



BUYER'S GUIDE

Manhattist is committed to making sure you have a thorough understanding of all stages of the process—from the creation of a Board Package/Application to the Final Closing—we will provide you with all the knowledge necessary to make the best possible investment.

Our Buyer's Guide is designed to give you a basic overview of the steps you will encounter during the purchasing experience. With careful research and following our guide, we guarantee that you'll have a smooth process.

New York City residential real estate mostly comprises of Cooperative (Co-op) apartments and Condominium (Condo) apartments. Knowing the advantage and disadvantage of the two will help you achieve your investment goal.

Cooperative Buildings

Co-ops are the primary building type in Manhattan, and function much like a corporation. Shares of stocks are given to each apartment. Normally the bigger your apartment, the more shares you'll have. These shares of stock are the evidence of ownership. Each apartment receives a "**proprietary lease**", which affirms the owners right to occupy a specific apartment. "Owners (shareholders) pays a monthly charge called "**maintenance**", which cover their portion of the costs of operating the building, the building real estate taxes and the building's underlying mortgage. Co-Op owners are entitled to a tax deduction for their portion of the building real estate tax and their portion of the building's interest payment on its mortgage. They are also entitled to deduct the interest payments on their own apartment mortgage loan.

Advantage/Disadvantage in owning a Co-Op:

1. Up to 80% of apartments in New York City are Co-Ops. The high inventory levels offers buyers the greatest selection in choosing an apartments, which in turns produce attractive prices.
2. The Board of Directors, which comprises of elected individuals by Co-Op owners, has the ability to approve or reject a potential owner. They will

interview and review the prospect's financial to make sure if they are capable of meeting their monthly obligations. This procedure is conducted to screen out undesirable owners and maintaining a great quality of life in the building's community.

3. Allowable financing to purchase the apartment varies depending on the Co-Op building. Some will allow up to 80% where some can only be 50%. Therefore it is advisable that you have substantial amount of money saved as a down payment when considering purchasing this type of property.
4. Subleasing is allowed though it might be a little complex. The Board of Directors set the rules on when and how long you can sublease the apartment.
5. The owner is entitled to receive tax deductions for the monthly maintenance, which covers the building's real estate tax and mortgage interest rate. The portion permitted for deductible varies on each Co-Op building.
6. The interest rate for obtaining mortgage to purchase a Co-Op tends to be 0.5%-1% higher as compared to a Condo.
7. Closing cost is cheaper since you are not required to have title insurance and recording costs.

Condominiums Buildings

Condominium apartment is considered a real property as apposed to cooperatives. Each owner has a percentage of ownership of the entire property and receives a unit deed as evidence of ownership. Condo owners pay a "**common charge**", similar to maintenance in a coop. Common charge is paid in a monthly basis and covers the owner's share of the building's operation costs. Since real estate taxes are not included in the common charge, it is not tax deductible. There is no underlying mortgage in this type of property and each apartment unit pays their own real estate tax to the city.

Advantage/Disadvantage in owning a Co-Op:

1. Although purchasing a condominium is simpler than cooperatives, some condos do require a right of refusal review. If there is right of first refusal in the condo by laws, a prospective buyer has to submit personal information such as their financial. The approval process varies but it is not as lengthy as a co-op board review.
2. There are no Board of Directors governing on how you can obtain financing. Therefore depending on your mortgage lender, you can finance up to 90% of the purchase price.

3. Mortgage interest rates are usually 0.5%-1% lower than a co-op loan.
4. Leasing or renting your apartment is easier and more flexible since there is no board review. Making this the best choice for an investment property, especially for foreign investors.
5. Closing costs can be somewhat higher since you have title search and recordings costs

Closing Costs

Cooperatives Closing Costs for the buyer:

Buyer's Attorney	\$ 1,600 + up
Credit report fee	\$ 75/applicant
Co-op Board application	\$ 500 + up
Move in deposit	\$ 600 - \$ 1,000 most cases it's refundable
Mansion Tax (for property sales of \$1M + up)	1% of purchase price

Mortgage Fees

Appraisal fee	\$ 450 + up
Origination points	0-3% of loan value
Application, credit check, etc	\$ 600 + up
Bank legal fees	\$ 700 + up
UCC-1 Filing	\$ 100+ up
UCC lien search	\$ 400
Underwriting fee	\$ 400 + up
Prepaid expenses to the month of closing	mortgage interest and maintenance prorated

Cooperatives Closing Costs for the seller:

Seller's Attorney	\$ 1,600 + up
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NYC property transfer tax	
Sales of \$ 500,000 or less	1% of sales price
Sales of over \$ 500,000	1.425% of sales price
NY State transfer tax	0.4% of sale price
Flip tax (if applicable)	Determined by co-op building
Payoff bank attorney fee (if applicable)	\$ 500 + up
Managing agent fee	\$ 600
Move out deposit	\$ 600 - \$ 1,000 most cases it's refundable
Broker commission	6% + up of sale price
Estate fees estate sales	Coop may impose additional fee for
ACRIS E-Tax filing	\$ 50
Capital Gain Tax withholding	
Out of state seller	7.7% of gain
Non-US resident (FIRPTA)	10% of price withheld

Condominiums/Townhouse Closing Costs for the buyer:

Buyer's Attorney	\$ 1,600 + up
Credit report fee	\$ 75/applicant
Move in deposit	\$ 600 - \$ 1,000 most cases it's refundable
Mansion Tax (for property sales of \$1M + up)	1% of purchase price
<i>Mortgage Fees</i>	
Appraisal fee	\$ 450 + up
Origination points	0-3% of loan value
Application, credit check, etc	\$ 600 + up
Bank legal fees	\$ 700 + up

Title Search	\$ 500 + up (depending on loan amount)
Title Insurance	\$ 700 + up (depending on loan amount)
Underwriting fee	\$ 400 + up
Recording fee	\$ 300
Prepaid expenses to the month of closing	mortgage interest and maintenance prorated

Condominiums/Townhouse Closing Costs for the seller:

Seller's Attorney	\$ 1,600 + up
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Out of state seller	7.7% of gain
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*Please consult 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) . Please confirm closing costs for specific transactions with your attorney and/or mortgage representative. These are only estimates deemed from reliable sources. Manhattist, Inc do not make any guarantees and cannot be held reliable.

Purchasing Procedures

Below are the normal procedures and timeline for purchasing a property in Manhattan.

Get a pre-approval for a mortgage

You need to know the maximum amount a lender can lend and how much do you feel comfortable with the monthly payments. Generally a condominium require at least 10% and co-op requires at least 25% as a down payment. This process should only take 1-2 days.

Locate an apartment

The time spends in searching the right property varies from each buyer. Generally it can take 1-4 months, previewing up to 15 apartments.

Sale price negotiations

Normally you can negotiate the sale price. Depending on how soon both the seller and buyer find a common ground, it can take 2-7 days.

Contract signing

Attorneys represent buyers and sellers in a real estate transaction. The seller attorney prepares the contract of sale while the buyer's attorney conduct due-diligence on the property. Once both parties agreed and the contract is signed, the contract is said to be a "fully executed contract ". Prior signing the contract, the buyer is required to put 10% of the sale price as a deposit, which will be put onto the seller's attorneys' escrow account. Contract signing process varies but it usually takes 1-4 weeks.

Apply for a mortgage:

In order to begin the loan process, a mortgage bank will require a fully executed contact of sale. Once they verify all or your financial and conduct an appraisal of the property, a commitment letter will be given to you. This document states the approval for a mortgage loan. This is also a document needed to complete a condo/coop board package. The normal time for this process is 2-4 weeks.

Complete a Board Package or Condominium Application:

Board packages are required for cooperatives apartments. These are document that will be reviewed by the Board of Directors before closing on an apartment. A typical board package will include your full personal financial documents, employment information, references, credit history and tax returns. A normal time for this is 2-4 weeks. Once the Board of Directors concluded the review, they will want to interview you.

On a condominium transaction, you are required to complete a condominium application to the managing agent. This process will not be as rigorous as a coop board package and will typically take 1-2 weeks.

Meet the Co-op Board for an Interview and Approval

Cooperatives Board of Directors will want to interview the prospective buyers prior on approval. A normal interview will last for 1 hour. They do this as a screening process and to get to know the prospective new member of the co-op community.

After the interview is concluded, the Board of Directors will make their decision, typically it can take from 24 hour to 1 week. The coop management will first notify the real estate broker on the approval, and they will then notify the buyer

Closing

Once the mortgage is approved and condo/coop documents are satisfied, lawyers from both parties and the bank will set a closing date. This is a time where the buyer will receive keys to their new property and the seller will receive money for the sale. A typical time to schedule a closing is 1-2 weeks and the closing procedure can take from 1 hour-3 hours.