

# Buyers Guide

## The Different Forms of Property Ownership

Before you start looking, it is important to understand the different types of ownership available to purchasers of Manhattan property.

### *Cooperative*

In Manhattan, cooperatives have been the traditional way to own an upscale apartment for nearly a century, and comprise two thirds of all apartments available for purchase. Co-ops are owned by an apartment corporation. When you purchase an apartment in a co-op building, you are buying shares of the corporation that entitle you as a shareholder to a "proprietary lease." Typically the larger your apartment, the more shares of the corporation you own.

- Co-op shareholders also pay a monthly maintenance fee to cover building expenses like heat, hot water, insurance, staff salaries, real estate taxes and the mortgage debt of the building. Portions of the fee are tax deductible; and shareholders can deduct their portion of the building's real estate taxes.
- Approval to purchase shares of a co-op must be granted by a board of directors, who also have the authority to determine how much of the purchase price may be financed and minimum cash requirements. All prospective purchasers must submit a "board package" containing a purchase application, personal and professional letters of recommendation plus detailed information on income and assets. The board will also require an interview so they can meet you and ask any questions regarding the information you provided. They can approve or deny any applicant as they choose.

Purchasing a co-op can be intricate, and subletting can be difficult. Each co-op has its own rules and should be considered carefully. The specialists at Town are experts in this area and well equipped to help you decide whether a co-op, and which one, is best for you.

### *Condominium*

Unlike a co-op, a condominium apartment is real property, and a purchaser is given a deed as if they were buying a house. The difference between owning a condo and a house is that in addition to owning the apartment, you also own a small percentage of the common elements of the building like the halls, stairwells, basement, etc.

- Each individual apartment in a condominium receives a separate tax bill from the city. There is still a monthly common charge similar to the maintenance charges in a co-op, which is paid to the condominium association to pay for such items as payroll, building maintenance and supplies, management fees, and building repairs. These charges do not include your real estate taxes and are not tax-deductible. They also tend to be lower than in co-ops because there is no underlying mortgage for a condominium building.

The straightforward nature of buying a condo plus the fact that in some cases you can finance up to 90% of the purchase price and sublet your apartment at will makes this form of ownership a top choice for flexibility, especially among investors, foreign buyers and parents purchasing for their children.

### ***Cond-Op***

A cond-op is a residential cooperative where the ground floor (typically commercial units) is converted into a separate condominium that's either owned by an outside investor or the original building sponsor. So while the residential units are a co-op, the commercial units are owned as a condominium by an entity other than the co-op. The co-op does not receive the benefit of the income from these units. People often refer to cooperatives that operate under condominium rules as cond-ops, though this is inaccurate.

### ***Townhouse***

Owning a townhouse provides the owner with a "fee simple" ownership of real property. There are single-family and multi-family townhouses which can be lived in or rented out at will. In either case, the owner is responsible for payment of all real estate taxes, maintenance and repairs of the property. The sale of the property may be conveyed to any party without prior approval by anyone other than the homeowner.

## **Get Prepared with Your Financing**

Learning about financing options and what you can afford before you start looking for a home will save time and streamline the buying process. Your Town representative will arrange a meeting with a mortgage broker who will answer your questions about the loan process and determine a comfortable price range. During this early phase of the loan process there are two levels of endorsement:

***Pre-Qualified:*** Based on the information you provide during your initial conversation with a mortgage broker, you are potentially qualified for a stated loan amount, assuming full and accurate disclosure.

***Pre-Approved:*** You will next provide your mortgage broker with information for a detailed background and financial check (including tax returns, credit check & income history). You'll then get a letter from the lender stating the amount the lending institution would loan you. This commitment is valid for about 60 days. As a note, most sellers require buyers to provide a pre-approval letter with an offer letter.

## **Timeline for Buying a Home**

Now that you're ready to start your search, here is a general timeline of events. Obviously the first step is to preview properties and schedule appointments with a Town agent. Once you decide to make an offer on a home, in most cases it can take an average of 60 - 120 days to complete the closing process.

- ***Prepare the Offer:*** 1 day
- ***Negotiate the Offer & Acceptance:*** 2-5 days
- ***Loan Application & Appraisal, Loan Approval and Commitment Letter, Sign Contract/Escrow Deposit:*** 2-4 weeks
- ***Co-op Board Package & Interview/Condo Application:*** 4-6 weeks
- ***Bank & Attorney Prep Closing:*** 1-2 weeks
- ***Final Walk Through:*** day of closing
- ***Transaction Closing:*** 3 hours

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## Closing Costs

### *Single Family Homes and Townhouses*

| For the Seller                                    | For the Purchaser                                                                                                           |
|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Broker: Typically 6%                              | <b>MORTGAGE CLOSING COSTS</b>                                                                                               |
| Own Attorney: Consult your attorney               | Buyer's Attorney: Consult your attorney                                                                                     |
| NYC Transfer Tax:                                 | Bank Fees: \$750                                                                                                            |
| Residential:                                      | Application Fee: \$350                                                                                                      |
| Up to \$500,000 = 1%                              | Processing Fee: \$330                                                                                                       |
| \$500,000+ = 1.425%                               | Appraisal Fee: \$300-\$1,500 (depending on sales price)                                                                     |
| Commercial: Up to \$500,000 = 1.425%              | Credit Report Fee: \$10.10 single/\$15.20 joint                                                                             |
| \$500,000+ = 2.625%                               | Bank Attorney: \$650-\$750                                                                                                  |
| Admin. Fees:                                      | Tax Escrows: 2 to 6 months                                                                                                  |
| Residential Deed Transfers= \$75                  | Recording Fees: \$250-\$750                                                                                                 |
| Commercial Deed Transfers = \$165                 | Fee Title Insurance: Approx. \$450 per \$100,000 of sales price under 1M, +15% on \$1M or more                              |
| NY State Transfer Tax: \$4 per \$1,000 of price   | Mortgage Title Insurance: Approx. \$130 per \$100,000 of mortgage amount                                                    |
| NYS Equalization Fee: \$75                        | Municipal Search: \$350-\$500                                                                                               |
| Miscellaneous Title Fees: \$200-\$500             | Mortgage Tax - NYC (paid by borrower):                                                                                      |
| Pick-up / Payoff Fee to Title Closer: \$100-\$300 | 1-3 Family Home or Condo: If mortgage is less than \$500,000: 1.80%. If mortgage is \$500,00 or more: 1.925% of loan amount |

## Closing Costs Condominiums

| For the Seller                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | For the Purchaser                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| <p>Broker: Typically 6%</p> <p>Own Attorney: Consult your attorney</p> <p>Processing Fee: \$450+</p> <p>NYC Transfer Tax:<br/>Residential:<br/>Up to \$500,000 = 1%<br/>\$500,000+ = 1.425%</p> <p>Commercial:<br/>Up to \$500,000 = 1.425%<br/>\$500,000+ = 2.625%</p> <p>Admin. Fees:<br/>Residential Deed Transfers= \$75<br/>Commercial Deed Transfers = \$165<br/>NY State Transfer Tax: \$4 per \$1,000 of price<br/>NYS Equalization Fee: \$75<br/>Pick-up/Payoff Fee: \$250-\$500<br/>UCC-3 Filing Fee: \$100<br/>Miscellaneous Condominium Charges: Vary by building</p> <p>Note: For condominiums in new developments, the Purchaser will pay costs normally paid by the Seller. These include Seller attorney fees as well as NY and NYC Transfer Taxes.</p> | <p>Buyer's Attorney: Consult your attorney</p> <p>Bank Fees: \$350-\$750</p> <p>Application Fee: \$350</p> <p>Processing Fee: \$330</p> <p>Appraisal Fee: \$300-\$1,500 (depending on sales price)</p> <p>Credit Report Fee: \$10.10 single/\$15.20 joint</p> <p>Bank Attorney: \$650-\$750</p> <p>Tax Escrows: 2 to 6 months</p> <p>Recording Fees: \$250-\$750</p> <p>Fee Title Insurance: Approx. \$450 per \$100,000 of sales price under 1M, +15% on \$1M or more</p> <p>Mortgage Title Insurance: Approx. \$130 per \$100,000 of mortgage amount</p> <p>Municipal Search: \$350-\$500</p> <p>Mansion Tax: 1% of entire purchase where price is \$1,000,000 or more.</p> <p>NYC Mortgage Tax (paid by borrower):</p> <p>Mortgage less than \$500,000 = 1.80%</p> <p>Mortgage \$500,000+ on 1-3 family residential dwelling = 1.925%</p> <p>Mortgage on all other property over \$500,000.00 = 2.80%</p> <p><b>ADDITIONAL REAL ESTATE EXPENSES</b></p> <p>Common Charge Adjustment: Pro-rated for the month of closing</p> <p>Real Estate Tax Adjustment: Pro-rated depending on when the tax is collected</p> <p>Miscellaneous Condominium Charges: Vary by building</p> <p>Short Term Interest: Equal to interest for balance of month in which you close</p> |

**Closing Costs**  
*Cooperatives*

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| <p>For the Seller</p> <p>Broker: Typically 6%</p> <p>Own Attorney: Consult your attorney</p> <p>Co-op Attorney: \$450+</p> <p>Flip Tax: Typically 1% to 3% of price (if applicable)</p> <p>Stock Transfer Tax: \$0.05 per share</p> <p>Move-out Deposit/Fee: Varies by building</p> <p>NYC Transfer Tax:</p> <p>Residential:</p> <p>Up to \$500,000 = 1%</p> <p>\$500,000+ = 1.425%</p> <p>Commercial:</p> <p>Up to \$500,000 = 1.425%</p> <p>\$500,000+ = 2.625%</p> <p>Admin. Fees:</p> <p>Non-Deed Transfers (i.e., Co-ops) = \$50</p> <p>Residential Deed Transfers= \$75</p> <p>Commercial Deed Transfers = \$165</p> <p>NY State Transfer Tax: \$4 per \$1,000 of price</p> <p>NYS Equalization Fee: \$75.00</p> <p>Pick-up / Payoff Fee: \$250-\$500</p> <p>UCC-3 Filing Fee: \$100</p> <p>Miscellaneous Coop Charges: Vary by building</p> | <p>For the Purchaser</p> <p><b>MORTGAGE CLOSING COSTS</b></p> <p>Buyer's Attorney: Consult your attorney</p> <p>Bank Fees: \$350-\$750</p> <p>Application Fee: \$350</p> <p>Processing Fee: \$330</p> <p>Appraisal Fee: \$300-\$1,500 (depending on sales price)</p> <p>Credit Report Fee: \$10.10 single/\$15.20 joint</p> <p>Bank Attorney: \$650-\$750</p> <p>Lien Search: \$250-\$350</p> <p>UCC-1 Filing: \$100</p> <p>Mansion Tax: 1% of entire purchase price where price is \$1,000,000 or more.</p> <p><b>ADDITIONAL REAL ESTATE EXPENSES</b></p> <p>Miscellaneous Co-op Charges: Vary by building</p> <p>Recognition Agreement Fee: \$200+</p> <p>Maintenance Adjustment: Pro-rated for the month of closing</p> <p>Short Term Interest: Equal to interest for balance of month in which you close</p> |
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