

What a Co-op Board Will Want to Know

By [JAY ROMANO](#)

BEING a first-time home buyer is stressful enough. But being a first-time buyer in a co-op building can test the mettle of even the most self-assured prospective purchaser.

“I try to explain to people that when they are buying into a co-op, they’re not just buying an apartment,” said Sharon E. Baum, a senior vice president of the Corcoran Group in [Manhattan](#). “They’re buying membership in a club.”

Ms. Baum said that many first-time co-op buyers, particularly those from other states or other countries, have difficulty understanding the nature of a co-op. “People don’t understand that they’re not buying real estate,” she said. “They’re buying shares of stock in a corporation that owns real estate.”

While a neighbor would have little to say about whether you could buy the house next door, the shareholders in the co-op corporation, represented by the co-op board, have a whole lot to say about who can become fellow members of their club. And just being able to pay for the apartment is not all that’s required.

“People say to me, ‘I can pay \$5 million cash, and that’s not enough?’ ” Ms. Baum said. “I have to explain to them that, no, it’s not.”

Whether someone is buying a one-bedroom co-op in Park Slope or an eight-bedroom co-op on Fifth Avenue, the application process is similar.

Laura Krasner, a vice president of Orsid Realty, a Manhattan management company, said that compiling what’s known as the “board package” typically starts with a two- to three-page application containing an exhaustive amount of personal information.

“You have to be as honest as possible,” Ms. Krasner said. “Anything you think you are going to be able to hide, you are not going to be able to hide.” For example, she said, people who fail to disclose past credit problems are almost always going to be found out.

In addition to the application itself, Ms. Krasner said, most boards will require income and financial information, with corroborating evidence for every item. The package will include two years’ worth of tax returns with W-2 forms, 1099s and K-1 (partnership income) forms attached. It will also require a detailed financial statement, preferably prepared by an accountant or financial expert, and evidence for any assets listed.

“If somebody has investments, he is going to have to provide copies of statements documenting each and every one of those investments,” Ms. Krasner said. “If you own rental property, you’re going to have to provide a market analysis for that property and copies of any leases.” In addition, she said, a complete board package should contain a commitment from a lender for any proposed financing.

Then there is the social documentation. “Most boards will want three or four personal letters of reference,” she said, adding that the agent handling the deal will be responsible for assembling the board package and making the required number of copies (usually at least one for each board member).

“And the package must be put together in a way that is easy for the board to read,” she said, adding that a bound package with colored or tabbed separators is easier to navigate than a file folder full of papers.

Ms. Baum, the Corcoran broker, said a good agent will know what the requirements of a particular building are and will advise clients accordingly. For example, she said, some buildings will not allow more than 50 percent financing — some will allow no financing at all — and some will require a buyer to have liquid assets worth two or three times the purchase price.

“And I’m talking about liquid assets,” she said, “not an antique stamp collection.”