



New York City Buyer's Guide

Purchasing a home is one of the most important personal and financial decisions any individual will make in their lifetime, especially in New York. A home is not only where you live, but can also be a fantastic financial investment if approached with attention and care.

New York City is one of the most diverse and competitive real estate markets in the world, and we understand that making the decision to buy a home here can be a particularly overwhelming experience. From mastering the difference between condos and co-ops, to planning for closing costs, to approaching the board approval process, there's a lot to learn.

That's why we've created this buyer's guide—to introduce you to the major steps of the real estate purchasing process, and to set you on the right course to own a home of your own.



How to Buy a Home:

THE ROAD MAP



Decide to purchase a home and meet with your agents.



GET PRE-QUALIFIED for a mortgage.

Before beginning your search, your first step is to get pre-approved for a mortgage loan (unless you will be paying in cash for the full price of your home). Your Urban Compass Agent can connect you to a mortgage broker. Based on your income and credit history, the mortgage broker will determine how much the bank will lend you, which will help you determine the price range for your search.

NEGOTIATE WITH SELLER AND REACH AN AGREEMENT ON PRICE AND TERMS.



Once you have seen a home you like, you can put in an “offer,” which is a non-binding agreement to pay a certain price for the home. If your offer is lower than the list price, the seller will likely return with a “counter offer” price, which you can choose to accept, reject, or make another offer. Your Urban Compass Agent will provide advice on pricing throughout.



Visit properties and find your dream home.

Review contract of sale, building financials, and board minutes with your attorney.



It's best to work with an attorney who specializes in New York City co-op and condo sales. Your attorney's job is vital to protecting your interests and they have an incredible amount of paperwork to review on your behalf. Therefore, you want to select an attorney who is familiar with these transactions.



Sign contract and put down 10% deposit.



Complete loan application and a bank appraisal.

THE BOARD PACKAGE

Co-ops are run by a board of directors, who will require a board package in order for you to purchase an apartment. A board package generally consists of financial documents including tax returns, bank statements, mortgage commitment from your bank, and letter of reference. After reviewing your package, the board will set an interview date. Your Urban Compass Agent will help prepare your board package as well as prepare you for your interview. While condos do not generally require board packages or interviews, you will need to present a purchase application that shows you are financially qualified to purchase the apartment.



**PURCHASE APPROVED
BY BOARD.**



Closing scheduled
by attorneys.

*Bank issues
clearance to close.*

*FINAL WALK
THROUGH
WITH AGENT*



Closing. You are
now a home owner.
Do a happy dance.

Typically cheaper.

COST

Typically more expensive.

75% of New York City's housing.
Built before 1980s.

SUPPLY

25% of New York City's housing.
Built after 1980s.

Most units are owner-occupied.
More controlled and stable.

CULTURE

Mix of owners and renters.
More laid back.

Very strict and thorough.
Personal interview required.

APPROVAL PROCESS

Less rigorous—no interview.
Quicker to approve.

Indirect.
Stock certificate & Lease.

OWNERSHIP TYPE

Direct.
Buyer owns real property.

Co-op — Condo

“Maintenance.”
Amount includes taxes.

MONTHLY PAYMENTS

“Common Charges.”
Taxes paid separately.

Some tax deductions can be
taken for owner's share.

TAX BENEFITS

Tax abatements programs keep
taxes low for about 10 years.

Limited, if allowed at all.

RENTING OUT YOUR UNIT

Easy and unrestricted.

Rarely.

INVESTOR FRIENDLY

Yes.

New buyer must be approved.
Seller must pay Flip Tax.

RE-SELLING

New buyer can
rarely be denied.

Key Terms

APPRAISAL Assessment of the property's market value, typically done for the purpose of obtaining a mortgage.

COMMON CHARGE Monthly maintenance fee paid by condo owners. Property taxes are not included in the common charge.

CONTRACT DEPOSIT A percentage of the agreed-upon purchase price (usually 10%) paid by the buyer at the time of signing the contract. Deposits are intended to keep the buyer from backing out, and usually cannot be recovered.

CO-OP SHAREHOLDER The technical term for the owner of a co-op unit, since what they are actually purchasing are shares of stock in the co-op corporation.

DEBT TO INCOME RATIO The percentage of an individual's monthly gross income relative to the amount of debt owed. Co-ops typically require a DTI of no more than 25-29%.

ESCROW DEPOSIT Deposit of funds to be transferred upon completion of the deal. This insures that no funds or property will change hands until all of the instructions in the transaction have been followed.

FINANCIAL STATEMENT A formal record of all your financial assets, debts and liabilities. Your broker will help you prepare an official financial statement before you make an offer to buy a home.

FLIP TAX A tax levied by a co-op and paid by the seller when a sale is made. Flip taxes are designed to generate funds for the co-op's cash reserve and the set percentages vary from building to building.

MAINTENANCE FEE Monthly fees paid by co-op shareholders. These payments contribute to building operations such as the total building mortgage, real estate taxes, and internal employee salaries.

LIEN SEARCH A thorough background check on the property and the seller to ensure there are no outstanding debts or claims upon the property which could interfere with the sale.

POST-CLOSING LIQUIDITY Refers to the amount of cash the buyer must have on hand after deducting the down-payment and closing costs. Co-ops require buyers to show 1–2 years worth of maintenance and mortgage costs.

PRE-APPROVED Advance approval from a bank or other lending institution for a home mortgage. Buyers should seek pre-approval before beginning the search process.

PRE-QUALIFIED Pre-qualification is the first step in the mortgage process. Potential buyers provide an overall financial picture and mortgage brokers provide an estimate of what level of loan you will likely be pre-approved for.

RECORDING FEE A fee paid to the local government to officially report a sale of a home; usually paid by the buyer.

TAX ABATEMENT Newly constructed buildings sometimes receive abatements so that owners do not have to pay taxes on their units for a specified amount of time.

SPONSOR The entity responsible for developing a new building or converting an existing rental building to condo/co-op.