estate broker in the Washington market, I recently got married and moved to New York City, where I immediately got a real estate license and ramped up my knowledge of the local market.

I had heard plenty about submitting "board packages" to a co-op board, a practice in which buyers must provide intimate, detailed information about themselves to the board for review and, if you are lucky, approval. As a buyer, you are absolutely required to provide everything they request if you want to live in the building. If you refuse, well, good riddance to you.

I had no idea the extent of the pitilessness, pettiness, prodding and debasing involved in this process, however, until I was deep into it myself. I didn't realize the breadth of the

board's power over you and its ability to put a wrench in your plans to buy. If you have already visualized your sofa placed perfectly in the living room, the new crib in the second bedroom and the carefully selected nearby coffee shop where you will sip your favorite macchiato latte while writing your New York Times bestseller — well, the process becomes an emotional roller coaster. A little anesthesia before the procedure would be nice.

So what does a board want to know about you before reaching a verdict on your worthiness to buy in its building? The lack of boundary in the details they want would give you pause about marriage when faced with divulging this same information in a pre-nup negotiation.

The first step in the process is to precisely follow its directions in assembling the package. If you don't do exactly as the board says, the package will be returned to you over and over until it is "flawless." The instructions alone can go on for a grueling four or five pages.

I recently assisted a buyer client in assembling a package for his hoped-for purchase. The instructions began with the following in italics and bold lettering: *"Please be certain to provide ALL of the information requested. All packages must include a Table of Contents. Documents must be in the exact same order as listed in the instructions, with headers matching the Table of Contents. Do not permanently bind your application. Binder clips are preferred. Documents must be submitted single-sided only."* (So much for saving a few trees).

The instructions continue with a list of somewhat reasonable and acceptable requests. The first request: a letter from the prospective purchaser's employer verifying annual salary, position held and length of employment; and copies of the last three years of federal tax returns, including W-2s and all schedules. If you are paying with cash, provide proof that the money is legitimate, liquid and in a U.S. bank account. These documents I can understand. It is unsettling that your neighbors will know how much money you have or earn, but with the hefty monthly co-op fees in New York City, I get it. The board wants to know you can afford to pay.

This is just the beginning, however. The list continues: four social reference letters and four business reference letters (for each potential occupant in the property); a bank balance confirmation letter; a Statement of Financial Condition, listing all personal assets and liabilities; and documentation supporting all assets and liabilities. If the balances in the Statement of Financial Condition do not match the balances in the supporting documentation, the package is sent back to you for revision. The board wants to know how much cash is in the bank and the current value of money market funds, stocks and bonds, notes receivable, life insurance, IRAs, 401(k)s, profit sharing and pensions. They want to know how much you have invested in businesses (your own and others). They want to know the value of equity in real estate you own. They want to know how much money you owe on real estate loans, to the IRS, on credit cards, automobiles, etc. Do you pay child support or alimony? If you have a personal loan, why did you need the money? Once complete, the statement must be verified and signed by an accountant.

So how do you feel, knowing that the neighbor giving you the eyeball is privy to every last inch of your personal business? Are you feeling exposed? Violated? Degraded?

Now get your checkbook out. There is a processing fee, a credit check fee, a move-in deposit, a move-out deposit, a closing fee, a recognition agreement fee (what?), a power of attorney fee, and, let's not forget the state of New York, a stamp tax fee. All of these fees can add up to thousands of dollars, are non-refundable and do not get you any closer to owning the property.

Once the package is reviewed by the board, it will probably respond with an additional list of questions not mentioned upfront. Do you have a pet? The board may require personal reference letters for the pet. (I hope Sparky never urinated on your neighbor's doormat.) Do you have school-age children? Will they attend a private school and from what accounts will you pay for all of that?

Cross your fingers — if all goes well, you will be invited for a board interview, where they will shine a spotlight on you, hoping to uncover some hidden cancerous growth not visible to the naked eye. Do you play loud music? Do you entertain often? With whom do you fraternize?

I failed to mention that before any of this probing and interviewing begins, you have already signed the contract of sale to purchase the property. If you are horrified by the idea of living with these people who have just grilled you until the fig leaf falls to the floor, too bad. You can't get out of the deal, without forfeiting your deposit (required at the signing of the contract).

Warning — I will give one last gruesome story that might have you packing to move back to Kansas. Just recently, I was told that a board member, tasked with calling my client's references, asked one of the references if the buyer would "act like a brat since he is a trust fund baby." The reference is a former professor with no knowledge (until now) of his financial situation. The reference called to let him know about the conversation. I was appalled and angry for my client, so I decided to do some research. I called the New York Council of Cooperatives and Condominiums. I was told that board members have no obligation to a buyer, including keeping confidential the information provided for board approval. Our own attorney, the attorney representing my buyer, agreed. He recommended not bringing it up with the seller's attorney, for fear of losing out on the opportunity to buy in the building.

When I pressed the attorney on this subject, he was dumbfounded that I would question his response. Perhaps he is not accustomed to brokers asking questions or disagreeing with his findings and with his lack of effort in protecting our client. I have found this to be true with most of the real estate attorneys I have dealt with here — don't ask questions and don't get involved other than finding the property for the buyer.

So the lesson in this story? If you are planning to jump into the New York City market, your life is in their hands. Your financial anatomy is not sacred. Your rights are slim to none. You

don't get to interview the board, they get to interview you. The board members (your neighbors) have no obligation to keep your personal information confidential. They can tell your references, the other residents in the building, their friends, family and therapist what you are worth. You thought the Dark Web was dangerous. Guess again.

There is a lot of unethical behavior in my former hometown. Washington is not known for being the role model of good values. But it has gotten a few things right. In D.C., Maryland and Virginia, you are priority. The board never interviews you. They have no right to request information about your money or friends. Rather, you can gather information about a building and decide if the building is right for you. You can call board members and ask questions. You are provided a "condo resale package" that details the financials, rules and regulations and if there are pending lawsuits against the building. You can request copies of the recent board meeting minutes to understand issues that have been raised. You can talk to neighbors. And you can back out of the deal and get your deposit back if you don't like what you have learned — not because the contract allows you to, but because local and state law mandates it.

It is time for New York to learn a few things from the nation's capital.