THE NYC HOMEBUYER'S GUIDE

WHY IT PAYS TO HAVE THE RIGHT AGENT

Becki Danchik

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Introduction

My name is Becki Danchik, and I am a Licensed Real Estate Broker and Certified Negotiation Expert. I have completed specialized training, both in the classroom and over 15 years of experience, in the best practices for buyer representation.

I have created this book to show you how essential it is to have a buyer's agent representing you, the buyer, and your best interests in a real estate transaction.

I will also guide you through the necessary steps to take before starting your apartment search, and I will prepare you for what to expect from the buying process itself.

Buying an apartment is a huge purchase and one of the most important decisions you might make, so you want to make sure that you are properly represented—and protected—in the transaction.

That's where I come in!

1 Understanding "agency"

WHO WORKS FOR WHOM?

The term "agency" is used in real estate to help determine what legal responsibilities your real estate professional owes to you and to other parties in the transaction.

The seller's representative (also known as a listing agent or seller's agent) is hired by and represents the seller. This agent's fiduciary duties are to the seller, meaning this person's job is to get the best price and terms for the seller. The agency relationship is created by a signed listing contract.

The buyer's representative (also known as a buyer's agent) is hired by a prospective buyer to work in the buyer's best interest throughout the transaction. The buyer's representative is paid by the seller through a commission split with the seller's agent (though as we mentioned in the introduction, since the payment comes from the purchase price of the apartment, the buyer is in effect paying the representative!).

A disclosed dual agent represents both the buyer and the seller in the same real estate transaction. In such relationships, dual agents owe limited fiduciary duties to both the buyer and the seller. Because of the potential for conflicts, all parties must give their written consent.

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The difference between a seller's agent and a buyer's agent

The seller's agent represents the seller, and the buyer's agent represents the buyer. Each tries to get the best price for his or her client. The conflict is that the seller wants to get the highest price while the buyer wants to pay the lowest price.

Some agents try to represent both parties, but there's a problem here. If you are representing the seller you are trying to get one result, and if you're representing the buyer you are trying to get another result. It is kind of like going into a courtroom where the attorney is going back and forth between the defendant and the prosecution.

To try to get the seller the best price possible, a seller's agent works to expose the property to as many people as possible. If a buyer goes directly to the seller's agent for a property, the agent will try to learn everything about the buyer to use as a negotiating tool to get his or her seller the highest price.

A buyer's agent provides the buyers with a great resource by acting on their behalf—at no additional cost. Omitting the buyer's agent will not save you any money. And you do not want to seek advice from a seller's agent whose fiduciary responsibilities are to get the seller the highest price possible.

Before you even start looking for an apartment, hire a buyer's agent who will consider everyone else the competition.

3

Services and duties provided to a buyer

	SELLING AGENT	BUYING AGENT
Arrange property showings	✖	✖
Assist with financing	✖	✖
Provide accurate information	✖	✖
Explain forms and agreements	✖	✖
Monitor escrow and closing	✖	✖
Give advice and counsel		✖
Do a market analysis		✖
Promote and protect your interests		✖
Negotiate best price for you		✖
Point out reasons not to buy		✖
Pass on information that may enhance your bargaining position		✖
Assist in writing the offer with your best interests in mind		✖
Give you exposure to both listed and unlisted properties		✖

4 The risk of buying an apartment without a buyer's agent

Currently 88% of buyers use an agent to purchase their apartment, a percentage that has steadily increased from 69% in 2001.

Buyer's agents bring a wealth of knowledge and experience to the process of buying an apartment. They are not just sales agents; they are also experienced negotiators and will provide insight into local neighborhoods and property details. As a member of the Real Estate Board of New York (REBNY), a buyer's agent must abide by a Code of Ethics and Standards of Practice enforced by REBNY. Therefore, a buyer's agent is your best resource when buying an apartment.

If you are thinking about buying an apartment, chances are you have questioned whether you need a real estate agent. Real estate agents in film and television are often portrayed in a negative light, which naturally leads to a perception that they may be untrustworthy. There are also no laws requiring you to use an agent, so what's the point?

In reality, trying to buy an apartment without a real estate agent can carry risks and lead to issues that you may not be aware of, from disclosure issues to inspection problems.The biggest problems occur when a buyer tries to purchase a for sale by owner apartment without a buyer's agent.

5 Buying a "for sale by owner" without a buyer's agent

When you go without an agent to buy a "for sale by owner," or FSBO, apartment, it's just you and the seller—two regular people making a deal without "professionals" complicating matters. What could be simpler? Of course, apartment owners who are selling without a buyer's agent are usually doing so to save money on a commission. There are pros and cons of selling an apartment without a real estate agent, and the same holds true when buying one.

The simplicity of this arrangement is more of an illusion than a reality. Potential problems of buying an apartment without a buyer's agent include:

OVERPAYING

The price of the FSBO apartment is set by the owner, who may or may not have any idea what the actual value of the apartment is. Apartment owners are notorious for overestimating the value of their apartments, using rudimentary methods and tools such as a Zillow Zestimate if it suits their needs. (You have better odds of spotting Bigfoot than you do of seeing an accurate Zillow home value.) The owner could set any price, and you will not have a way to verify the validity of that price on your own.

One of the significant benefits of working with a buyer's agent is having someone in your corner who can analyze market value for you.

Overpaying is a substantial risk of buying an apartment without a real estate agent.

DISCLOSURE ISSUES

Sellers do not have to disclose problems with their apartments; this is known as caveat emptor, or "let the buyer beware." Real estate agents, however, are held to much higher standards. If a real estate agent knows about some problem with an apartment, he or she must disclose it. There are very few instances where a real estate agent can avoid disclosing a condition that would make a buyer think twice about purchasing an apartment.

INSPECTION PROBLEMS

An apartment inspection report can be hard for the average person to decipher. The inspector is going to list every potential problem, so that the report may include as many as 50 points of concern. Some of these may be things you need to worry about, while others may look like a big deal but in fact are not.

Understanding which inspection callouts are relatively unimportant is a service that a seasoned buyer's agent can provide. A real estate agent looks at these reports all the time, so he or she knows how to pick out the important information–the information on which you will base your negotiation.

Without an agent, you will also not be aware of the different types of inspections that are advisable for your area and, just as important, how to choose the right home inspector. If you miss a necessary inspection, you run the risk of acquiring an apartment with real issues.

NO KNOWLEDGE OF THE NEIGHBORHOOD

One of the biggest assets of a buyer's agent is his or her knowledge

of the neighborhood where you are buying. The agent will have information on everything from the quality of the schools to property taxes to co-op and condo rules.

Picking the right neighborhood is important. The neighborhood (and even the block) you choose can have a significant impact on value, as well as resale potential down the road.

You are not buying just a physical apartment; you are buying into a specific area. Considering how much money you will be spending, you should know all the advantages and disadvantages of the neighborhood and if they align with your needs and wants. A knowledgeable local buyer's agent will help show you the big picture.

APPRAISAL PROBLEMS

Can you imagine having your apartment under agreement and getting an offer accepted on an FSBO listing only to find out the bank does not appraise it for the sum you are purchasing it for? In that case, the bank would refuse to give you a large-enough mortgage—and if you couldn't make up the difference between the amount the bank appraises the apartment for and the sale price, your deal would fall through.

The likelihood of this occurring increases exponentially when you are dealing with a seller who is not using a professional selling agent—or if you are purchasing a property without a real estate agent in your corner to protect your interests.

LEGAL ISSUES AND INACCURATE PAPERWORK

Real estate law is complex and varies from state to state, county to county, and city to city. You must obey the letter of the law to avoid potential legal troubles later. You need to know how to read a contract before you sign it. You need to complete all necessary paperwork correctly and accurately and submit it by deadlines. Legal mistakes and missteps in your paperwork can lead to serious, long-term and expensive headaches.

If you are not using a buyer's agent when purchasing an apartment, it is highly advisable that you have an attorney represent you.

BUYING FROM A SELLER'S AGENT OR "DUAL AGENT"

Equally as bad as not using a buyer's agent when purchasing an FSBO property is going directly to a seller's agent to buy an apartment. Many buyers think they are going to get a "special deal" by going directly to the seller's agent.

Instead, these buyers are dealing directly with someone whose obligation is to the seller. Having a dual agent—an agent who represents both the seller and the buyer—is no better, because that agent is trying to satisfy two parties rather than working to do his or her best exclusively for either.

When facing off directly with a real estate agent who is selling you an apartment, rather than having a buyer's agent work for you, it is unwise to assume that you know as much as the agent. Unlike you, the seller's agent is a pro. Ultimately you will be at his or her mercy, hoping that you will be treated well and fairly. Some potential problems include:

PAYING TOO MUCH

Unless you are working in the real estate industry in the area you are buying, it is unlikely that you can determine the true value of the properties you are looking at. With a buyer's agent, you have a professional on your side who can tell you when something costs too much.

Without your own agent, and with a dual agent, you are extremely

likely to pay more for an apartment, since the agent is working for the seller as well. After all, part of a seller's agent's job is to get his or her client the most money. Seller's agents are contractually obligated to the seller.

EXPECTING A DEAL ON COMMISSION

The commission on an apartment sale is split between the seller's agent and the buyer's agent. Many buyers who avoid hiring an agent are hoping that the seller's agent will discount the commission because there is no buyer's agent to pay.

How likely is it that the seller's agent will discount the commission, though?

Some agents are adamant about not discounting the commission. But even if they did, does it make sense to save a few thousand dollars in commission only to overpay for the apartment by $10,000 instead?

NEGOTIATING

What skills of yours are most developed? Chances are your answer will relate to the skills you have practiced most. First will probably be work-related skills, since you likely practice these at least 40 hours a week. Next would be your hobbies.

Real estate agents negotiate for every client they work with, month after month, year after year. They know every factor that influences apartment values, every pressure point that is likely to deliver a response. You, on the other hand, are new to this. When you go to negotiate with the seller's agent, you should not expect to come out the winner.

ALL THE REST

The difference between a buyer's agent and a seller's agent is staggering.

When you go directly to a seller's agent you lose the ability to have someone who is your confidante. Those who think of a buyer's agent as little more than a taxi cab driver are missing the whole point of having a buyer's agent. The smallest role a buyer's agent serves is showing you apartments! Again, when you go to a seller's agent you give up the following:

- Loyalty to you and you only!
- Confidentiality—seller's agents by law must pass along to the sellers anything relevant you tell them.
- Accountability—an agent working for the seller is not accountable to you.
- Obedience to lawful instruction—a buyer's agent must follow the buyer's instruction unless it is breaking a law.

FINAL THOUGHTS

In most circumstances, it does not make a lot of sense to forgo using a buyer's agent. The best buyer's agents do a lot for their clients. Without a buyer's agent, your odds for problems go up greatly.

6 What will change when you work with a buyer's agent?

The entire "apartment search" process will change. You won't need to make appointments with individual agents to look at apartments, because your buyer's agent will make arrangements for every apartment you'd like to visit. Along with calling out the good points of the apartment you're looking at, a buyer's agent will help you discover the negative features of the apartment.

Best of all, you will have a professional agent working exclusively for you! Because a buyer's agent is working for you and not the seller, he or she will look more diligently for an apartment for you. Buyer's agents are not interested in pushing a particular apartment or neighborhood and will be inclined to show you possibilities you never thought to consider. They will also weed out the ones that will not work.

HOW MUCH WILL THIS COST?

The agent who listed an apartment for sale receives a commission from the seller and has agreed to share one-half of that commission with the agent representing the buyer of the property.

This method of sharing the commission allows the buyer to work with a buyer's agent without paying a fee for these services.

A BUYER'S AGENT CAN HELP LOCATE THE RIGHT APARTMENTS

A buyer's agent will search the online brokerage community (Real Estate Board of New York, or REBNY) for apartments that meet

your specific criteria. How does this differ from what you're currently doing yourself? Not all realty companies allow their listings to appear on the various realty websites, and some don't post the addresses, hoping you'll call them for further information. A buyer's agent will find those apartments. More important, each listing will be carefully screened, and your buyer's agent will send you only those that appear to meet your needs.

COUNSEL AND ADVICE

What is good, professional advice worth to you? Buyers generally select an apartment based on emotion. That's why apartments are carefully "staged" to look as if they've been chosen to appear in a glossy magazine. Buyer's agents don't become emotionally involved with an apartment, so we'll look past the "staging" and keep you focused on your goals.

When showing apartments, a buyer's agent will advise you about any negative factors as well as the positive points of each property. While you're walking through the apartment to see if you'd like to live there, your buyer's agent will be checking the walls, ceiling, floors, heating system, and appliances to see if there will be any major expenses to be concerned about.

OFFER, NEGOTIATION, AND DETAILS

When you find an apartment you would like to purchase, your buyer's agent will provide you with comparable sales data and help you decide on a proper offering price. It will be your agent's job to structure the offer to help you win the apartment and then to negotiate on your behalf throughout the entire transaction.

After you and the seller have agreed on price and terms, your buyer's agent will schedule all appropriate inspections. Should problems arise as a result of the inspections, your agent will act as your advocate in resolving them.

A lot has to happen between signing the purchase offer and moving into the apartment! Your buyer's agent will attend to all the closing details and keep you in touch about the transaction each step of the way.

7 What not to do before buying an apartment

Many buyers are surprised to discover just how many ways they can mess up an apartment purchase. You may have received your pre-approval, found an apartment you loved, and made an offer. But if you want to avoid messing up the transaction, you will need to be extremely careful until the sale has closed.

Many of these snafus are mortgage mistakes that can be easily avoided. If you have an exceptional mortgage broker or real estate agent, he or she will more than likely mention a few of these points before you even begin your apartment search. For instance…

1. DON'T MISS LOAN PAYMENTS.

You must keep your payments current on all your loan accounts, including credit cards and car loans. The lender will look at your credit again before finalizing your mortgage, and if you have missed any payments, it may lead to you losing the loan.

Many buyers mistakenly believe that once the lender issues their loan commitment, they are golden. This is NOT the case! Lenders have the power to revoke a mortgage commitment and will do so if they see fit.

2. AVOID CHANGING JOBS.

One of the things lenders look closely at is your employment history. They want to be sure that you are financially stable and capable of making your loan payments.

By changing a job before you get your loan, you make yourself less

appealing to the lender. Changing situations may cause the lender to think that you are financially unstable or that you won't have a steady income to keep up with the mortgage. The word stability is something lenders love.

3. DON'T SHIFT YOUR FINANCES AROUND BEFORE GETTING THE LOAN.

When a lender pre-approves you, the approval is based on the current state of your finances. You want to maintain that state—the one that got you the pre-approval—at all costs. Sometimes buyers make the mistake of shifting their money around to better position themselves, but this is a mistake.

Wait to make any financial changes until after you have gotten your mortgage. If a lender sees you moving money around various accounts, he or she will ask for a detailed accounting of why. Again, lenders love stability.

4. DON'T START BANKING AT A NEW INSTITUTION.

Your bank may have made you angry or upset. Or maybe you saw a great offer from a competing bank that you just can't pass up. Well, you do need to pass it up, because changing banks before getting your loan can disrupt everything.

Just like the job and the finances, your banking history and status is part of the equation that leads to you getting pre-approved. Change your bank, and you may not get final approval.

5. AVOID BUYING A CAR.

Sometimes the feeling of knowing you are finally going to get an apartment of your own can be so exciting that you start looking at other ways to improve your life—like buying a car.

Unfortunately, purchasing a car can throw a wrench into your apartment buying plans. Your loan pre-approval was based on the state of your credit and your debt load at the time of pre-approval—before you bought a car. Adding the debt that the car purchase will bring may make you unable to get the loan for your apartment.

6. DON'T BUY FURNITURE OR HOUSEHOLD GOODS ON A CREDIT CARD.

Another mistake many apartment buyers make is using credit to start preparing for their new living arrangements. You may want to start buying furniture and appliances to decorate your new apartment and make it truly yours, but hold back.

Taking on new debt, even for furniture or other household-related items, will change the state of your credit and may throw up a flag for the lender that leads to the loss of your loan approval.

7. AVOID MAKING LARGE DEPOSITS INTO YOUR BANK ACCOUNT OR MAKING CASH DEPOSITS.

Money that appears suddenly in your bank account makes lenders uneasy. In fact, they prefer for you to have the money that is going toward your down payment in the same account for at least two months.

Lenders refer to the two-month period as "seasoning" and consider it a demonstration of stability and your ability to cover the loan payments. Whenever you make a significant deposit or start doing unusual or unexpected things with your finances before the apartment purchase, the lender may begin to scrutinize the loan and then back out.

The bank could, in fact, think it's fishy to see large deposits moving in and out of your account, especially if that hasn't happened

before. Do as little as possible to make a lender scrutinize your finances.

8. AVOID LYING OR STRETCHING THE TRUTH ON YOUR LOAN INQUIRY.

You may have no intention of lying about your finances when you fill out a loan application, but the point needs to be stated regardless. Lying on a loan application is fraud, and if the lender finds out that you misled in any way, you will almost certainly lose your loan.

Even stretching the truth or making an honest mistake can cause you significant problems if the truth is discovered. So be very, very careful that all the information you put down is entirely accurate. Falsifying information is a definite no-no when applying for a mortgage.

9. DON'T LET ANYONE MAKE INQUIRIES INTO YOUR CREDIT.

Almost any time you apply for a credit card or a loan or even try to sign up for a new service such as cell phone service, the company you are working with will make a credit inquiry. They do this to determine if you are a safe risk, much as the mortgage lender does.

But when the mortgage company sees that inquiries are being made, it might assume you are trying to take out more debt, even if you aren't. While one or two queries may not be enough to lose your home loan, there is no reason to take unnecessary risks when you are so close to getting your home.

That said, having your credit checked by multiple lenders when buying an apartment does not affect your credit score all that much.

10. DON'T SPEND THE MONEY YOU ARE GOING TO USE TO COVER CLOSING COSTS.

For many apartment buyers, the period surrounding the apartment purchase is one of financial scarcity. Money may be tight right now, which can make the money you saved to cover closing costs tempting. But avoid spending it.

The last thing you want is to be unable to cover closing costs when you are at the point where you almost have your new apartment. Stay strong and avoid spending it if you can help it.

11. DON'T OVEREXTEND YOURSELF.

When you are buying an apartment, lots of lenders will gladly give you what they think you can afford on paper. What you qualify for on paper, however, isn't necessarily the same as what you'll be comfortable living on day to day.

Some buyers make the mistake of overextending themselves. They end up becoming a slave to their apartment. If, say, going out to a nice dinner from time to time is something you are accustomed to, be more conservative with your apartment purchase.

12. AVOID BEING A CO-SIGNER FOR ANYONE.

When you co-sign a loan, you are obligating yourself financially. It does not matter that you are not the primary person on the loan. If the lender needs money and is unable to get it anywhere else, they will come looking for you to pay.

Home lenders are well aware of this fact and are therefore disapproving of any applicant who decides to co-sign. As with all the other points listed above, you need to focus on keeping your credit and financial situation stable and constant until you have closed on the apartment.

No matter how badly you may want to help out a friend or family member, try to postpone co-signing until you have the mortgage for your home purchase.

13. DON'T SPEND MORE THAN THE VALUE OF THE APARTMENT.

There are times when real estate markets become extremely hot! In real estate jargon, we call this a "seller's market." Buyers have been put in the position where bidding wars are the norm, not the exception.

When sellers receive multiple offers it is not uncommon for the sale price to be pushed significantly higher than the original asking price. While the buyer may be willing to pay this higher price, a lender may not be willing to lend the additional money. When the apartment doesn't appraise at a value that matches the price, the buyer may be stuck putting up more money or risk losing the apartment. You can't assume the seller will be cooperative and drop the price. You could be rejected for the loan if you can't make up the difference.

8 Steps to buying an apartment

The buying process consists of many critical steps. It is not simply a matter of finding an apartment, writing an offer on it, taking money to closing, and moving in. Listed below are the most important steps. It is the job of the buyer's agent to orchestrate the successful execution of each one:

1. Determining your budget
2. Getting pre-approval for a home loan
3. Determining your wants and needs
4. Helping you choose between condo and co-op
5. Hiring a real estate attorney
6. Finding the right apartment
7. Negotiating the best price
8. Signing the contract
9. Guiding you through the mortgage process
10. Seeing you through the board application process
11. Helping you with the co-op board interview
12. Going through the final walk-through checklist
13. Being present at the closing

9

Determining your budget

HOW MUCH HOUSE CAN YOU QUALIFY FOR?

Traditionally lenders have used something known as the 28/36 rule to determine how much of a mortgage you can qualify for. This refers to two income ratios that provide guidelines for your maximum monthly payment.

The "28" is known as the front-end ratio and means that your mortgage payment, including taxes and insurance, shouldn't exceed 28% of your pretax income. The "36" is the back-end ratio, which means your entire debt load, including your mortgage payment, car payment, credit cards, student loans, and other monthly payments, shouldn't exceed 36% of your pretax income.

TIPS TO SET A REALISTIC BUDGET

Just because you can buy something doesn't mean you should, and this is especially true when buying an apartment—likely the biggest individual purchase of your life. To put this into perspective, 28% of your pretax income could easily be half of your take-home pay.

So, before you commit to giving up half of your income by purchasing the biggest and best apartment you can qualify for, here are a few things to keep in mind when deciding how to set your apartment-hunting budget:

1. The most important advice is to keep your other debts in mind when creating a monthly budget—particularly any credit-card debt you might have. Lenders take all your debts into consideration, but they look only at your minimum monthly payments. For example, you can have a minimum payment of $500 on $30,000 worth of credit-card debt at 18% interest, but if you pay only that minimum you'll end up paying nearly $78,000 over 13 years. Making the minimum payments is by no means the smartest financial option. It's worth lowering your apartment budget to ensure you'll be able to pay your high-interest debts faster.

2. Don't forget about your other expenses that are not part of the qualification process. When lenders evaluate your debts, they look only at those accounts that show up on your credit report, which basically means credit cards and any bank loans you may have. An evaluation of your ability to afford an apartment doesn't include your other ongoing expenses such as:

- Groceries
- Dining out
- Cable
- Utilities
- Gym memberships
- Auto insurance
- Entertainment
- Travel expenses
- Clothing

3. Your "official" debts should be just one piece of the puzzle. Before deciding on a budget, consider these and other expenses and how your apartment choice may force you to cut back.

4. Don't forget about the variable costs of homeownership. Your lender will qualify you for a mortgage payment based on your property taxes and insurance costs for this year. Unfortunately, these expenses change every year, and usually not for the better. You should also consider maintenance and repairs—after all, if your budget is already stretched to the max, the last thing you need is for the heating system to die or for the ceiling to start leaking.

5. You need to allow enough extra income to save for emergencies and for your own retirement. This may sound like a no-brainer, but you might be surprised at how many people don't do it. According to a Federal Reserve report, nearly half of Americans couldn't cover an unexpected $400 expense without using a credit card or otherwise borrowing the money. It doesn't make any sense to have a big apartment if you'll be living paycheck to paycheck

6. Finally, evaluate your needs as opposed to your "wants." Sure, it would be great to have an apartment in a building with a pool, a gym, a theater room, and a steam shower, and it would be even better if you can fit all of that into a reasonable budget, but the reality is, you probably don't need all those things. Just because you qualify for it doesn't mean you need it.

A MORTGAGE IS LIKE ANY OTHER DEBT

If you were approved for a credit card with a $20,000 limit, does that mean you should run out and spend $20,000? Of course not. Just because you can buy something doesn't make it a good idea.

Unfortunately, too many people don't apply the same logic to buying an apartment, instead preferring to buy as much house as possible. If you need a big apartment or if there is a legitimate reason to buy an apartment at the top of your budget, go for it. You should, however, think about the big picture, how much that big apartment is really going to cost, and whether you should lower your housing budget to put some of your income to better use elsewhere.

Now that you've figured out what you can afford, it's time to apply for a loan.

10

Getting pre-approved for a home loan

When the U.S. economy rebuilds from a recession, lots of people are looking to buy apartments after years of renting or staying put in a previous apartment. Thus, the real estate market is competitive in many parts of the country, requiring buyers to put in aggressive offers and, in some places, compete with deep-pocketed investors paying cash.

What this means is that—now more than ever—you need to be qualified for a mortgage before you shop for real estate.

UNDERSTANDING TODAY'S MORTGAGE MARKET

Before the housing crisis of 2008–09, it seemed that anybody with a pulse could get a mortgage (or two or three). Lenders pushed "subprime" loans on people with poor credit knowing the entire time that the applicants couldn't afford the payments and would eventually default.

These lending habits were obviously unsustainable, and we know the rest of the story. The banks got bailouts while millions of apartment owners either lost their homes or got stuck "underwater," owing much more on their mortgage than their apartment was worth.

Even as the real estate market recovers, this mortgage crisis has left its mark. Mortgage underwriting—the criteria banks use to determine whether to make a loan—is now more stringent. That's not to say that young couples or other first-time home buyers will necessarily have a difficult time getting a mortgage. But it means that proving to the bank that you're financially prepared for a mortgage is more important than ever.

WHAT IT TAKES TO GET APPROVED FOR A MORTGAGE

Before completing a mortgage application or even strolling through an open house, you'll want to know these things:

- Your monthly income
- The sum of your total monthly debt payments (auto loans, student loans, and credit-card minimum payments)
- Your credit score and any credit issues in the past few years
- How much cash you can put down
- How much apartment you can afford

1. CALCULATE YOUR INCOME AND YOUR MONTHLY DEBT OBLIGATIONS

The first step in preparing to apply for a mortgage is to document your monthly income and debt payments. You'll need to provide at least two weeks of pay stubs to your lender, so it doesn't hurt to start collecting those.

If you are self-employed or have variable income, expect the underwriting process to be a bit more involved. You might, for example, have to submit copies of your past one or two tax returns. The lender may then count the average of your last two years' income or the lower of the two numbers.

Getting approved for the mortgage you want is all about staying within certain ratios lenders use to determine how much you can afford for a mortgage payment. Large debt payments (like an auto loan or big student loans) will limit the size of the mortgage you are approved for. If possible, pay these loans off, or at the very least, avoid taking any new loan payments on.

2. GIVE YOUR CREDIT HEALTH A CHECKUP

Before applying for a mortgage, obtain both your credit score and your credit history report.

You'll want to verify there are no errors on the report or recent derogatory items such as late payments. Since you may spend months shopping for apartments, you might want to consider subscribing to a service that provides regular credit-report monitoring for around $20 a month. You can cancel this after you close on your apartment.

As for your credit score, your estimated FICO score should be at least 680 and preferably above 700. Anything less and you may need to find a highly qualified co-signer or take time to improve your credit before getting mortgage approval. The lower your credit score, the higher the mortgage rate you'll pay.

If your credit is just under 680, you could consider an FHA loan. These government-insured loans allow lower credit scores and much lower down payments, but there are significant additional costs.

And again, as mentioned above ("What Not to Do When Buying an Apartment"), do not apply for new credit in the few months leading up to your mortgage application. Banks get suspicious if it looks as if you're piling on new credit. A mortgage broker once told me that even getting a credit check for a new cell phone plan could require a letter of explanation to your mortgage lender.

3. DETERMINE YOUR MORTGAGE BUDGET

Before ever speaking with a mortgage officer, you'll want to determine how much apartment you can afford and are comfortable paying (two different things!).

A good rule is that your total apartment payment (including fees, taxes, and insurance) should be no more than 35% of your gross (pretax) income.

For example, if together you and a co-buyer earn $80,000 a year, your combined maximum housing payment would be $2,333 a month. That's an absolute max, however. I recommend sticking with a total housing payment of 25% of gross income. You'll find others who are even more conservative.

It can be difficult to equate this monthly payment to a fixed home price, as your monthly apartment payment is subject to variables such as mortgage interest rate, property taxes, the cost of home insurance and private mortgage insurance (PMI), and any condo or co-op association fees.

Next, determine how much you can save for a down payment to put toward your apartment. In today's market, expect your mortgage lender to require at least a 10% down payment unless you're getting an FHA loan or another special-program loan.

If you have it, consider putting 20% down to avoid private mortgage insurance (PMI)—costly insurance that protects your mortgage lender should you foreclose prior to building sufficient equity in the property.

Commit to the maximum you want to spend before beginning the mortgage approval process. Some real estate agents, your own desires, and some unscrupulous mortgage lenders may try to tempt you into buying a more expensive apartment than you can afford, perhaps rationalizing the decision by reminding yourself that real estate is bound to appreciate. That could happen, but I would take a smaller payment you can afford in good times and bad over a bigger one that you may lose in foreclosure.

4. DECIDE WHEN AND WHERE TO APPLY FOR YOUR MORTGAGE

You can meet with a mortgage lender and get pre-qualified at any time. A pre-qual simply means the lender thinks that, based on your credit score, income, and other factors, you should be able to get approved for a mortgage. It's informal and totally nonbinding.

As you get closer to buying an apartment you'll want to seek pre-approval. You can meet with a local bank, credit union, or mortgage broker. Or you can even get pre-approved online from any number of national online mortgage lenders.

Wherever you go, this pre-approval isn't binding, but it's a formal(ish) indicator of your ability to get approved for a mortgage. Most sellers will want to see a pre-approval within a couple of days of receiving your offer.

SUMMARY

If you are a prime borrower candidate (good credit, income, and work history), a reputable mortgage lender should offer you its best rates right off the bat. But don't be afraid to shop around. Small differences in your mortgage rate can add up to big savings over the life of your loan.

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Determining your wants and needs

If you came to me as a prospective apartment buyer and asked to go out shopping for apartments, there are two things I would ask you:

1. What do you want in an apartment?
2. What do you need in an apartment?

For too many people, this subtlety is lost. If buyers tell me that their apartment needs to be on the top floor, so be it: they are the client.

But let's be honest: You need a roof over your head, running water, heat, and—depending on your latitude—maybe air conditioning. But you want four bedrooms, a doorman, a gym, and a garage in the building.

If you are planning on buying an apartment anytime soon, let me give you some helpful advice: Be prepared to distinguish needs from wants so that you can be confident about which apartments you want to make offers on when the time comes. Here's how:

START WITH YOUR DREAM APARTMENT

Envision your ideal apartment. Does it have a huge private balcony? An amazing view of Central Park? A pool on the roof? Where is it, and what makes it special to you? Now think about your budget: How much apartment can you really afford?

If you're ready to shop for apartments, you should have already gotten a pre-approval from a lender. So with that mortgage figure in mind, you may need to forgo some of the wants. Unsure what's

reasonable and what's not in your price range? This is where your agent comes in. One of the main roles of a buyer's agent is to know the area, what apartments are going for, and how much added features—such as an additional bedroom or bathroom—should add to the price.

LEARN HOW MUCH APARTMENT YOU CAN AFFORD BASED ON YOUR MONTHLY INCOME… THEN WORK BACKWARD

As you put together the picture of your dream apartment, you may discover there are features you don't want to sacrifice and for which you're willing to pay more. Maybe it's a sunny apartment, an open kitchen or family room, or even something less common, like wheelchair access for a family member.

Sometimes the wants are easy to distinguish from needs because you'll find yourself saying, "A pool in the building might be nice." But another way to look at it is: Wants are things that you can add or change on your own.

Some people don't even want to consider getting their hands dirty and working on their apartment themselves, but trust me: Finding a great apartment at a good price is infinitely easier when you're flexible on wants.

FOCUS ON "VALUE ITEMS"

In real estate, a value item is a feature that adds value to the property to future buyers.

When evaluating your needs and wants, it's a good idea to consider value items with more weight than things that are personal preference but add little value.

Items that add value include renovated kitchen and baths, hardwood floors, location, the building itself, and being in a top-rated school district.

A great real estate agent will be able to help you determine the difference between a valuable feature and a personal touch. Things that add value are generally thought of as beautiful, safe, or convenient by the majority of people. Things with no value are special to you for a reason that other people might not understand or want.

As you prepare to buy an apartment, remember that no apartment is perfect. Whether finding a place to rent or buy, you will always end up making compromises. But with a good understanding of what is most important to you, what you can live without, and what will add value to the apartment, finding the right one will be easier.

12

Condo or co-op?

The New York City housing market is truly a beast of its own. Our homes are divided into a series of different housing types. For those of you looking to buy, here is a breakdown of the most popular forms of home ownership in New York City:

COOPERATIVE

Roughly 75% of the Manhattan housing inventory is comprised of co-ops. Unlike condos, co-ops are owned by a corporation. This means that when you buy an apartment in a co-op building, you are not actually buying real property (as you would in a condo). You are in fact buying shares of the corporation. These shares entitle you to a proprietary lease, which makes your relationship to the building close to that of an investor, whereas in a condo building you are the outright owner of your specific unit. Usually the larger the apartment, the more shares you will have in the corporation you have bought into.

Now that you know what it is you are buying, we can consider other ways a co-op differs from a condo. First off, the approval process for co-op buildings is significantly more intensive than for condominium buildings.

Co-op shareholders, unlike condo residents, pay a monthly maintenance fee to cover building expenses and upkeep such as heat, hot water, insurance, staff salaries, real estate taxes, and the mortgage debt of the building. Assessments on the building can also be incurred and will (sometimes) drastically affect the value of the property you are considering.

Co-op boards are infamous for setting their own standards in terms of the approval process as well as how the building is managed. Seeing that everyone owns shares in the building, the community is more concerned with who is or is not allowed to join. Co-op boards require an interview (or interviews) to meet you and ask any questions regarding the information you provided. They can approve or deny any applicant as they choose. The co-op buying (and selling) process is a tricky one, where a real estate broker will certainly come in handy.

CONDOMINIUM

Think of purchasing a condo like purchasing a house in the suburbs: The buyer is given an actual deed to the property.

In a condo building, each individual apartment receives a separate tax bill from the city (rather than having taxes be compiled into the monthly maintenance fee as seen in co-ops). Condo owners are required to pay monthly common charges similar to the maintenance charges in a co-op; however, these charges 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. That being said, there are significantly fewer condos than co-ops in New York City, though most new construction tends to be condo.

Another difference between condos and co-ops is that the latter tend to have a greater sense of community. Condo owners tend to keep to themselves, seeing as they own their property, while co-op owners see themselves as part of a larger whole.

In short, each form of ownership has different costs and benefits. If you are looking for an apartment, I would recommend looking at both forms of property.

13 Hiring a real estate attorney

Once a seller has accepted your offer, you will need to hire a real estate attorney to prepare and negotiate the details of the contract.

But don't wait until then to figure out which attorney you plan to work with. There will be a lot of fast-moving pieces and heightened emotions—and you don't want to rush this.

Here are a few pointers for picking a good closing lawyer:

- Just about the worst thing you can do is hire an attorney who does not specialize in New York City residential real estate. Do not—repeat, do not—try to save money by dragging Uncle Morty away from his trusts and estates practice. The intricacies of closing a NYC real estate deal, from due diligence on a co-op to reading a condo-board minutes, are not taught in law school or dealt with in many other real estate markets.

- On the other extreme, don't pick a chop-shop closing lawyer who takes a cookie-cutter approach to your transaction or is too overloaded to be responsive.

- If you don't already know a good closing attorney, ask for referrals from people you know.

- Fees typically range from $1,500 to $3,000 for the average transaction. Expect to pay up to a few thousand more if you want to preserve your privacy by buying an apartment under an LLC created for this purpose.

- Make sure the fee includes due diligence and that your attorney (not a paralegal) will be going to the managing agent's office to read the financials and minutes (and read the offering plan if the building is less than five years old). It's also best practice for your attorney to administer the managing agent questionnaire (about bed bugs, leaks, noise complaints, reserve funds, major capital projects, etc.) in person or over the phone. (As one closing attorney told us, "They have a duty to the building, but generally they don't want to lie. You can tell if they're trying to avoid something.")

- Find out how much of the attorney's fees are refundable if the deal doesn't go through.

14 Finding the right apartment

Finding the right apartment can take days, weeks, months, and even sometimes years. This depends on how selective and stringent your criteria are.

Apartment hunting can be a stressful experience, and with good reason. Not only might it require much of your time, but the process can also leave you feeling frustrated, disappointed, desperate, or even overwhelmed. For your search to be as effective as possible, you need to try your best to keep stress out of the picture.

Fortunately, this isn't as tough as it sounds. Here are five tips to help you find the right apartment without the stress:

1. Know what you want. This is where determining your needs and wants, as discussed above, comes into play.

2. Stay focused and don't get discouraged. Keep your eye on the prize. Remember how excited you were when you started your search, and try to visualize how happy you'll be once you find the right place.

3. Set realistic goals and expectations. It's hard to find owners who can tell you that they found the perfect apartment without much effort. Don't expect anything different with your search. If you find an apartment immediately, great. If not, take it in

stride and know that it's just a matter of time until you reach your goal.

4. Stay organized and take good notes about your apartment-hunting efforts. Once you start to see more than a few apartments, it's easy to get them confused.

5. Ask questions. Choosing a place to live is a serious matter, so don't be afraid to ask questions. If you don't like the answers you hear, move on.

Hopefully, you're already feeling less stressed just from having read these tips. If you keep them in mind as you search for your next apartment, you can look forward to a more pleasant path to finding that perfect place you'll soon call home.

15 Negotiating the best price

Have you found the apartment you want to buy? If so, you may be ready to bid full asking price or even more to ensure you beat out any potential buying competitors out there. This is where emotions can sometimes outweigh logic, so before you jump in with an offer waaay above the asking price, it's good to take a moment to consider if the apartment is also a wise investment.

WHY IS HOME PRICE NEGOTIATION SO IMPORTANT?

Even in a hot real estate market it's not often that a seller isn't willing to negotiate—if not on the price, then on other matters such as the closing date or including certain items like the light fixtures or the washer and dryer.

On the off chance that you're in a market that isn't boiling right now, you could end up being the only buyer making an offer. If that's your case, you could end up buying for less than the listing price.

Your buyer's agent should understand the market well enough to help guide your initial offer, but here are some things you'll want to consider…

HOW MOTIVATED IS THE SELLER?

It's not often that a seller puts his or her apartment on the market just to see what kind of offers come in, though it does happen. By and large, sellers want to sell. But some sellers are more under the gun—they've already made an offer on another apartment, they're

moving for a job, or their personal situation has changed. That's why it's a good idea to ask their agent why they're selling. You might not get a direct answer, especially if their agent has urged them not to divulge this information, but it doesn't hurt to ask.

BE REALISTIC WITH YOUR OFFER

Nothing is accomplished by going in with a lowball offer. If you go in too low, you're going to insult the seller. If your research shows that the property is fairly priced, or your trusted agent is telling you it is, make an offer you feel comfortable with and that your agent believes is reasonable.

If your offer does not elicit a meaningful counteroffer from the seller, you know you went in too low. So try again. Once the sellers believe you're capable of arriving at a price that is agreeable to them, they'll be willing to negotiate.

BE READY TO MOVE ON

If you can't put together a deal on the first property you like, don't worry. There will be many more apartments for sale. It is VERY common to lose out to another buyer in today's market. But it's just as common to end up finding an apartment a week or even a month later that you like even more than the first. Not getting that first apartment might be a blessing in disguise.

SHOW SOME ENTHUSIASM

Today's real estate market is really moving in a lot of areas, so the days of being coy about whether you like the apartment or not are over for now. In fact, in some markets, sellers are looking for offer letters along with your bid; they want to know your personal story to help them decide among multiple offers.

This is your chance to sell yourself and convince the seller that you will be brokenhearted if you don't get this, your dream apartment. Have a baby on the way? Talk about how you can see your child taking his or her first steps in this hallway. Newly married? Describe how you're looking forward to starting your life together here. Have family nearby? Make a point of describing joyous family gatherings in the spacious dining room.

STILL, DON'T GET CARRIED AWAY

Yes, you want the seller to know how much you love the apartment, but you don't want to be overcome by emotions. You've done your homework. You know what the apartment values are in the area you're searching, and you know how much home you can afford, so don't allow yourself to get boxed into a price that is above your comfort zone. If you have chosen your agent well, this won't happen. Nevertheless, bad agents have been known to urge clients to accept counteroffers simply so they can stop working on the negotiation. Be firm.

SET YOUR EXPIRATION DATE

When you make your offer, there will be a space for putting a time limit on how long it's valid. Make this a very short period—for example, 24 hours. Having a longer period just invites competing offers, which is exactly what you do not want.

GET CREATIVE

If the sellers seem emotionally tied to a certain price on their apartment, instead of asking them to lower their price, ask for certain concessions, such as repairs, or that they leave the washer and dryer, etc.

NEGOTIATE AFTER INSPECTION

While it's not uncommon for prospective buyers to believe the deal is sealed at the offer signing, in many cases the negotiations begin afterward. If you've conducted a home inspection, you can ask the sellers for a cash-back credit at the close of escrow, which can help you complete the project yourself. You can also ask the seller for a credit to fix certain issues in the interest of offsetting closing costs.

ABOUT THAT PURCHASE OFFER

Here's a little primer on all the paperwork that goes into making an offer. Your purchase offer is a written contract that you sign and submit to the seller. It is accompanied by a certain amount of "earnest money," a good-faith deposit to show you are serious about buying the apartment. The earnest-money deposit is usually 10% of the sales price of the apartment. Your earnest money is typically put toward your closing costs; however, if you enter a contract with the seller and then breach that contract, you could lose this money.

The purchase offer indicates the amount you are willing to give the seller for the property. If you are working with an experienced real estate agent, he or she will typically provide a standard purchase offer form that you can complete, sign, and then hand over to the seller to sign.

Since your written offer forms the basis of a legal contract with the sellers, be thorough. There are some important details you should be sure to talk through with your agent and make sure are accurately included on your purchase offer, such as:

- The amount you are offering for the apartment and how you will pay the sellers (cash, check, etc.)

- Contingencies to protect you if your financing falls through or if the inspection unearths major problems with the apartment (inspection happens after you make an offer)
- Conveyances, such as whether the apartment will come furnished or unfurnished
- An expiration date by which the sellers must respond before your offer expires
- Concessions, such as any closing costs or other costs that you would like the sellers to pay
- The amount of earnest money you are offering
- The size of your down payment

Once you make a purchase offer, sign it and submit it to the sellers along with your earnest money (usually done through your agent). The sellers have the right to either sign your offer as is, make a counteroffer, or reject your offer outright.

If the sellers accept your purchase offer, the offer becomes a contract, and you are on your way to owning the apartment.

If the sellers counter your offer, you may choose to reject their offer and walk away.

Note: If, for some reason, you forget to specify contingencies in your offer, there are sometimes legal steps you can take to back out of the deal. Asking your agent what recourse you have can also help.

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Signing the contract

When you make an offer to purchase an apartment in New York, it's typically done by filling out a one-page offer form. If the listing broker doesn't provide one, your agent might have one on file.

If the sellers accept your offer, it is definitely good news, indicating that they are seriously interested in proceeding with the deal. The sellers' acceptance will likely be communicated orally to you or your agent, if you have one, by the sellers' agent. Despite this, neither of you is yet legally bound to go through with the apartment sale.

Accordingly, once your offer is accepted, it is essential that you and your attorney work as quickly as possible to finalize and sign a contract of sale with the sellers. This contract will lay out all the terms of the deal, such as price, contingencies, and closing date.

Before signing such a contract in New York, you should consider having an inspection of the property conducted, and if you are purchasing a co-op or a condo, your attorney should review the building's books and records, including financial statements. Your attorney and the sellers' attorney will also be the ones to prepare and negotiate the contract of sale. After these steps are completed, the contract will be ready for you to sign.

When you sign the home purchase contract, you will also be expected to produce a personal check for 10% of the purchase price of your apartment. The check should be made out to the sellers' attorney. Your own attorney will provide you with specific instructions. The amount of this down payment will be deducted from the purchase price, and the balance will be due at closing.

Make sure you have sufficient funds in your checking account to cover the down payment. Many contracts will allow the sellers to cancel the contract if a down payment check is dishonored.

Your check will be delivered to the sellers' attorney along with the signature pages of your contract. The sellers will sign and deliver their signature pages to your attorney. At this point, you and the sellers are "in contract," and neither of you can walk away without being in breach of the contract and subject to legal liability for this breach.

The sellers are not allowed to go out and spend the down payment money at this point. The sellers' attorney will deposit your down payment in an attorney escrow account. Typically the account used will be non-interest bearing.

USE OF DOWN PAYMENT AT CLOSING

During the escrow period, you should line up any necessary mortgage financing, and your attorney will conduct a title search to ensure that no liens are outstanding against the property. If all goes well, a closing will take place, at which title to the apartment is transferred to you and money is exchanged.

At the closing, you will be expected to produce the balance of the purchase price, using a certified bank check. Most likely, you will pay an additional 10% of the purchase price at this time, in addition to the 10% you paid when you signed the contract. The bank giving you a mortgage will pay the rest.

The sellers' attorney will likely use the down payment to pay their closing costs. These may include real property transfer taxes, brokers' fees, and legal fees for the sellers' attorney. If any of the down payment remains after those checks are written, then the sellers' attorney will write a check for the balance to the sellers.

USE OF DOWN PAYMENT AS LIQUIDATED DAMAGES IF DEAL DOESN'T CLOSE

If, after signing a contract, you decide (without a reason justified by the contract) that you no longer want to purchase the apartment, you and your attorney should attempt to get the sellers to agree to cancel the contract and return your down payment. If they do not agree to this and you walk away from the deal, the sellers may be able to keep your down payment.

Most residential real estate contracts in New York contain a provision entitling sellers to keep the down payment as "liquidated damages" if the purchaser defaults. A default happens if you refuse to close for a reason not contemplated in the contract.

Rest assured, however, that if your contract contains contingencies, or conditions upon which the deal will be canceled without either party being in default, and you are canceling based on one of those contingencies, your down payment will not be at risk. For example, if you included a mortgage commitment contingency and you were ultimately unable to get a mortgage, you will not be in default and should be able to end the contract without legal consequence.

If, however, you actually default—for example, your life plans change and you decide to stay in your old place or move to another city—the sellers will notify you of their demand for the down payment. If you object within 10 days, the sellers' attorney cannot release the down payment to his or her clients. Instead, you will likely find yourself a party to litigation to determine who gets to keep the down payment.

The outcome of such litigation cannot be predicted, but New York courts have, in some cases, allowed home sellers to keep the down payment when the purchasers defaulted.

17 Mortgage loan process

A few documents are needed to get a loan file through underwriting. Some of the information will be gathered online or over the phone. Much of it will already be stated on some documents you'll provide, such as your employer address, which can be found on a pay stub. While the list looks long, it won't take much effort to round everything up:

EMPLOYMENT

- Name, phone number, and street address of current employer
- Length of time at current employer
- Position/title
- Salary including overtime, bonuses, or commissions

INCOME

- Two years of W-2s
- Profit & loss statement if self-employed
- Pensions, Social Security
- Public assistance
- Child support
- Alimony

ASSETS

- Bank accounts (savings, checking, brokerage)
- Real property
- Investments (stocks, bonds, retirement accounts)

- Proceeds from sale of current apartment
- Gifted funds from relatives (e.g. down payment gift for FHA loan)

DEBTS

- Current mortgage
- Liens
- Alimony
- Child support
- Car loans
- Credit cards
- Real property

PROPERTY INFORMATION

Your real estate agent will be able to grab some of the harder-to-find items such as property taxes.

- Street address
- Expected sales price
- Type of home (single-family residence, condo, etc.)
- Size of property
- Real estate taxes (annual)
- Homeowner's association dues (HOA)
- Estimated closing date

FINANCIAL BLEMISHES

Be prepared to explain any missteps in your financial background. It's good to have dates, amounts. and causes for any of the following:

- Bankruptcies
- Collections

- Foreclosures
- Delinquencies

TYPE OF MORTGAGE

- Fixed or adjustable
- Forward or reverse
- Conventional
- Government insured: VA, FHA, USDA
- Jumbo

VA CERTIFICATE OF ELIGIBILITY (COE)

If you are applying for a VA loan you will need proof of your military service. The VA can provide a Certificate of Eligibility (COE). Your lender will be able to pull it for you.

LOAN ESTIMATE

All the above documentation is pulled together to produce the loan estimate. The loan estimate describes the terms and predicts the costs associated with your loan. By law, you must receive it within three days of your application. The loan estimate includes closing costs, the interest rate, and monthly payments (principal, interest, taxes, and insurance).

A notification is included if interest rates can change in the future, as would be the case with adjustable-rate mortgages (ARMs). It also includes information about any special features such as pre-payment penalties or if the loan balance can ever increase despite you paying on time (called negative amortization).

At this stage, you're not yet approved for nor denied a loan. A loan estimate is simply a statement of the terms and estimated fees in plain English. It's like getting an estimate for car repairs: No one

has picked up a wrench yet; you're just getting a sense of the work that will be done and how much it'll cost.

Quick note: While most types of loans use the loan estimate at the application stage, some loan products, such as reverse mortgages, still use two older forms: the good faith estimate (GFE) and Truth-in-Lending (TIL) disclosure.

MORTGAGE LOAN PROCESSING

Loan processors gather documentation about the borrower and the property, review all information in the loan file, and assemble an orderly and complete package for the underwriter. They'll open the file and get the following wheels in motion:

- Order credit report (if not already pulled for a pre-approval)
- Begin verification of employment (VOE) and bank deposits (VOD)
- Order property inspection if required
- Order property appraisal
- Order title search

MORTGAGE LOAN UNDERWRITING

The underwriters are the key decision-maker. They closely evaluate all the documentation prepared by the loan processor in the loan package. They cross-check to see if the borrower and the property match the eligibility requirements of the loan product for which the borrower applied. Underwriters review the borrower's credit history and capacity to repay the loan. The collateral (the property) is also weighed into the decision. They verify information and double-check for accuracy. They'll sniff out any red flags that indicate potential fraud.

UNDERWRITING DECISION

With everything reviewed, the underwriter approves or rejects the loan. Sometimes underwriters approve the loan with conditions. For example, they might ask for a written explanation of the borrower's credit history, such as late payments or collections.

LOCK INTEREST RATE

At some point after initial approval and before closing, the interest rate for your loan is locked. Interest rates trade up and down every day that bond markets are open for business. You and your loan officer will choose the time to make the commitment.

PRE-CLOSING

Title insurance is ordered before the closing meeting so that you can walk away with the keys to your new apartment, ready to move in. This is also the time to make sure that all the offer contingencies have been satisfied. Once any conditions are satisfied, the closing is scheduled.

FINAL WALK-THROUGH

You have the right to a final walk-through of property 24 hours before your closing meeting. This is your opportunity to make sure the seller has vacated the property and that any contractually stipulated repairs are complete.

CLOSING MEETING

The closing is the moment for which you've been waiting. It is the time to sign a slew of documents and complete your purchase or refinance. Some docs seal the deal between you and the lender. Other docs seal the deal between you and the seller (if it's a purchase

transaction). You should bring two official forms of identification, such as a driver's license and a passport, to the closing. If closing costs are not rolled into the loan amount, talk to your loan officer about how you will transfer funds either electronically or via cashier's check.

Closing costs include settlement fees (the cost of doing the loan) plus any prepaid expenses (put in an escrow account) for homeowner's insurance, mortgage insurance, and taxes.

A checkbook will come in handy for any small differences in the estimated balance owed and the final amount.

The closing meeting will take a couple of hours, and there's a lot of paperwork. Your hand will be tired from signing your name when it's all over.

18 Board application process

Once you have an accepted offer, you will spend much of the following month gathering information and completing the package. You will get a copy of the board's sales application so that you can see firsthand everything you will need to gather and complete. Your buyer's agent will ultimately put it together, organize it, make copies, and present it, but he or she needs your commitment to gather the information.

The process for purchasing can be horribly time-consuming, paper-intensive, and frustrating. In a condo, while the condo board cannot technically reject you, nor does it require an interview, you still need to go through the application process.

The board package will be tedious, and if one page from a bank statement, a date, a signature, or an initial is missing, it could delay the sales process or even lead to a board turndown. Many consumers just want to plow through or blow off the process, but that's not possible.

THERE IS NO STANDARD FOR BOARD PACKAGES OR THE PROCESS

While each package asks for similar requirements, small differentiators exist, and the person reviewing the package may be more or less stringent, so you always have to plan for the worst.

The numbers need to add up, the backup documents need to be there and the package must be as clean as possible.

Go slow and know that review and approval move at a snail's pace. It is better to take some time to submit a tidy package than to rush through and have it sent back because of mistakes two weeks later.

18 Board interview

CONDO

Condo approval does not require a board interview.

A condominium only has the right to decide as to whether the condominium itself wishes to purchase the unit or whether (as is more typical) its waives its right of first refusal. If the condominium board does not issue its waiver, the entire down payment will be returned—provided, of course, that the buyer applied in complete good faith. If the board does not wish to approve the transfer of the property to the prospective buyer, it must buy the property from the seller at the same price specified in the contract of sale. This rarely ever happens, and if it does, the prospective buyer will be refunded for the entire down payment made.

CO-OP

Once everything is accounted for, the management forwards the sometimes shockingly heavy box of board package copies to the board members, where they decide if they want to call you for an interview.

The day of your board interview, make sure you have a conservative and classy outfit laid out on your bed but nothing that will make the board think you're showing off. Always err on the side of pearls rather than diamonds.

You don't have to be buddies with the board members now or after you get into the building. They are looking for a financially

and mentally stable new addition to their home, not a comedian or a know-it-all. So don't bring up the ugly wallpaper in the hallways. Be pleasant and accommodating.

Co-op boards basically have the supreme power in the building. In the interview, they can ask you anything from specific questions about your financials to exactly what renovations you're planning. There's a definite possibility that the interview could be uncomfortable, but just keep repeating your mantra "Tt's worth it, it's worth it."

If they do ask about your renovations, the rule of thumb is to remain tight-lipped. Co-op boards will undoubtedly expect some sort of renovation, but it's usually wise not to elaborate. Co-op boards don't want to make it known, but once you get in, you can do pretty much whatever you want, as long as you're not disregarding the house rules. You're allowed to renovate—with board approval.

You may be allowed to sublet, either right away or after two years. Some co-op boards might not even make a big deal out of having your dog with you in your apartment even if the rules say otherwise! Just don't incriminate yourself without reason at your interview.

It's usually not a good idea for a dog to have any sort of interaction with a board interview. Though we love them, Person's Best Friend might not get along with the board. Also, co-op boards tend to discriminate against dogs of larger breeds because of their larger effect on the building.

Finally, don't expect the board to give you an answer right away. They could take a couple of days or even a couple of weeks to let you know your fate. Best-case scenario: Your future neighbors will let you know right at the meeting. Worst case: They'll finally let you know much later through a chain of emails that includes the managing agent and your real estate agent.

REASONS FOR A BOARD TURNDOWN (LEGAL AND NOT)

Co-op boards can be the pinnacle of secrecy. They decide if and when they will meet with you, and then if and when they will accept you into their club—ahem, your new apartment. They also don't have to give you a reason for flat-out rejecting you. Maybe it was your financial situation, or maybe it was your shoes, as long as it wasn't your "race, creed, color, national origin, sex, age, disability, sexual orientation, marital status, citizenship, occupation, or the existence of children," per the Human Rights Law.

HERE ARE A COUPLE OF COMMON REASONS FOR REJECTION:

1. You do not have enough money.

This is the big one. It is also a huge reason you need a buyer's agent to help you avoid this mistake before you even place an offer the property. The co-op's financial requirements can include liquid assets in a certain percentage over your purchase price. Or perhaps your income is too low or you have awful credit. Any of these can result in a co-op board rejecting you.

2. You lied!

Maybe your finances don't look consistent. Maybe you hid those tax returns. Just as a corporation doesn't want to do business with shady people, the co-op won't want to associate itself with you. Don't stretch the truth when it comes to your application, especially with your finances.

3. You got a good deal—too good.

Congrats, you got a great deal! But don't pat yourself on the back quite yet. Remember, the board is looking out for its finances too.

An apartment that a seller really needs to unload for a low price is not going to look great from the board's perspective because it brings down property values in the building.

4. Job history or security.

You've been bouncing around from job to job every couple of years. Who's to say you won't bounce from apartment to apartment?

5. The apartment is your second residence.

Even though some boards allow pieds-à-terre, they might think the apartment will act more like a hotel than your weekend residence.

6. You're famous or really "out there."

Lots of celebrities have had difficulty getting into co-ops (Madonna, Barbra Streisand, and Mariah Carey, just to name a few). Co-ops are private places and don't want to have to deal with paparazzi or rubberneckers. On the other hand, maybe you're not famous at all but foolishly revealed to the board that you're a champion accordion player. Think about it.

7. You're going to be working from home.

If you're a writer, okay. If you're a psychiatrist with patients, that might not work for the board.

8. You really messed up your interview.

Your broker should have prepared you for this, but maybe you were having an off day and insulted the flowers in the lobby, which happened to be designed by the board president's wife.

If you have a strong case, (perhaps you were asked very inappropriate questions at your interview), talk to a lawyer. The New York Co-op Bible has a chapter about dealing with rejection, including many court cases lost and won by co-op applicants.

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Final walkthrough checklist

You found the home you love and made the offer, and the seller has accepted. You've gotten your inspections done, your loan is being finalized, and an escrow closing date has been set. Great. But you're not quite finished yet.

Your next step is a final walk-through, arranged through your real estate agent, at least 48 hours before closing. The goal: Ensure the property's condition hasn't changed since your last visit, that any agreed-upon repairs have been made, and that the terms of your contract will be met.

GENERAL CHECKS

- Check for any signs of an insect or rodent infestation, such as droppings or chew marks.
- Bring a cell phone charger to plug into outlets and check that they work.
- Make sure phone or cable jacks are available (if you'll be using them) and that they are functioning and accessible.

SAFETY CHECKS

- Make sure proper fire safety equipment is installed: Check to see that smoke and carbon monoxide detectors are working and in the appropriate areas, and ensure that fire extinguishers are in place.

- Find the fire escape plan (if your apartment is in a complex) and make sure you know where to go in the event of a fire or another emergency.

DOOR AND WINDOW CHECKS

- Check all windows and doors to make sure they open and close properly.
- Try all locks and doorknobs to ensure they are secure and not wobbly. If there is more than one type of lock, ask to receive a key for each lock.
- See if all window coverings are intact, including screens. Check for drafts.

BATHROOM CHECKS

- Flush every toilet to make sure the plumbing works properly. Look inside the tank to make sure the handle is sturdy, so you know it's not going to snap.
- Check for leaks under the sink by running every faucet. Look under the sink to make sure there are no drips, water discolorations, or odors. Fill up the sinks to make sure they hold water and drain properly.
- Make sure the showerhead works and isn't spraying water all over the place.
- Test the hot water to ensure it heats up in a timely manner. Check the water pressure.

- Check for any cracks or discolorations in the bathroom mirror. If there is a medicine cabinet behind the mirror, make sure the door opens properly.

KITCHEN CHECKS

- Turn on each appliance (microwave, dishwasher, oven, etc.) and make sure it works properly.
- Turn on all the burners on the stove to make sure they light up. Open and close the oven door, and look for all the racks in the oven. Check the broiler and make sure it works.
- Open and close the refrigerator doors and pull out every drawer. Check any musty smells. If there is an ice maker, check to see if it works. Make sure the refrigerator is chilly and the freezer is cold.
- Examine the linoleum or tile for any scrapes, scuffs, and cuts, and check the countertops for any stains, burn marks, or chips.
- Open and close all the cupboard doors and drawers. Check for chips and dings.

BEDROOM AND LIVING ROOM CHECKS

- Flip every light switch on and off.
- Test the air conditioner on both the hot and cold settings. Listen for any strange sounds and be aware of any weird smells, which could be a sign that the filter needs to be changed.

- Open and close the blinds to make sure they work properly.
- Look for cracks and dents in the walls and baseboards, which could be an indicator of structural damage.
- Check for any aesthetic details, such as stains on the carpet, chipped paint, peeling wallpaper, and nail holes in the wall.
- Make sure the fireplace (if there is one) is in working condition.

Don’t rush through your walkthrough; be thorough and take your time. After all, it will be your permanent apartment, so make sure it’s a place you’ll be happy with.

20 The closing process

The hardest parts are over: You've found that perfect apartment in a haystack of listings, negotiated a deal you're happy with, and secured a mortgage—and you're now in the home stretch of the home-buying process. Just one more critical hurdle lies ahead: the home closing. Also, known as "settlement" or "escrow," this is the day when all involved parties meet to make this transaction official.

In order to make sure you are fully prepared, here's what to expect from the closing process.

HOW TO PREPARE FOR A CLOSING

Review your closing disclosure form. If you're getting a loan, one of the best ways to prepare is to thoroughly review your HUD-1 settlement statement.

It outlines your exact mortgage payments, the loan's terms (such as the interest rate and term), and the additional fees you'll pay, called closing costs.

Thanks to regulations put into effect October 2015 known as TRID (which stands for TILA-RESPA Integrated Disclosure), you will receive your HUD-1 three days before closing so that you have plenty of time to check it over. (Before TRID, home buyers received this form only 24 hours ahead of time, which resulted in a lot more last-minute surprises and holdups.)

HOW MUCH ARE TYPICAL CLOSING COSTS FOR BUYERS?

These are the fees paid to third parties that help facilitate the sale of an apartment, and they total anywhere from 2% to 8% of your apartment's price.

Both buyers and sellers typically pitch in on closing costs, but buyers shoulder the lion's share of the load, since many of these fees are associated with the mortgage. While some closing costs must be paid before the apartment is officially sold, most are paid at the end when you close on the apartment and the keys exchange hands.

NYC BUYER PRIMARY CLOSING COST ESTIMATES (UP TO 6% OF PURCHASE PRICE COMPRISED AS FOLLOWS):

- Broker fee: $0
- Buyer's attorney: $2,000-$3,000
- Managing Agent Fee: $450+
- Recording Fees: $250-$1000
- Mansion tax: 1% of purchase price for transactions between $1 million and $2 million, and a progressive tax starting at 1.25% on homes between $2 million to $3 million up to a maximum of 3.9% on those $25 million or more.
- Lien search: $750-$1000
- Move-In Fee/Deposit: $500-$1000
- Title Insurance: $436 per $100,000 (condos and townhomes).
- Flip tax (condos and co-ops): building-specific and often does not apply. When there is a flip tax, a figure of 1% of sales price may be about average and depending on the building may be paid by the buyer or the seller.
- Bank fee/points: 0%-2.5% of loan amount
- Mortgage Application, Credit & Appraisal, Bank Attorney: $1,500+
- Mortgage recording tax: 1.8% of loan amount for loans less than $500,000; 1.925% of loan amount for loans exceeding $500,000.
- Mortgage title insurance (condos and townhouses only): $364 per $100,000 of loan.

This is only an estimated guide to closing costs for a buyer. Your attorney will provide you with a precise schedule of your transaction-specific closing costs. Also, please note that buyers of Sponsor/Developer units should consult the terms of the offering plan for additional closing costs associated with new developments and conversions.

WHAT TO BRING TO CLOSING

You'll want to bring proof of homeowners insurance, a copy of your contract with the seller, your home inspection reports, anything the bank required to approve your loan, and a government-issued photo ID. (Note to newlyweds who just changed their name: That ID needs to match the name that will appear on the property's title and mortgage.)

YOUR DOWN PAYMENT

You will already know from your disclosure form exactly how much you'll have to cough up for a down payment and closing costs. Since a personal check won't cut it, be sure to ask before closing whether you should wire-transfer those funds or if you'll need to bring a cashier's check. Also, bring your personal checkbook to closing, since personal checks are typically fine for paying smaller fees and may come in handy in case any unforeseen expenses crop up.

WHAT TO EXPECT AT CLOSING

Exactly who will be present at a closing? There are certain supporting characters you can usually expect to make an appearance. The cast includes the home seller and the seller's real estate agent as well as your own real estate agent, your attorney and the seller's attorney, a representative from a title company (more on that below), and occasionally, a representative from the bank or lender providing you with your loan.

At the closing, you'll be putting your John Hancock on a pile of legal documents, so be prepared for a mild hand cramp if you're not used to writing in cursive.

Be prepared for things to go awry at the closing, such as someone getting stuck in traffic, a document to go missing, or a name to be misspelled. But don't stress; simply do what's in your power to make the day go off without a hitch. For instance, don't schedule something two hours after the closing is supposed to start in case your closing runs over.

If all goes well (as it usually does), you will leave your home closing with a stack of documents (which you should save) and the keys to your new apartment (finally!).

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After the closing

AN ONGOING RELATIONSHIP WITH MY CLIENTS

While the closing may mark the end of the purchase process, as your buyer's agent I hope it will mark the beginning of our ongoing relationship. I make a concerted effort to keep in touch with my clients and to continue to be a resource for all your real estate and neighborhood needs. If you need referrals for plumbers, electricians, and other service professionals, I am always happy to provide you with a list of trusted vendors.

YOUR REFERRALS ARE KEY!

Maintaining ongoing client relationships is part of my commitment to provide a level of real estate service well above and beyond expectations. My clients share their positive experience with friends and associates who then seek me out. This has allowed me to build a successful real estate practice based on referrals. As a result, I can devote more of my time to helping clients and less looking for new ones. If you are happy with my service, I hope you will spread the word and send people my way so I can help them the same way I helped you. That's a win-win all around!

THANK YOU

Thank you for taking the time to read my book.

I have put my heart and soul into these pages, wanting to provide you with as much valuable information as possible on how using a buyer's agent is in your best interest and how to navigate your way through the New York City apartment buying process.

I hope you enjoyed it, and I look forward to working with you!

Warmly,
Becki

ABOUT BECKI DANCHIK

Becki joined Warburg Realty as a fourteen-year veteran of the New York City real estate industry. She previously worked at Douglas Elliman and Charles Rutenberg, LLC. In her former roles, Becki built a large network of clients ranging from first time buyers, sellers, individuals and families requiring more space, retirees seeking to downsize, professionals who are relocating to Manhattan, investors, and renters. "What people remember more than a good experience is a bad experience," says Becki. "It's important to focus on giving excellent service and to ensure my clients have a positive experience. Each transaction has its own challenges, quirks, and excitement and I'm so honored to guide people through the process. There is a method to deal-making. When it's successful, everybody wins."

Becki's engaging personality, combined with her honesty, diligence and determination, make her a successful agent and top producer. Her success is reflected in her extraordinary sales record evidenced by the million dollars in sales and rentals under her belt. She has a long list of loyal clients and does not confine her business to a specific neighborhood. She works all throughout Manhattan, as well as select areas in Brooklyn.

A graduate of Union College, Becki has a background in the arts. She majored in art history and photography and studied in Florence, Italy -- as well as filmmaking at NYU's Tisch School of the Arts. A lifelong learner, Becki continues to feed her intellectual curiosity when she can, whether taking a photography class at the School of Visual Arts or enhancing her knowledge of Real Estate. She also trained dozens of other agents in the industry. Becki is a Certified Negotiation Expert and member of REBNY. She and her clients have been featured in The New York Times, Forbes, Brokers Weekly, Apartment Therapy, Curbed.com, Realtor.com, Brick Underground, SheKnows.com, and The Close. Outside of real estate, Becki is passionate about health and wellness. She plays competitive tennis and is a member of the USTA.

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