

Home Buyer's Guide



STAR  **CITIES**
 Corporation

◆ **Buyer's Agent:**

Represents the fiduciary interests of the buyers and gets paid by the seller at closing, so our services are free to the Buyer. In addition, we explain the process to you, handle negotiations, coordinate with your attorney and lender, and ensure the closing process goes as smoothly and stress-free as possible.

◆ **Time Frame to close:**

About 20 - 30 days (45 days max) with cash and 60 – 90 days with financing.

◆ **Pre-Approval (financing)/ Proof of Funds (cash):**

A pre-approval is a letter from your loan lender stating that you have been approved to borrow X amount. The only type of pre-approval that is accepted in the NYC market is the one that also states the lender verified your income and assets and ran your credit.

Proof of funds is a bank statement showing that you have enough cash in the bank to purchase the property and cover closing costs. Also, some buildings have a preferred lender that they encourage buyers to use. You are free to use whichever lender you want, we just have to ensure the following: the co-op or condo you choose is on your lender's "approved" list.

◆ **Offer:**

Buyer's Agent will submit the Offer Letter with either your:

A) Proof of Funds

Or

B) Pre-Approval from your loan lender.

The Offer Letter includes amount you are willing to pay with any contingencies, your income, payment method (cash or finance, with amount of down payment), your address and attorney contact information.

◆ **Due Diligence:**

After the offer has been submitted, your attorney will perform due diligence (if you don't yet have one, please see recommendations below). He/ she will review the offering plan, financials, minutes, contract contingencies, etc. and let you know if there are any red flags to consider. In the event of any red flags, your attorney (and agent) may advise you to lower your offer or walk away.

You also need to perform some due diligence. Contact your lender to ensure they finance transactions in the co-op/ condo building you want to buy. Ensure the building is on your lenders "approved" list so you are not at risk of being denied financing because:

1. The building does not meet Fannie Mae/ Freddie Mac guidelines.
2. Their finances are in poor shape.
3. Lender has already approved x amount of loans and any more will over expose them to financial risk.
4. The original sponsors own multiple units.
5. The commercial/ retail space exceeds underwriting guidelines.

◆ **Home Inspection:**

A must for single family homes, multi-family homes, condos or co-ops that are Penthouse units and/ or have attached outdoor space or water damage/ leaks; optional for other condos and co-ops. The Inspector will look at the heating and cooling systems, plumbing, electrical system and structural components (roof, foundation, grading, condition of walls and ceilings, etc.).

◆ **Contract:**

Once you get the green light from your attorney and have reviewed the home inspection, you are ready to sign the contract. The seller's attorney will prepare it. Then your attorney will negotiate a few clauses to protect your deposit, in the unlikely event you do not obtain financing for any reason, rejection by co-op board or the property does not appraise close to the asking price. Keep in mind that prices are appreciating rapidly, and there are often multiple offer situations, so the appraised price may come in a bit lower than the offer price. That's common in a seller's market, but it shouldn't be a huge difference. If that happens, discuss it with your loan lender to ensure it is still affordable for you.

◆ **Deposit:**

You put down your deposit (usually 10% of the purchase price; it will be held in escrow with seller's attorney) when you sign the contract.

◆ **Application & Commitment Letter (financing only):**

You will complete your lender's loan application. They may request additional documentation from you relating to assets and income. Your lender will also request an appraisal on the property and verify that it is warrantable or mortgageable.

◆ **Board Package:**

The board will request financial documents such as proof of employment, bank statements, tax returns and brokerage statements. In addition they may also request personal references and professional references. Board packages can be long and complex; don't worry, your Buyer's Agent will walk you through it. The board package gets submitted with the commitment letter. Condos do not reject people for arbitrary reasons (unlike co-ops); as long as you have healthy financials (down payment, savings & good credit score), your commitment letter and a properly completed board package, you should be approved.

Co-ops reserve the right to reject applicants so your Buyer's Agent will help prepare you for the interview. Co-ops may also require that buyer has anywhere from 1.5 to 3 years in reserves (loan and maintenance payments) after closing. Some co-op boards may have different debt-to-income ratios from your lender. Your Buyer's Broker will let you know the specifics prior to you submitting an offer, to ensure the property is a good match for you.

In addition, some co-ops may require foreign nationals to place a certain amount of reserves (anywhere from 2-5 years) in an escrow account.

◆ **Title Search & Insurance:**

Your attorney will run a title search to ensure the sellers are the only owners, and the chain of ownership through the years is complete. He/she will also recommend Title Insurance, which will protect your ownership interest in your home in case something was missed during the Title Search. The Title Company will also protect your rights in court should a situation like that arise. If you are financing, you will also have to purchase a Lender's Title Insurance Policy to protect the lender's collateral interest in your home.

◆ **Home Owner's Insurance:**

You will need Home Owner's Insurance to protect the value of your home and its contents.

◆ **Closing Preparations:**

Your bank will send you a Good Faith Estimate (GFE) with estimated closing costs; your lender, attorney and Buyer's Agent will tie up any loose ends.

◆ **Closing Costs:**

Varies; exact numbers will be provided by your lender in the GFE referenced above. Please refer to attachment for rough estimates. Most of these costs are tax deductible; please consult with your CPA for specifics.

◆ **Closing Clearance:**

Bank gives clearance to close and schedules the place, time and date.

◆ **Final Walk through:**

This will be scheduled a 1-2 days prior to closing. Make sure all the appliances, heating and a/c units are working, all promised repairs have been completed, any agreed-upon fixtures are still in place and no damage was caused to property since you initially viewed it.

◆ **Closing:**

Congrats! You made it to the closing table. There will be lots of paperwork to sign and funds to get exchanged. Your attorney will be there, along with the seller, their attorney, seller's agent, buyer's agent and title agent (along with the loan lender and their attorney if you are financing).

Recommendations:

Note you are free to use whichever vendors you like; these are simply recommendations.

Preferred Lender:

Andrew Tucker | Branch Manager

Guaranteed Rate

NMLS ID: #12451

26 West 23rd Street 5th Floor | New York, NY 10010

Office: (212) 745-9084 | **Fax:** (773) 357-4563

Cell: (617) 610-1576

andrew.tucker@guaranteedrate.com

www.guaranteedrate.com/andrewtucker

Attorneys:

Howah Hung, Esq.

HUNG, PLLC

99 Madison Ave | New York, NY 10016

Office: (646) 430-5740

Disclaimer: Howah is also a real estate agent with Starcities.

Home Inspectors:

Dennis Kanakal

Elite Perfection Inspection

NY State License #16000024401

30-16 42nd Street | Astoria, NY 11103

Cell: (917) 673-6859

Office: (516) 369-0441 or (646) 996-4838

www.eliteperfectioninspection.com

Estimated Closing Costs: Townhomes and Multi-families (1-3 units)

BASE COSTS	
Broker Fee:	Seller pays fee for Buyer's Broker
Attorney:	Typically \$2,000 - \$3,000
Mansion Tax:	1% of purchase price if it is \$1,000,000 or over
Tax Escrows:	2-8 months
Searches:	\$250 - \$750; includes bankruptcy, title, municipal, violation
Title Insurance:	Owner's Title Insurance: Varies; depends on purchase price
Home Inspection:	About \$1,000
Appraisal:	\$300 - \$1,000+ depending on purchase price

ADDITIONAL COSTS (If Financing)	
Bank Attorney:	Typically \$600 - \$800
Bank Fees:	Misc. Bank Fees: \$350 - \$750 Application: \$300 - \$500 Processing: \$300 - \$500 Credit: \$50 - \$150 per person
NYC Mortgage Tax:	Up to \$499,999 = 1.80% of mortgage amount \$500,000+ for 1-3 family = 1.925% of mortgage amount \$500,000+ for all other property types = 2.80% of mortgage amount
NYC Mortgage Recording Fees:	About 0.75 per \$100 of mortgage amount
Title Insurance:	Mortgage Title Insurance: Varies; depends on mortgage amount

All costs are subject to change and are presented for illustrative purposes only. Actual closing costs will vary; please contact your lender or attorney for actual closing costs. Some closing costs may be Tax Deductible; please contact your CPA for details.

Estimated Closing Costs: Condos

BASE COSTS	
Broker Fee:	Seller pays fee for Buyer's Broker
Attorney:	Typically \$2,000 - \$3,000
Mansion Tax:	1% of purchase price if it is \$1,000,000 or over
Tax Escrows:	2-8 months
Searches:	\$250 - \$750; includes bankruptcy, title, municipal, violation
Title Insurance:	Owner's Title Insurance:Varies; depends on purchase price
Move In Fee/Deposit:	Varies; usually between \$500 - \$750; may be refundable
Condo Fees:	Varies; usually between \$1,000 - \$1,500

ADDITIONAL COSTS (If Financing)	
Bank Attorney:	Typically \$600 - \$800
Bank Fees:	Misc. Bank Fees: \$350 - \$750 Application: \$300 - \$500 Processing: \$300 - \$500 Credit: \$50 - \$150 per person Appraisal: \$300 - \$1,000 or more, depending on purchase price
NYC Mortgage Tax:	Up to \$499,999 = 1.80% of mortgage amount \$500,000+ for 1-3 family = 1.925% of mortgage amount \$500,000+ for all other property types = 2.80% of mortgage amount
NYC Mortgage Recording Fees:	About 0.75 per \$100 of mortgage amount
Title Insurance:	Mortgage Title Insurance: Varies; depends on mortgage amount

NEW DEVELOPMENT/SPONSOR UNITS ONLY*	
NYC Transfer Tax:	<i>If price is up to \$500,000 = 1%</i> <i>If price is over \$500,000 = 1.425%</i> + Admin Fee of \$75 - \$100 Usually paid by Buyer when purchasing a Sponsor Unit
NYS Transfer Tax:	\$4 per \$1,000 of price; non NY State residents may be able to obtain an exemption
Sponsor Attorney Fees:	Varies; usually between 1,500 -3,000

***Buyers of new developments and sponsor units should be aware that, if the seller requires them to pay city transfer taxes, those transfer taxes will be added to the purchase price and may trigger the Mansion Tax.**

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Estimated Closing Costs: CO-OPs

BASE COSTS	
Broker Fee:	Seller pays fee for Buyer's Broker
Attorney:	Typically \$2,000 - \$3,000
Mansion Tax:	1% of purchase price if it is \$1,000,000 or over
Flip Tax:	Typically 1-3% of the purchase price; seller usually pays but sometimes they ask buyer to pay or split this cost
Short Term Interest:	Pro-rated for month of closing; cannot exceed one month
Maintenance Adjustment:	One month max
Recognition Fee:	\$150 - \$250
Lien Search:	\$250 - \$350
UCC-1 Filing Fee:	\$75+
Move In Fee/Deposit:	Varies; usually between \$500 - \$750; may be refundable
Co-op Fee:	Varies; usually between \$1,000 - \$1,500

ADDITIONAL COSTS (If Financing)	
Bank Attorney:	Typically \$600 - \$800
Bank Fees:	Misc. Bank Fees: \$350 - \$750 Application: \$300 - \$500 Processing: \$300 - \$500 Credit: \$50 - \$150 per person Appraisal: \$300 - \$1,000 or more, depending on purchase price

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