ELIKA ASSOCIATES

2ND EDITION

HOME BUYERS HANDBOOK

THE NEW YORK GUIDE TO BUYING THE HOME YOU WANT

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REAL ESTATE

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AN INTRODUCTION TO HOME BUYING IN NYC

Buying a home in New York City is a pipe dream for many and a reality for a lucky few. Not surprisingly, making the American dream of homeownership come true in the Big Apple is a bit more challenging than in other cities. New York City has the highest cost of living in the United States, which means qualified homebuyers will need job security, financial stability, and tremendous fiscal discipline. Additionally, the city's real estate market is notoriously exorbitant, with limited inventory and competition from homebuyers and investors worldwide.

THE CO-OP ADVANTAGE

Although still competitive, co-ops remain the most affordable and accessible option due to barriers precluding international buyers. Geared toward primary home buyers, co-ops require an extensive application process as well as an interview. The process can be quite grueling and not necessary fruitful; imagine presenting two to three years' worth of income tax returns and schedules, a complete snapshot of your financials (assets, liabilities, income, and expenses), and up to a dozen reference letters only to have your application denied. By contrast, a condo board can only deny an application under very specific circumstances (e.g. the presence of a criminal background). Co-ops, however, have the right to reject applications without reason.

ELIKA IS HERE TO HELP

In New York City – particularly in Manhattan – home buyers face an elevated (and often unexpected) level of competition with many applicants vying for any given property in today's low-interest-rate market. After reviewing our home buyers' handbook, though, you'll be better equipped to enter the market fully knowing the challenges that lie ahead. Whether you're in the market for a house, condo, or co-op, it will help you prepare for and understand the entire home-buying process from mortgage pre-approval to closing the deal. You'll also find valuable advice on how to compromise in the quest for your dream home, which, in a location like New York City, is a must-have skill.

An exclusive buyers' brokerage, Elika Associates represented thousands of clients over a decade and helped buyers successfully navigate the intricacies of Manhattan real estate. Through our work with buyers of disparate economic statuses from all over the world, we have managed to compile this handbook based on the questions our buyers asked us over the years. Our goal is to not only to help you understand what it takes to succeed as a buyer, but also to instill the confidence requisite to come out on top in the most competitive housing market in the United States.

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To draw an analogy, Manhattan real estate is much like a poorly stocked supermarket where shoppers nevertheless continue to pour through the doors. To an extent, it's almost like the Manhattan market is immune to the vagaries that ravage the markets of less-desirable areas. For example, looking back at the years following 1990, the United States experienced the savings and loan debacle, the tech bubble, 9/11, and the 2008-2012 global financial crisis. Through all these fiascos, the real estate market in New York City stayed robust, with buyers clamoring at every turn.

TIMING IS EVERYTHING

While timing is important when buying a home, it is generally ill-advised to delay buying in an effort to time the market exactly. Historical data show that holding on to real estate in New York City for the long run is always profitable so long as you are not forced to sell. Similarly, statistics also show that the best time to buy a home is often when the economy is at its worst. Of course, to do so, you must have the financial wherewithal and job security that most lack during economic downturns, thus forcing many to sell instead of buy.

The catch-22 with Manhattan real estate is that people are often forced to buy a smaller condo or co-op than they would like or need to grow. One of the biggest reasons buyers end up losing money on real estate is that they outgrow an apartment due to a life event, such as a marriage or birth, and end up having to sell prematurely.

MAKE SURE YOU BUY WITH THE PROSPECTS OF THE FUTURE IN MIND

To avoid this predicament, make sure you buy with the prospects of the future in mind. Ideally, you will want to stay in your new home for at least five years, so try to choose a place that can accommodate the life changes you anticipate within that period. Of course, you might still make a profit even if you outgrow your place, but you can avoid that gamble by leaving yourself room for growth when you buy.

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COMPROMISE: AN ESSENTIAL BUYING SKILL

Whether you reside in New York currently or you're relocating from another state, most buyers experience a bit of sticker shock when they realize the usually modest size of apartment they can actually afford. For this reason, compromise is an integral part of the home-buying process in New York City. The question is, just how much should you compromise?

You don't want to overextend yourself by buying too big, but you also don't want to be forced to sell down the road because you didn't allow room for growth. In a buyer's market, you should accept a place that satisfies 90 percent or more of your wish list. In a seller's market, you should buy if a place has 80 percent or more of what you want. When you make out a list of pros and cons for the places you view, consider including a column for compromises so you stay flexible in your demands.

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A PREMIER MARKET ON A GLOBAL SCALE

You have probably heard real estate gurus chant the refrain of "Location, location, location!" in describing what matters most in a property, and that is good news for potential New York homebuyers. Not only is New York City a premier location within the United States, but also one of the best worldwide. Foreign buyers enter the New York market in droves because of its neighborhood safety, financial stability, and political transparency. When compared to other global cities like London, Hong Kong, Moscow, Paris, and more, the city is also remarkable for its affordability.

Of all the areas in New York City, Manhattan is particularly appealing and sought-after. It's an island with limited land mass with little to no vacant properties. Air rights can be restricted and if available expensive as well. Combined with soaring land prices, it's becoming more and more difficult for developers to build enough housing (affordable or otherwise) to help facilitate demand. It addition to low inventory and global demand, Manhattan continues to grow in population and prestige.

Indeed, one of the attributes of the New York City real estate market that has allowed it to remain consistently profitable is its attractiveness to foreign buyers and investors. When recessions and other financial hardships strike the United States, those who have made their wealth abroad seize the opportunity and bring their money to a market they know is stable and lucrative.

American homebuyers have a tendency to underestimate the appeal of political

NOT ONLY IS NEW YORK CITY A PREMIER LOCATION WITHIN THE UNITED STATES, BUT ALSO ONE OF THE BEST WORLDWIDE

stability and financial security to foreign investors. These investors know they can count on the U.S. government to protect their property rights, and they know they are likely to come out on top if they stay for the long-term.

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GETTING STARTED

So are you ready to start looking for your ideal New York City home? Our handbook will walk you through every step of the process. Our mission in writing the handbook was to create an authoritative yet accessible guide that buyers can take along as a quick reference while hunting for the perfect home.

ELIKA REAL ESTATE IS THE ONLY MANHATTAN-BASED EXCLUSIVE BUYERS BROKERAGE THAT IS A MEMBER OF THE NATIONAL ASSOCIATION OF EXCLUSIVE BUYER AGENTS

While this book is an excellent resource, it is not intended as a substitute for an exclusive buyer agent. Elika Real Estate is the only Manhattan-based exclusive buyers brokerage that is a member of the National Association of Exclusive Buyer Agents (NAEBA) and that adheres to a no-listing policy and the bylaws of the NAEBA. We service many areas of New York City and would love to assist you in finding your next home. Here are just a few things a buyer's agent can do for you:

+ Preview properties, sort through undesirable listings, and provide succinct lists of the best available options
+ Perform a comprehensive comparable market analysis to estimate fair market value
+ Provide unbiased, expert knowledge
+ Negotiate on your behalf
+ Connect you with reputable attorneys, lenders, engineers, architects and expeditors
+ Assembling, preparing, and reviewing your Condo and Co-op board applications before submission
+ Offer post-closing services to help you with your move

If you would like to hear more about how Elika can help meet your housing needs, please contact us today. If you are looking for a home in the Bronx, Queens, and Long Island areas, we highly recommend seeking the services of an exclusive buyer agent. Of course, while an exclusive buyer agent is ideal, our services are not available in all locations.

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If one is not available in your market, you might instead seek a buyer agent that has serviced the area for at least three years. Additionally, dedicated buyer agents should also have completed the ABR, Accredited Buyer Representation course, CBR Certified Buyer Representative as well as the CNE, Certified Negotiation Expert accreditation. Agents with numerous accreditations demonstrate their commitment to excellence and customer service, as well as being members of local real estate boards like the Real Estate Board of New York (REBNY).

HAPPY HUNTING!

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CHAPTER 1

IS IT TIME TO BUY YOUR FIRST HOME?

For most people growing up, the idea of owning your own home someday was a given. It was a symbol of the American dream. In fact, federal housing policy was designed to encourage homeownership for everyone. Tax laws were written to give tax breaks to homeowners. The Federal Housing Administration underwrote riskier loans with low down payments so more people could qualify for mortgages. The Community Reinvestment Act of 1977 encouraged lenders to extend credit to lower-income individuals to further expand homeownership. These policies worked, and homeownership rates were at near-record highs by 2006.

In no time, the housing bubble burst in a catastrophic way, leaving the U.S. housing market in shambles. Potential homebuyers—quite reasonably—were reluctant to jump into a market in decline. From 2006 to 2012, apartment and home values plunged by nearly a third, and nearly a quarter of all homeowners found themselves underwater on their mortgages.

NEW YORK CITY RENTS HAVE SKYROCKETED IN THE PAST DECADE; BETWEEN 2000 AND 2012

Fortunately, since 2012, apartment and home prices have risen steadily and economists project that the market may finally stabilize. Home builders and developers are responding to the market improvements by building new apartments and homes, and more homeowners have recovered their property values, making it possible to sell existing apartments and homes again, and some for record prices.

While credit is still tighter than it was in 2006, well-qualified buyers have no trouble securing mortgages at favorable terms. With that said, is it time to buy your first apartment or home?

RENT OR BUY: WHICH IS CHEAPER?

The answer to this question hinges greatly on geographical location; although, certain variables like interest rates and inflation are calculated at a national level. A 2014 report indicates that on average, buying is 38 percent cheaper than renting. In the New York City area, purchase costs are higher than average, but buying is still 22 percent cheaper than renting.

In fact, New York City rents have skyrocketed in the past decade; between 2000 and 2012, median rents rose over 75 percent while real median income dropped about five percent. Currently, median rents for a one-bedroom apartment range from $1,950 in Long Island City to $3,200 in Midtown – and that goes all the way up to $4,300 in Tribeca.

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Is it possible that rental costs will become cheaper than buying? In cities like Honolulu and San Francisco, where home prices are rising rapidly, the tipping point could come sooner. The calculus rests on mortgage interest rates, which are historically low and—of course—will eventually rise. Experts say that for regions where buying is 10 percent less expensive than renting, the tipping point will come when interest rates hit 5 percent.

In the New York City market, interest rates would have to rise to approximately 6.5 percent before renting will be less expensive than buying, according to industry estimates.

Given these encouraging economic factors, it may be time to buy your first apartment or home.

A LOOK AT THE NEW YORK HOUSING MARKET

According to CoreLogic Case-Schiller's 2014 forecast, the New York metro area is the hottest housing market nationwide. Across the city, condo prices climbed five percent in 2013, and they're expected to rise another 7.4 percent in 2014. Co-op prices, by comparison, were down by five percent during this time, and the average price of a 1-3 family dwelling rose by five percent. While gains in Manhattan were modest, prices in the outer boroughs like Queens and Brooklyn grew by double digits.

What does this mean for a first-time homebuyer? Historically, the New York real estate market has been more resilient than other parts of the country; for the most part, it has completely recovered from the effects of the crash. As a home buyer, it's always more advantageous to get in at the lower end of a rising market, and it appears that New York's gradual rise is a trend that'll continue well into the future.

The combination of historically low interest rates and steadily rising apartment and home prices are a good indication this may be the right time for first-time homebuyers to enter
the market.

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WHAT TO EXPECT IN THE FUTURE

Buyer's agents note that housing inventory will continue to be limited; however, new developments should expand into 2015, especially with new construction in Brooklyn and Manhattan. Although newly constructed real estate oftentimes enters the market at a higher price than re-sales, increasing prices across the board, overdevelopment and a slowing market contribute to controlling spiked prices. This kind of movement in the market benefits buyers the most.

Experts predict that low inventory and high demand in Manhattan will make Brooklyn and Queens a very attractive alternative to buyers. Bushwick and Bedford-Stuyvesant are also expected to see double-digit price growth. Capitalizing on its easy access to Manhattan, Long Island City is experiencing tremendous development, too. Prices increased dramatically to more than $1,000 per square foot in 2014 from $600 in 2009.

Most financial analysts expect that mortgage interest rates will begin a slow but steady rise in the coming months and years. Combined with the steady growth in home prices in New York, now may be an ideal time to get into a new apartment or home.

ADDITIONAL COSTS OF HOMEOWNERSHIP

Monthly mortgage payments are just one of many costs associated with owning an apartment or home. New York City property taxes are some of the highest in the country, and because they're set at the local level, they can vary greatly from neighborhood to neighborhood. Politics also affect property tax rates; government officials understand that raising tax rates is an easy way to fund preferred programs and projects. This is especially true in New York City, so new homebuyers should be prepared for fluctuations in annual property tax payments.

There's also homeowner's insurance, which varies greatly by neighborhood, type of property, and other variables. If you purchase your home with less than a 20 percent down payment, most lenders

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require private mortgage insurance (PMI), which further adds to your monthly payment.

If your new apartment or home is a condominium or co-op, you'll pay common charges or maintenance fees that often are quite substantial to cover the services your building provides. You may also be subject to occasional assessments for unexpected expenses associated with building maintenance and repair. In a single-family home, owners need to have an emergency fund to pay for maintenance, repairs, landscaping, and any renovations the home may require.

Many new homebuyers make the mistake of assuming that if a monthly rent payment is about the same as their principal and interest payment on a mortgage, they can afford to buy a home. It's important to remember that these monthly costs are just a small part of the price of homeownership.

YOUR HOME AS AN INVESTMENT

In the literal sense of the word, the home you live in isn't a true "investment." That runs contrary to conventional wisdom, but here's why it's true:

+ Apartment and home prices have grown only slightly more than inflation for more than a century. What this means is that if you bought an apartment or house in 1980, paid off the mortgage, and sold it in 2010, you'd have about the same buying power as you did at the start.
+ The real estate market is a lot like the stock market. As a general rule, it tends to increase over time, but trying to gauge the perfect time to buy and sell is an imprecise science. When you want to sell your home sometime in the future, if you're lucky, it won't stay on the market longer than a year. No one can guarantee that'll happen, though, leaving you unable to access your capital. It is difficult to predict what will happen to your neighborhood, development, or market in five or ten years down

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the road.

- Just like stocks, you have to sell your apartment or house when you want to use the profit your investment generated. However, unlike stocks, when you sell your apartment or house, you're selling the roof over your head.

Some of the wealthiest people in the USA build their wealth by owning homes and real estate. Even if you aren't generating a high rental yield, buying the right property nonetheless can be an excellent investment. Owning a home is building wealth; it gives savvy buyers years to compound that wealth and accumulate more property. For example, if someone had bought a home in NYC 30 years ago, that person's net worth would have inflated by approximately 1000%.

More than three quarters of investors worth $1 million+ own real estate, according to a study conducted by Morgan Stanley. Directly owning private and commercial real estate was cited as being the number 1 alternative investment choice, with 33% of the surveyed millionaires saying they planned to buy within the next 12 months.

Owning your own apartment or home can be a wonderful thing. It's a shelter and a source of pride for you and your family. It often provides a cheaper overall housing alternative to renting. But it isn't a guaranteed investment.

Don't think of the apartment or home you and your family live in as an investment; it could cloud your thinking and lead you to make buying decisions that aren't optimal for you. Buy an apartment or house because you and your family love living in it, it meets the needs of your family, the schools are great, and you enjoy being part of the community—not because you think it'll be a great investment.

MORE THAN THREE QUARTERS OF INVESTORS WORTH $1 MILLION+ OWN REAL ESTATE

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PLANNING FOR THE FUTURE WHEN YOU PURCHASE A HOME

Buying an apartment or home makes sense if you plan to live in it at least five to ten years; any less, and you may wind up losing money in the transaction. The seller in a real estate transaction can easily expect to pay up to 10 percent of the sales price of the home in closing costs, allowances, commissions, necessary repairs, and other negotiated expenses. In addition, sellers rarely get the full asking price for their apartment or home, unless the housing market has a shortage of inventory. It's also possible to get full asking price if a home has been well-renovated, is in a great location, or if it features distinctive and appealing architectural detail.

What does that mean for the first-time apartment or homebuyer? It means trying to predict the future. In the next 7 years or longer, do you plan to start or grow your family? Is there a possibility your employer will transfer you to a location in another part of the country? Do you have an ailing or aging parent who may need to move in with you?

Predicting the future also means buying only as much apartment or house as you think you'll need, but not much more. In the past, the trend in first-time apartment or home buying was to purchase a smaller, more affordable "starter apartment or home," and then sell it in a couple of years when the family (and the family income) grew. Given the variables in the real estate market, that no longer seems like the best strategy.

Today, you're better off buying the apartment or home you think you'll need for your family for the next ten years. Apartments and homes with multipurpose rooms, like a dining room that can be converted to an office, or an attic that can be converted into a bedroom, make sense as you try to arrange your home to meet your family's changing needs.

Resist the temptation to buy too much house. The additional taxes, utility payments, and maintenance and repair costs restrict your ability to save for other family necessities. As the saying goes, no matter how big your apartment or house is, you can only sit in one chair at a time.

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CONSIDERING OPPORTUNITY COSTS

Opportunity costs are defined as the loss of profit or value from something that is given up to acquire or achieve something else. For example, if you're cashing in an investment like a stock that has consistently returned ten percent a year in order to cover the down payment on your apartment or home, you're potentially missing out on all the earnings of those stocks.

For younger investors who have 20, 30, or more years for investment growth, the lost earnings could add up to a sizeable amount. This is why some financial advisers recommend that truly disciplined savers who invest wisely are better off renting than buying.

What does this mean for the first-time homebuyer? If you're financing your down payment with a second mortgage, or part of it is a gift from family, your opportunity costs are very low. On the other hand, if you're raiding your 401(k) or another brokerage account for a down payment, be conservative in deciding how much home you can afford.

A lower purchase price means a smaller down payment, which means more of your money can remain in long-term investment accounts. This is another reason to buy only as much apartment or house as you think you'll need in the next seven to ten years; you'll lower your opportunity costs by maintaining a larger percentage of your other investment accounts.

NEW OR RESALE: WHICH IS RIGHT FOR YOU?

In many instances, a resale is the only choice, especially if you have your heart set on a particular neighborhood or love the idea of restoring a beautiful space in a Pre-War building. However, for many first-time buyers, new construction is the better choice. For example:

+ Energy-efficient appliances and "green buildings" are becoming standard in today's newly constructed apartments and homes. Efficiency standards have tightened considerably from 2010 to 2014, so energy costs are usually much lower in new construction. While it's possible to retrofit older homes with more energy-efficient appliances, it's expensive and rarely results in the

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savings available in new apartments and homes.

+ Most newly constructed apartments and homes come with fire-retardant floor covering and insulation, making them much safer in the event of a fire. In addition, many builders hardwire carbon monoxide and smoke detectors into their buildings, which are more reliable and convenient than battery-operated models.
+ New buildings usually have sophisticated wiring capable of handling high-tech electronics, entertainment and security systems, and high-speed communications equipment. Customized wiring isn't always possible on older apartments and homes.
+ You'll save on replacement costs with a newly constructed apartment or home. Most major components have a lifespan of seven to ten years, and it's possible for many to be covered warranties that can be extended beyond the first year. With older apartments and homes, it's possible you'll need to replace major appliances soon after you move in.
+ Many builders have mortgage banking affiliates that can customize financing, including down payments and interest rates, to meet your specific situation. They're often able to defray some of the closing costs, too. However, the current market isn't favorable for that unless the property is either in poor location or grossly overpriced. While a seller of a resale home has some flexibility to contribute to settlement costs, they don't have nearly the flexibility of a builder's affiliated mortgage company.

ARE YOU READY TO BUY YOUR FIRST HOME?

You may be wondering if you're really ready to purchase your first home. The answer depends, in part, to your answer to the following questions:

+ Are you prepared to maintain and repair an apartment or home?
+ Are you willing to stay in the same apartment or home for at least five to ten years?

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+ Do you have a realistic idea of the type of apartment or home and amount of space you'll need for the next five to ten years?
+ Are you relatively certain your financial situation will remain stable or improve over the next several years?
+ Are you a disciplined saver who can build up an account for emergency repairs?

The financial and real estate markets are in harmony, making homeownership less risky and more affordable since 2008. Most economists predict that home prices will continue their steady, and in some neighborhoods spectacular, rise, and low interest rates mean mortgage payments are more affordable. Interest rates are sure to climb, lowering the amount of apartment or house you can afford later on. Purchasing an apartment or home is still cheaper than renting in New York, but as interest rates climb, this phenomenon is likely to change; waiting too long may push homeownership out of reach.

Buying an apartment or home is an exciting and often overwhelming experience; to help you understand the process and get the best possible outcome with your home purchase, we've prepared a Homebuyer's Handbook to help you get started. The information it contains, along with useful tips and recommendations, will give you a good understanding of apartment or home buying process, and how to avoid costly mistakes.

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CHAPTER 2

PREPARING TO BUY YOUR HOME

There are many advantages to owning your own home. Owning allows you to take advantage of tax breaks that allow you to deduct mortgage interest, property taxes, and other costs involved in buying and maintaining a home. It also allows to build wealth as your home appreciates in value. New York real estate showed extraordinary resilience during the housing crash of 2008.

Unlike rent, your mortgage payments build equity in your home. You are investing in a valuable asset. A home is like a nest egg: If you decide to sell your house, you can keep up to $500,000 (for a married couple) of your profit free from federal income tax.

Your mortgage payments are predictable and should remain steady over the years; rent payments fluctuate with the market. Keep in mind, though, property tax rates do frequently change.

Enjoy the freedom and privacy of your own property. You can decorate, renovate, and remodel as much as you like—and many improvements add value to your home.

You and your family have stability and educational continuity, and enjoy the benefits of belonging to a community of other invested homeowners. Check out this infographic to see if buying or renting is the best financial option for you. You can also run the numbers on this interactive calculator by the New York Times.

TIPS FOR FIRST-TIME HOME BUYERS

As you may already know, home buying is an intimidating proposition for the uninitiated. Fortunately, though, there are a number of sensible steps that will help you get onto the right foot. Here are 14 crucial tips to get on track:

1. It's great to have high expectations, but you should also be realistic; even a brand new home is never "perfect."

2. Know what you're looking for in a home before you start shopping, and know your priorities (location, price, number of bedrooms, etc.).

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3. Review your credit reports and make sure your finances are in order. You'll need cash upfront for a down payment, closing costs as well as a capital reserve of 6 months – it's also best to have 1 year of your mortgage and building associated expenses in savings.

4. Get prequalified for a mortgage with the lender of your choice; this gives you credibility when negotiating for a property.

5. Pick one or two trusted friends if you find you want a second opinion—too much conflicting advice can keep you from making a decision.

6. Set a realistic time frame for moving into your new home: How much time is left on your lease? Can you sublet if necessary? Do you need to sell an existing home?

7. Consider the big picture. Will you buy a starter home knowing you want to trade up in a few years, or a long-term family home? This will narrow your search, and guide the type of mortgage that works best for you.

8. Avoid overleveraging to buy the most expensive home you qualify for; you'll want money for decorating, maintenance, and a rainy-day fund.

9. Try to negotiate repairs by seller into the contract; sometimes, however, a home is sold "as is," so you are responsible for repairs after you close on the property.

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10 Find a buyer's agent you feel comfortable with and trust, and whose style and principles align with yours. Consider choosing an exclusive buyer's agent who never lists properties, who works for you and watches out for your best interests. Listing agents are obligated to protect the seller's interests.

11 Don't be afraid to pull the trigger when you find the right home. Second-guessing interest rates or changes in the housing market often lead to disappointment, and great properties don't stay on the market long.

12 Don't expect the impossible—there's no such thing as a perfect apartment. If you find a place that meets your most important needs, you can change or repair the minor flaws.

13 Negotiate for the best price, but avoid insulting the seller with ridiculously low offers or too many contingencies. You may end up losing the property.

14 Develop a realistic post-purchase budget that includes funds for decorating, maintenance, and repairs. Even new homes come with move-in expenses.

Expect a little buyer's remorse at first. Buying a home is a huge commitment and it's normal to doubt yourself before the satisfaction of owning your own home sets in.

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AVOIDING ROOKIE HOMEBUYER MISTAKES

With any complicated activity that involves finances and various levels of bureaucracy, the margin of error can be rather slim. Real estate is no exception, and there are many mistakes to be made when you're buying your first home. Watch out for these mistakes:

+ Although it may be tempting, buying the best house on the block is never recommended.
+ Applying with only one mortgage lender and missing a great deal by not shopping around for the best mortgage.
+ Succumbing to "decision paralysis" and losing your dream home to another buyer.
+ Representing yourself and forfeiting the help and guidance of an exclusive buyer's agent.
+ Being unfamiliar with what makes an offer attractive to a seller.
+ Ignoring the resale potential of a property; the average first-time home buyer stays in his home just four years.

CHOOSING A TECH-FRIENDLY PROPERTY

Although this really falls under "rookie mistakes," this is an important factor to keep in mind as you begin your search. Many an uninitiated homebuyer has closed on a home, only to discover it's missing key technological amenities.

Thus, it's important to choose a home that's equipped for the 21st century, both for your own comfort and convenience, as well as potential resale value. Look for a property with the following features.

A "tech-friendly" property includes appropriate wiring and jacks for cable Internet and TV; an adequate number of telephone jacks; wiring for ceiling-mounted speakers and surround sound; multi-zone heating and cooling; multi-room lighting controls, window covering controls, and other home automation features; and multipurpose in-wall wiring that can be reconfigured as technology evolves. Take the Consumer Electronics Association's TechHome Rating System Survey to determine your home's tech-readiness.

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GETTING YOUR FINANCES IN ORDER

Getting your finances in order is perhaps the most important thing you can do prior to beginning your search for a home. After all, finding the perfect home will be futile if your finances are in disarray. As such, here are some things you can do to get them sorted:

1. Track your bills and credit card receipts for three to six months, and develop a realistic budget based on what you are actually spending. Add in estimates for healthcare expenses and vehicle maintenance and repair.

2. Pay down debt. Lenders want less than 30 percent of your income to be spent on loan repayment, including your mortgage. Your mortgage will typically be between 25 and 28 percent of your income, your total debt load should be about 8-10 percent of income.

3. Watch your nickels and dimes. It's easy to keep track of major expenses like rent and utilities, but it's the little expenses that ruin a budget. Write down everything you spend for a month—you'll discover quick ways to cut expenses.

4. Consider a part-time job or freelance work to boost your income so you can qualify for a higher mortgage.

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5 Start a savings plan just for your new house, and build monthly contributions into your budget. If your employer offers direct deposit, put your savings in the bank before you get your take-home pay.

6 Aim for saving a 20 percent down payment. While it's possible to get a lower initial payment, your interest rate will be lower and you'll avoid pricey mortgage insurance premiums.

7 Build up a steady employment history. Most lenders want to see stable employment with two years on the job for best interest rates.

8 Use credit wisely to build your credit score. Pay your bill in full each month where possible, and never max out your credit limits

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SAMPLE BUDGET WORKSHEET

Working out (and sticking to) a routine household budget also will be essential in your home-buying preparations. Begin by determining your household income using a worksheet like the one below and then use it to calculate your household expenses.

Income	
Net Income/All Family Members	
Child Support/ Alimony	
Pension/ Social Security	
Disability/ Other Insurance	
Interest/ Dividends	
Other	
Total Income =	

Expenses	
Rent/Mortgage	
Life Insurance	
Health/ Disability Insurance	
Vehicle Insurance	
Homeowners or Other Insurance	
Transportation / Car Payments	
Other Loan Payments	
Savings/Pension Contribution	
Utilities	
Credit Card Payments	
Entertainment	
Car Maintenance	
Clothing	
Personal Care Products	
Groceries	
Food Prepared Outside the Home	
Medical/Dental/ Prescriptions	
Household Goods	
Recreation/ Entertainment	
Child Care	
Education	
Charitable Donations	
Miscellaneous	
Total Expenses =	
Remaining Income after Expenses =	

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REAL ESTATE BOARD OF NEW YORK (REBNY) FINANCIAL STATEMENT FORM

REBNY
REAL ESTATE BOARD OF NEW YORK

Financial Statement

Applicant: ____________________ Co-Applicant: ____________________
Address: ____________________ Address: ____________________

Monthly Sources of Income and Projected Housing Expenses

Income:	Applicant	Co-Applicant	**Expenses:**	Applicant (after closing)	Co-Applicant (after closing)	Joint/Total (after closing)
Base monthly salary:			Maintenance:			
Overtime (monthly):			Apt. Financing:			
Bonuses (monthly):			Other Mortgages:			
Commissions (monthly):			Bank Loans:			
Dividends/Interest:			Auto Loans:			
Net rental income (Net):			Credit Card Debt:			
Other income (Itemize):						
TOTAL:			TOTAL:			

Assets & Liabilities

Assets:	Applicant	Co-Applicant	**Liabilities**	Applicant (present)	Co-Applicant (present)
Cash/Money Market Funds (Sch A):			Notes payable to banks:		
Contract deposit:			Notes payable to relatives:		
Stocks & bonds or Brokerage Accounts (Schedule B):			Notes payable to others:		
Investment in own business:			Install accounts payable:		
Accounts receivable:			Automobile:		
Real estate owned (Schedule C):			Other accounts payable:		
Automobiles:			Mortgages payable:		
Personal property & Furniture:			Unpaid real estate taxes:		
Life insurance(cash value):			Unpaid income taxes:		
Retirement funds/IRA:			Chattel mortgages:		
401k:			Loans on life insurance:		
KEOGH:			Credit card debt:		
Profit sharing/pension:			Other debts - itemize:		
Other assets (Schedule D):			TOTAL LIABILITIES		
TOTAL ASSETS:			NET WORTH::		

Itemized Schedule of Assets & Liabilities

Schedule A – Cash (attach additional pages if necessary) – Total should match cash line above

Applicant or Co-Applicant	Financial Institution	Type of account	Account Balance

Itemized Schedule of Assets & Liabilities (continued)

Schedule B – Stock, Bonds and Mutual Funds (attach additional pages if necessary) – Total Should match Stocks & Bonds Line Above

Amount of shares	Description	Marketable value	Non-marketable value

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REAL ESTATE BOARD OF NEW YORK (REBNY) FINANCIAL STATEMENT FORM

REBNY

Itemized Schedule of Assets & Liabilities (continued)

Schedule C – Real Estate (attach additional pages if necessary) – Total should match Real Estate line on previous page.

Applicant or Co-applicant	Property Address	Type of Property	Amount of Mortgage/liens	Mortgage Payment	Insurance main, tax & misc.

Itemized Schedule of Assets & Liabilities (continued)

Schedule D – Other Assets (attach additional pages if necessary)

Explanation: ______________________________

IF YOU ARE A PRINCIPAL OF OR ARE EMPLOYED BY A FAMILY BUSINESS, PLEASE COMEPLETE THIS SECTION:

	Applicant	Co-Applicant
Dividend or partnership income (present year)		
Dividend or partnership income (prior year)		
Dividend or partnership income (second prior year)		

The foregoing application has been carefully prepared, and the undersigned hereby solemnly declare(s) and certify(s) that all information contained herein is complete, true and correct. The information is submitted as being a true and accurate statement of the financial condition of the undersigned on the ________ day of __________ , 20 ______ .

X ______________________________ ______________________________

Applicant Date

X ______________________________ ______________________________

Co-Applicant (if any) Date

Rev. Janaury/09

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WHAT GOES INTO YOUR CREDIT SCORE?

Figuring out your budget is one thing, but you'll also need to get your bearings when it comes to your credit situation. Credit scores range from 300 - 850, and lenders require a score of at least 620 to approve a mortgage. To qualify for the best interest rate available, you will need a credit score of no less than 720. Several factors affect your credit rating:

YOUR PAYMENT HISTORY: Do you make your monthly payments by the due-date every month? A late payment can be almost as damaging as no payment at all.

YOUR OVERALL DEBT BURDEN: High balances on multiple accounts tell lenders you may be overextended.

THE LENGTH OF TIME YOU'VE HAD CREDIT: A long history of prompt payments and paid off accounts improves your score.

YOUR AVAILABLE CREDIT: Many open accounts with low balances and lots of available credit are a red flag for lenders, signaling a risk for future credit problems.

THE TYPES OF CREDIT ACCOUNTS YOU HAVE: Lenders prefer to see both secured (a car loan, for example) and unsecured (credit and/or charge cards) accounts; it's a sign of financial responsibility.

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HOW TO IMPROVE YOUR CREDIT BEFORE YOU BUY

Fortunately, there are also some things you can do to build your credit. You'll get the best mortgage terms with a high credit score and a low debt-to-income ratio. Take steps now to boost your score before you see a lender.

1 Request a credit report from the three major credit bureaus (Equifax, Experian and TransUnion), and check them carefully for errors. If you do spot a mistake, make sure it's corrected with all three credit agencies.

2 Never make the minimum monthly payment on your credit card bills. It's best to pay them in full each month, but if that's not possible, pay as much as you can afford. Keep in mind that balance transfers can lower your overall credit score.

3 If you've had credit problems, wait at least a year before you apply for a loan. Lenders are more favorable the more time has elapsed since your last late payments.

4 It's best not to open any loans or credit accounts in the months immediately before you apply for your mortgage. High levels of available credit can lower your credit score.

5 Once you've applied for a mortgage, freeze your spending until you close on your home. Don't apply for any new credit cards or loans, and don't make any major purchases on existing cards.

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6. Target two or three favorite mortgage lenders and apply to them all at the same time. Too many credit bureau inquiries lower your credit score, but several inquiries in a short period by a single type of lender will typically count as only one inquiry.

7. Stay away from finance companies. In addition to the high interest rates, most lenders view finance company accounts as evidence of bad money management.

To learn more about how your credit score is calculated, visit MyFICO.com. You also can request a free credit report at CreditKarma.com.

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YOUR DREAM HOME WISH-LIST

Once you've determined your credit situation, you'll want to start thinking about what you really expect from your home. Finding the ideal home usually involves tradeoffs; it's rare that a property meets every one of your desires. Draw up—and prioritize—a list of needs and wants in your dream home and use it to pare down the list of properties you want to view. Consider the following questions:

+ Do you need to be close to public transportation? Schools? An airport? The expressway? Neighborhood shopping?
+ Which neighborhoods do you prefer, and which do you wish to avoid?
+ Do you have a school district preference?
+ Which would you most like to buy: Condo, co-op, or townhome?
+ Do you prefer a new development? Would you consider a resale?
+ How much time and money are you willing to invest in repair and/or renovation?
+ Do you want a home with a terrace or a view?
+ Do you need special accommodations like ramps or wide doorways in your home?
+ Would you prefer a smaller apartment that is on higher floor with more sunlight or would you prefer one that is larger on a lower floor?

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Prioritize each of these options into	Must have	Would prefer
Bedrooms (number________)		
Bathrooms (number________)		
Balcony/Deck		
Garage (size_______)		
Family room		
Dining room		
Eat-in kitchen		
Washer/Dryer or Laundry room		
Fireplace		
Air conditioning		
Wall-to-wall carpet		
Hardwood floors		
View		
Light (windows)		
Shade		
Doorman		
Close to Transportation		

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FINDING THE IDEAL NEIGHBORHOOD

Your dream home may turn into a nightmare if it's in the wrong neighborhood. Begin by thinking about the activities that are most important in your daily life: Church, clubs, yoga class, the theater, favorite shops and markets, for example. As you look at various neighborhoods, consider how a move would affect your participation in the activities you enjoy.

TRY TO DETERMINE IF CRIMES ARE CLUSTERED IN A SPECIFIC AREA

If you have – or plan to have – children, you should look carefully at the local school district. The website InsideSchools.org offers a comprehensive and independent look at city schools. Even if you won't use the local public school, choosing a home in a good school district may improve your home's value if you choose to sell at a later date. If your children are enrolled in a private school, consider how your move will impact their daily commute.

Talk to your buyer's agent about average home prices, number of vacant properties, average length of time properties remain on the market, and whether price trends are increasing and declining in the neighborhoods you are considering. This will help you identify desirable locations that will enhance and protect your home investment.

Research crime statistics in neighborhoods you like. Look at both the number and type of crimes that are reported, and whether the numbers are increasing or decreasing. Try to determine if crimes are clustered in a specific area, such as a retail outlet.

Stop by the local city economic development office and get statistics on average income and property values for your desired neighborhoods, and if they have increased or decreased over time. Find out how many properties are owner occupied versus rental units. As a general rule, neighborhoods with a higher ratio of owner-occupied homes will have higher property values.

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Once you've selected a few neighborhoods, plan a visit to walk—not drive—around. Are the homes well maintained? Are the streets clean and quiet? Consider striking up a conversation with a potential neighbor working or playing outside, and ask her how she likes the neighborhood.

Try to visit the property at night and take a walk to a nearby restaurant and back again, as if you were living in the home.

In many cases, the ideal neighborhood will just "feel" right when you visit, and having all the relevant statistics and information will support your decision.

MENTALLY PREPARING YOURSELF FOR NYC'S TIGHT MARKET

Regardless of your price range, attractive, well-maintained properties never stay on the market long. You'll want to develop a basic understanding of NYC's tight market before you even begin, though. This will help you negotiate the best price later down the road, and it will reduce your risk of losing out to other bidders:

+ Prequalify for a mortgage or provide Proof of Funds if paying cash. Sellers are more willing to negotiate with buyers who have proven their ability to purchase a home.
+ Talk to your agent on a regular basis to stay on top of new listings as soon as they hit the market, and make time to promptly visit properties you are interested in.
+ Be ready to make a decision. That means knowing exactly what you want and what you can afford so that you recognize, and can act on, a good opportunity when you see it.
+ Even in a competitive market, protect your interests by insisting on the appropriate inspections.
+ Before you make an offer, do due diligence on the property with your agent. Get sales data on the property you are interested in, as well as on comparable properties in the neighborhood. Develop a three-tiered price target: The lowest price you could reasonably offer without offending the seller, the price that you and your agent think the seller is most likely to accept, and the maximum price you are willing

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to pay for the property. Make your offer based on the low price target, and stick to your limits if the negotiation takes the home price beyond your maximum amount.

+ If financing, ask for a mortgage contingency clause, but if you are in a competitive bidding situation, consider dropping it; it may give you an advantage with the seller. Don't place restrictions on the sale, such as a delayed closing date, or a contingency clause on the sale of your existing home. If your home hasn't sold, talk to your lender about a bridge loan to cover both mortgages for a short period of time.
+ Be accommodating to the seller by offering him the opportunity to choose a closing date at his convenience. Some sellers have not lined up a new place to live by the time their house sells.

When it comes time to actually make an offer, don't panic if your first offer is rejected, or if it turns out you are in a very competitive market. Some buyers are tempted to buy a property at any price if they've lost a bidding war in the past. While you want to make your offer as attractive as possible, don't work against your own interests. On the other hand, depending on market sentiment, it may also be worth paying a reasonable premium to win the property. For most buyers, their home is their largest investment; whatever you choose to do, just make sure your investment is a sound one.

MAKE YOUR OFFER BASED ON THE LOW PRICE TARGET

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BEFORE YOU START SHOPPING FOR A HOME: YOUR CHECKLIST

1. Have a realistic idea of what you can afford. Generally, look for a home that costs between two and three times your gross annual income.

2. Prioritize the list of features you want in a home.

3. Identify three or four New York City neighborhoods where you most want to live.

4. Make sure you have money saved to cover your down payment, closing costs, and one year of common charges, property taxes and mortgage interest payments if financing—or in the case of a co-op, maintenance charges and mortgage interest payments. Closing costs, which include taxes, attorney's fees, and transfer fees, cost between three and six percent of the purchase price depending on whether you are purchasing a resale or New Construction.

5. Talk to a mortgage lender and explore various financing options to determine which one is right for you. Prequalify for a mortgage so you know how much house you can afford.

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6. Collect and organize all the documents your lender will need to approve your loan. These can include pay stubs, bank and investment account statements, and two years of tax returns.

7. See if any special mortgage or down payment assistance programs are available to you.

8. Calculate the true costs of homeownership; include property taxes, insurance, maintenance and association fees that apply to your chosen property.

9. Interview and select a licensed buyer’s agent to work with you throughout the purchase process.

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CHAPTER 3

UNDERSTANDING NYC REAL ESTATE

In New York City, there are two major real estate options. Before buying a property, you'll want to fully understand these two options and what each has to offer.

Most of what you will find for sale in New York are co-operatives, or condos. The most important distinction between these two types of real estate is that with a co-op you do not own the property, a corporation does. You own shares in the corporation, much like you would in a business venture.

Since you're buying shares in the co-op, you do not actually own your apartment; you own a part of the corporation that owns the building. The board of Directors for the corporation sets the value for each apartment based on a number of shares. Obviously, the larger and better the real estate, the greater number of shares the apartment will be worth.

The Board of Directors runs each co-operative building, paying for its mortgage, taxes and upkeep. The money you pay for your shares covers these expenses and contributes to the building's reserve funds.

In order to keep a co-op solvent, the Board of Directors needs to ensure that each person who joins is going to be able to keep the company afloat, so-to-speak. For that reason, the Board must approve each new member.

Condominiums make up the other available real estate choice in New York. They are a more traditional choice in that buyers actually purchase the real estate itself. That means that the expectations and responsibilities are different than a co-op. For example if you buy a condominium you will have to pay the real estate taxes on the property.

Another point of fact to consider is that in New York City, there are fewer condominiums available than there are co-ops. About 80 percent of the available apartments in New York are co-operatives. Co-ops, however, are generally less expensive than condominiums.

CONDO VS. CO-OP: WHAT'S THE DIFFERENCE?

Most people who already live in New York City have a fairly solid understanding of the real estate market and how it differs from other cities. This is particularly true in regards to the trade-offs between a condominium and a co-op. However, if you're new to New York City, or are thinking of moving there soon, you may want a better understanding of what type of real estate will work best for you.

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CONSIDERATIONS: The differences between a condominium and a co-op can be somewhat complex. For example, depending on the neighborhood, there may be more co-ops than condominiums available. The co-op ownership vetting process can be strict, but that usually translates to greater financial security for the building. It can also be highly discriminative, particularly where finances are concerned.

Although most people coming to New York feel like they must buy a condo, there are many factors to consider so that you end up buying into the property that best fits your needs.

CO-OP FACTORS: The word "co-op" is short for "Cooperative," which has more in common with a business arrangement than with owning real property. For example, as a resident of a co-op, you don't actually own your apartment – a corporation owns the building or complex. Residents are not owners, they are shareholders in the corporation. The legal relationship is that of a "proprietary lease," which allows the resident to use the apartment, but does not imply ownership.

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1. **APARTMENT SIZE:** The number of shares you own in the co-op is directly tied to the size of your apartment. The larger your apartment, the more shares you will hold.

2. **CO-OP APPROVAL:** To move into a co-op, the board of directors must first approve your application and interview. This allows the board to weed out individual's they don't approve of living as part of the co-op. This kind of discrimination could be a good thing or a bad thing depending upon your acceptance (We'll cover this more extensively a little later in this chapter in our section about "Co-Op Interview Tips.")

3. **DOWN PAYMENT:** The down payment for a co-op is generally more than is expected for condominiums. Down payments start at 20 percent and can go as high as 50 percent. In the most prestigious co-ops, financing isn't allowed.

4. **OTHER EXPENSES:** As a member of the co-op you are expected to pay for your apartment, but also a portion of the monthly maintenance expenses that cover building amenities if any, real estate taxes, heat, insurance, water, staff salaries and building management company.

5. **LANDLORD-TENANT RELATIONSHIP:** Co-op shareholders are considered tenants of the co-op, as opposed to owners.This grants them legal protections according to the New York City landlord-tenant law. Condominium owners don't have this advantage.

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CONDO FACTORS: Instead of owning shares in a much larger piece of real estate, when people buy condominiums, they are purchasing real property. They receive a deed, and they pay taxes and ownership fees. They also have the right to sublet if they so choose, or sell the property according to their own desires.

1. **FINANCING OPTIONS:** Although condos allow for 90% financing, most banks in today's market require 20% down.

2. **THE APPLICATION PROCESS:** The acceptance ratio for condominiums is much higher than those for a co-op.

3. **COMMON CHARGES:** There are often common charges for a condominium, but in most cases, they are considerably lower.

4. **TAXES:** Must pay real estate taxes, which can be deductible in many cases if those deductions are carefully itemized.

The truth of the matter is that, in New York City, there are many more co-ops available than condominiums. The good news is that the gap between the two is narrowing.

Currently, the ratio of co-ops to condos is 75 to 25 percent. In the 1990s, the ratio was 80 to 20 percent. In the 1980s, it was 85 to 15 percent.

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This gradual shift has been taking place because apartments in newer buildings tend to be sold as condos. In areas with newer developments, there are greater numbers of condos available for purchase.

DIFFERENCES IN PRICE: According to brokers and analysts, another factor that affects availability is the price of a premium condo. Condominiums can cost up to 40 percent more than co-ops. The second quarter of 2014 saw the average cost of a condo in Manhattan at $2.283 million dollars, compared to $1.24 million for a co-op.

However, Jonathan J. Miller, the president of the Miller Samuel appraisal firm, compared apartment size with amenities in a 2006 study and found that the prices of condos and co-ops approach each other when you look at both factors. “We basically concluded that all things being equal, the value of a condo is about 9 percent more than the value of a co-op,” Mr. Miller explained.

Condos built since 2010 are larger than co-ops built in the 1980s, though they share the same number of bedrooms. Add to that the additional closing costs in buying a condo and you can see how the numbers creep closer together.

Owners also will need to get title insurance and pay the mortgage recording tax—in New York City, this will equal approximately 2 percent of your mortgage’s face value. You won’t have to worry about these costs when buying into a co-op, though.

RULES: Co-ops tend to have stricter rules, particularly when it comes to having a dog, loud music after 10 p.m., or installing a washer-dryer. These are possessions and actions that will have to be approved by the co-op. They are particularly strict when it comes to subletting.

Should the board approve renters, they generally reserve the right to approve whom you sublet to and the duration of time. For co-ops that allow your subletting, most require that you reside in the apartment for no less than two years before doing so. The subletting also likely will be limited to one or two years maximum.

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Another frustration occurs because many of the rules have a tendency to change on a whim. You are at the mercy of the board, as they could simply decide items like washers and dryers will no longer be part of the co-op.

There is a lot to explore as you search for an apartment, but these significant differences should be fully understood prior to buying into the New York real estate market.

THE BASICS OF NYC CO-OPS

New York City co-ops are unique hybrids that combine features of both public and private ownership. Living in a co-op presents many distinct challenges. When you're looking into New York City co-ops, it's important to consider how life here will differ from what you're used to.

As we've already mentioned, co-op owners are not permitted to sell their units without board approval and paying a flip tax, so you cannot flip a co-op property the way you could a house or condo. There are restrictions on subletting or altering the unit as well. Co-op residents may face very strict rules governing the appearance of the building, such as limits on the percentage of the unit that is carpeted.

New York City co-ops are controlled by a board of directors. The board determines how shares are sold and who can buy them. Co-op boards enjoy sweeping authority to accept or reject applicants, and can turn down individuals for anything other than sexual, religious, or racial discrimination. Rejections are often baffling, as the board isn't required to provide a reason if they turn you down.

ANOTHER FRUSTRATION OCCURS BECAUSE MANY OF THE RULES HAVE A TENDENCY TO CHANGE ON A WHIM

Co-op boards also have broad control of the running of the building. Their decisions are nearly impossible to overturn, so long as they can argue that they're operating in the building's best interest.

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WHAT YOU NEED TO GET INTO A CO-OP

You must supply detailed personal and financial information to get approval from the co-op's board of directors. Applicants must fill out a "board package" that includes two years of tax returns with W-2 forms, 1099s, and K-1 forms delineating all partnership income. You must also provide a detailed financial statement and list of your assets.

If you have any investments, the co-op board will need documentation for each one. For example, you would need to provide a market analysis and copy of the lease for any rental property you own. A comprehensive board package will also include a commitment from a lender for any proposed financing. An accountant or financial expert can help you assemble this part of your package.

In addition to your financial information, your board package usually will require a minimum of three letters of personal reference. After submitting your completed package, you must submit to an interview with the co-op board's selection committee. Families are often asked to bring children along so the board can meet all the prospective residents. These interviews can include both personal and financial questions.

While sales of New York City co-ops have slowed due to the collapse of subprime loans and the global financial crisis, many co-op boards have become increasingly stringent with their financial requirements for prospective owners. Experts believe this is because boards would rather protect their current residents than make potentially risky real estate sales.

THE ADVANTAGES AND DISADVANTAGES OF OWNING A CO-OP

Though the application process is rigorous, there are many advantages to owning a co-op. Co-op boards are very strict about choosing buyers who will be considerate neighbors and take care of their maintenance issues promptly. This creates a high-quality living environment for everyone in the building.

Unfortunately, the same rules that keep

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your neighbors in line can feel very controlling if you want to make certain cosmetic changes to your living space. If you bristle at the idea of having restrictions on your paint colors or balcony decorations, co-op living may not be for you.

Disagreements between co-op neighbors typically center on the spending of monies and what decorations are allowed. Experts say there's usually a division between owners who want to keep costs down and those who are willing to pay more to ensure quality.

The laws that govern co-op issues are always evolving. Most recently, courts have ruled that a co-op board's decision cannot be questioned in court, that it does not have to provide a reason for turning down prospective owners, and that it can evict disruptive neighbors. Co-op boards may also enforce "flip taxes" on the sale of a unit if permitted by the co-op's bylaws.

Since the end of 2009, the co-op market in Manhattan has rebounded from the sluggish economy of 2007 and 2008. In the second quarter of 2014, Manhattan co-ops saw average price gains (17%) and increases in the average price per square foot (16%). The average price per square foot rose to $1,019 – for the first time surpassing $1,000 per square foot. The quarter median price also rose 8% over the previous year.

CO-OP BOARDS MAY ALSO ENFORCE "FLIP TAXES" ON THE SALE OF A UNIT IF PERMITTED BY THE CO-OP'S BYLAWS

CO-OP BOARD INTERVIEW TIPS

While co-ops are more plentiful than condos and less expensive, their approval process is far more rigorous. The purpose of the interview can vary widely--some boards view it merely as a formality after approving an application, but others use it as an opportunity to scrutinize candidates and their financials. Here are 12 tips to help ensure your interview goes well:

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+ **DRESS CONSERVATIVELY**
Men should wear a suit and tie, and women should wear a professional dress or suit with minimal jewelry.

+ **BE ON TIME**
Keeping a board waiting will not serve you well, so try to show up early. Also understand this is a time-consuming process, so be patient with the board.

+ **EXPECT PERSONAL QUESTIONS**
Be prepared to field personal questions without getting defensive. Remember that the board is simply trying to determine what kind of neighbor you'll make.

+ **FAMILIARIZE YOURSELF WITH YOUR FINANCES**
Going into the interview, you should know your financial statement like the back of your hand and be prepared to answer questions about it.

+ **SOLIDARITY IS IMPORTANT**
If the board is interviewing you with your husband, wife, or partner, make sure you're all on the same page so you don't interrupt or contradict one another.

+ **DON'T ASK QUESTIONS**
For the most part, the board should have answered your questions prior to your signing a contract. Now is their time to ask you questions. For guidance, see the Most Often-Asked Questions section.

+ **DON'T MENTION RENOVATIONS**
Unless asked, don't talk about the work you intend to do, and, even if asked, downplay your plans.

+ **DON'T OVER-SHARE**
Limit the personal information you divulge to what the board asks. Don't volunteer things.

+ **DON'T EXPECT AN IMMEDIATE DECISION**
The board usually will conduct a full review, which takes time.

+ **MEET POST-INTERVIEW REQUESTS**
In some cases, approval might be contingent on your holding maintenance in an escrow account.

+ **WAIT FOR AN ANSWER**
Once the board has decided, the managing agent will contact you or your agent. Typically, if approved, notification is given within one week.

+ **DON'T WORRY**
Being confident and at ease during the process will help you.

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MOST OFTEN-ASKED QUESTIONS BY CO-OP BOARDS

FINANCIALS

1. Usually, financial questions come before the interview, but, just in case, take a copy of your financial statement with you to prepare for questions.
2. Especially if you're self-employed, expect to give detailed explanations of your finances.
3. Are you confident that you can afford maintenance and the mortgage comfortably?

FEEL-GOOD QUESTIONS

1. What made you choose this building?
2. What made you choose this apartment?
3. Why do you want to live in this neighborhood?
4. How many apartments did you view?

LIFESTYLE QUESTIONS

1. Do you play any musical instruments?
2. Do you entertain often?
3. Do you smoke?

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HOUSE RULES

1. Do you have questions about the building?
2. Do you have pets?
3. What renovations do you plan to do and how will you afford them?
4. Will you use the apartment for residential purposes only?
5. Do you work from home?
6. Would you run for the board?

THE BASICS OF NYC CONDOMINIUMS

New York City condos differ from the golf course and lakeside offerings common in the rest of the country. In the city, condos are usually stacked one atop the other in high-rise buildings. Despite the lack of surrounding land, these condos are still considered prime real estate. As such, they're governed by the same laws on sales, financing, and taxes as other types of property.

There are some important things you should know about condos in NYC before you make your first purchase. In Manhattan, each condo unit in a multi-dwelling building has its own block number and tax lot. Parts of the building that are not part of your particular unit are called common elements. This includes outdoor areas, the land the building is on, and common indoor areas such as the lobby, hallways, utility rooms, and laundry rooms.

When you own a condo, you also own a specified percentage of these common

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elements. Accordingly, the whole building is collectively owned by the unit owners. Each owner pays a monthly maintenance fee referred to as common charges. This supports the operating expenses for the building. Unit owners are also required to pay their own individual real estate taxes.

HOW NEW YORK CITY CONDOS OPERATE

When a new condominium is built, the developer has to provide the state attorney general's office with a detailed plan that specifies how the building will be run. The same requirement applies to the building owner when an existing building is converted into a condominium. These plans must include the condominium's bylaws and declaration. The latter details the percentage of common elements that each individual unit is responsible for and defines where these common elements are.

A board of managers runs New York City condos. Condo owners elect board members during the annual meeting. In some buildings, each condo receives a single vote, while others allocate votes based on the percentage of common elements an individual owns.

UNIT OWNERS ARE ALSO REQUIRED TO PAY THEIR OWN INDIVIDUAL REAL ESTATE TAXES

Unlike the board in a co-op, the condo board does not have the power to reject prospective buyers. The only way board members can prevent the sale of a unit is to buy it themselves. This process, called "right of first refusal," is seldom used because it requires a vote from other unit owners. Even if the vote passes, the board must still come up with funds to buy the unit.

A number of court cases have revolved around the actions of condo boards. Courts typically hold that the board cannot be held personally liable for their operating decisions as long as the members are operating in good faith. Still unresolved in the courts is whether or not the board can assess a "flip tax" on owners who are selling their units.

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UNDERSTANDING THE PROS AND CONS OF CONDOS

Condominiums are a flexible and affordable option for some homebuyers, but there are distinct differences between condos and single-family homes. Here are some things to consider if you are thinking of buying a condo.

1. Storage space varies wildly in condominium units. Some buildings have storage cages in the basement, but many don't. If you need a lot of storage space, a condo may not be the best choice.

2. Private space outdoors is rare in a condominium development. This is great if you dislike maintaining a lawn, but if you love to garden or lounge outdoors, you may regret your condo purchase. If outdoor space is important to you, consider purchasing near a park or a condo in a building with a roofdeck, possibly.

3. Most condominium developments have luxurious amenities like on-site gyms, communal outdoor spaces (in some cases swimming pools), community lounges, and playgrounds, which are very attractive to a certain type of homebuyer. Keep in mind, though, that the more amenities you have, the higher your monthly fees will be, so choose your amenities wisely.

4. Almost all condo developments have an onsite maintenance crew that handles any repairs to your home, and maintains the common areas. They often also arrange for deliveries to your home, and even let approved workmen into your home, such as cable or phone technicians.

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5 Condos usually offer enhanced security, such as a doorman, multiple secure entry locks, and in some cases, round-the-clock security personnel—which is very helpful in the event of an emergency.

6 You'll pay association fees and dues to cover the costs associated with the amenities and security, even if you don't use them all. The fees are set by the condo board, and they often increase on a periodic basis. These fees will be on top of your monthly mortgage payment.

7 The resale price on your unit often hinges on what other units are available in your development, and at what previous like-kind apartments have sold for. Condo units are very similar to one another, so the number of available units, views, finishes, and appliances often determine your asking price.

8 Condo living is governed by the condo association and any rules and regulations they adopt, although in most cases you will have a vote. Some condo boards restrict pets or noise levels. Make sure you read all your condo rules and regulations before purchasing a unit.

9 Condo residents live in close proximity to one another; it's a good idea to meet your neighbors before you buy.

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QUESTIONS FOR THE CONDO BOARD

Before you make an offer on a condo property, you'll want to get some key information from the management company/board. Here are some crucial questions to ask, no matter where you're trying to buy:

1. What percentage of the units are owner occupied, and what percentage is rented out to tenants? Generally, buildings with a higher percentage of owner-occupants are more marketable when it's time to resell the property.

2. Ask for a copy of the bylaws; if possible, review them with your broker and attorney. Be aware of any grandfather clauses that govern the property. You may find that residents who bought the property after a certain date can't rent out their unit, while those who bought earlier can, for example.

3. Ask for a copy of the building's financials. How much money does the association or board keep in reserve, and how is it invested?

4. Are assessments keeping pace with inflation? Is the board raising assessments each year to build reserves to fund future repairs? Compare assessments to other condo developments and co-ops in the area to determine if they are reasonable.

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5 What is covered by the assessment? Maintenance of the common areas, recreational facilities, trash collection, and snow removal are common activities paid by condo associations and co-op boards. Be sure to find out what is not covered, as well.

6 Were there special assessments mandated in the past five years? How much was each owner's share? Some assessments are unavoidable, but frequent, costly assessments may be a red flag indicating a building in poor condition, or imprudent financial policies with the board itself.

7 How many properties have sold in the building, and how often do they sell?

8 Is the board involved in any litigation? Lawsuits involving homeowners or developers can rapidly deplete association reserves.

9 Has the building's developer worked on other projects? If your development was converted to condos or co-ops from another use, ask for an engineer's report. If the roof, windows, and bricks are in poor repair, they will affect the value of your housing investment and possibly quality of life.

This information will help you decide if the condo or co-op unit is right for you; it will also give you some insight about the condo board's cooperation, organization, and helpfulness.

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WHAT YOU NEED TO KNOW ABOUT CONDOPS

Condops, although less common than condos and co-ops, are another housing alternative in New York City. Started in the 1960s, condops are mixed-use condominiums that contain a unit or units owned by a cooperative corporation. In a nutshell, a condop is a co-op within a condo.

Because a co-op cannot legally earn more than 20 percent of its income from the building's commercial tenants, owners and developers divided buildings to reap the tax benefits. If the co-op did earn an income greater than 20 percent, the co-op's shareholders weren't permitted the standard tax deductions.

Within a condop building, commercial spaces were categorized as one condo unit and residential spaces were categorized as a separate unit. Those residential spaces were then broken into cooperative shares, hence the co-op within a condo, or "condop." In a condop, residential units are most often in the tower section or high-rise, and commercial spaces are located on the lower floors.

SECURING A MORTGAGE ON AN APARTMENT WITHIN A LAND-LEASE BUILDING COULD PROVE MORE CHALLENGING THAN SECURING ONE FOR A UNIT IN A BUILDING THAT OWNS ITS LAND

LAND LEASES

In New York, since a condo building is not permitted to sit on leased land, but rather must own the land on which it's situated, often those buildings with a land lease have been converted to condops. The land is usually owned by a third party, and the condop pays rent to the owner of the land. In this case, you'll find that the condop typically adopts the legal structure of a co-op, but follows the bylaws of a condo.

Land lease properties often sell for less than those not on leased land, which means you could possibly purchase a larger apartment at a lower price. Bear in mind, however, the lot's rent is split among the apartment owners and included in the monthly maintenance fee, making that maintenance higher than it would be in a similar building with owned land.

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The portion that goes toward the maintenance is not tax deductible, either, so that's something else to consider. The more years left on a land lease, the better. Most leases are renewed with no issue, but there is the rare occurrence when a lease is not renewed. In this case, the owner of the land would evict the condop.

Another consideration is financing an apartment in a building with a land lease. Securing a mortgage on an apartment within a land-lease building could prove more challenging than securing one for a unit in a building that owns its land.

THE BOARDS

You'll find three boards in most condops. The first is a condo board, which represents the commercial spaces as well as the co-op portion of the building.

The second is strictly a commercial board and handles any issues directly related to the commercial spaces. And the third is elected by the shareholders to preside over the residential units, making decisions regarding common areas such as the laundry room, storage, hallways, etc.

OPERATION

It's a myth that all condops have less stringent rules than co-ops. It's likely that those operating as co-ops will enforce the same rules, e.g. – the two-year maximum to sublet, and specifics of dog ownership. Similar to co-ops, condops operating as co-ops require board interviews.

Many condops function as condos, however, and have liberal policies, such as no board interviews and less restrictive rules regarding pets and sublet policies.

REPAIRS

With regards to repairs, how does one classify capital improvements as the co-op's responsibility, the condo's responsibility, or a commercial responsibility? It's not unheard of for the three boards to be at odds regarding certain building issues, such as refurbishing elevators. For this reason, it's best to speak with the managing agent to find out the political stance of the building before adding a condop to your shortlist, or making an offer on a unit in a condop building.

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COSTS

As far as cost, condops should run in the same range as condos. Financing a condop apartment will likely be easier than financing a co-op. It's not uncommon for the required percentage down to be lower (many co-ops require 25 percent or higher.) Most lenders will treat a condop like a co-op. Some lenders, however, may not be familiar with the workings of a condop, and may need an explanation. As long as a condop meets Fanny Mae guidelines, there shouldn't be issues during the underwriting process.

RESALE

Today, you'll find fewer than 300 condop buildings in New York City as compared to more than 6,700 co-ops and well over 2,000 condos. Since there are fewer condops than there are co-ops and condos, often buyers will need to be educated about their specifics. These details include how a condop works, as well as the advantages and disadvantages of buying one.

THE PROCESS OF BUYING AN NYC HOME

Now that you're clear on the difference between co-ops and condos, it's time to look at the entire process of buying an NYC home (there's also a step-by-step walkthrough in Chapter 6). It can take months, even years to find the right home in New York City. However, the purchasing process is much easier, and in most cases, much faster with the help of the right buyers' representative. Elika Associates agents can help with:

CHOOSING A PROPERTY

When choosing a property, you'll need to decide whether to restrict your search to condominiums or co-operatives. You'll need to understand property values to avoid being taken. You'll also want to know key information about different neighborhoods. And since your home is your most important investment, you'll want to be as detail-oriented as possible when doing this research.

An experienced real estate buyer agent can help you make these decisions and narrow your search so that you find the right property in much less time.

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As a member of the Real Estate Board of New York (REBNY), Elika has access to all available New York real estate listings. Our agents work diligently to provide you with a constantly updated list of potential properties. We preview the properties before presenting them to our clients so that you receive accurate information, investment potential, and up-to-date pricing. Check out the step-by-step timeline for home purchasing in Chapter 6 for more information.

FINANCING

Most buyers need to apply for a mortgage. This can be a confusing part of purchasing a new home. You need to understand the different types of mortgages available, and which mortgage provider will offer you the best in terms of fees and financing charges.

We provide the information you need, and the advice and lender recommendations that ensure you get the best possible deal on your real estate transaction. We can even help you look for a mortgage while you're still negotiating on the property, thus cut down the time it takes to complete the purchasing process. We'll read more about financing in Chapter 5.

NEGOTIATING

In most cases, buyers start negotiating while looking for financing. Negotiations consist of your making an offer on a property, including a list of essential repairs or upgrades you insist on before making the sale final. The seller typically makes a counteroffer, and this process continues for several days until both parties reach an agreement.

Elika Associates buyer's agents will perform a comparable market analysis to estimate a property's fair market value and help advise you on your offer, improving the chances that the seller will accept quickly. We also review counter-offers to ensure that they are fair. Since we specialize in New York real estate, we know the real values of apartments in the city. We only provide buyer's representation; we never list properties for sale, so we don't suffer from any conflict of interest. Our only interest is in helping you get the best possible deal on your new property.

After negotiating, we help you through the condo or co-op board application process, as well as consult you on all documents and paperwork involved in closing on your

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new home. Our agents will handle many aspects of negotiations and closings to help you save time, but we will also give you the information you need to make smart decisions about your purchase. We'll talk more about negotiating in Chapter 7.

APPLYING

Because co-operative board of directors take such a long time to approve a new building resident, New York City buyers have come to accept a lengthy application process. The Board may deny a buyer for having insufficient proof of income or for other reasons, depending on the corporation's rules.

Filling out an application correctly is often a time-consuming and stressful process. This is particularly true if you are unsure about what to include. The approval from a board is one of the most critical aspects of successfully purchasing property in New York City. As with the other steps of the purchasing process, a buyer's agent can play a crucial role in your home-buying success.

In brief, you'll want to include: two years of tax returns, personal and professional information, and proof of financing, a signed purchase contract, and other detailed financial documentation, depending on the policies of the board of directors. You'll also need a financial statement with supporting documentation, and personal and professional reference letters.

BUYING A HOME CHECKLIST

Think you're ready to become a homeowner? By this point, you've doubtlessly made some significant changes in your life and taken a long, hard look at your finances. To help you in this journey, consult this helpful home buyer's checklist.

- ❏ LOCATE AN AGENT

  If possible, you should try to vet at least three real estate agents before making a decision. Keep in mind that there are different types of real estate companies: some work on the behalf of only sellers or only buyers, others that work either for buyers and sellers, and still others that attempt to work for both simultaneously. Companies like Elika that work only for buyers are called Exclusive Buyer Agent (EBA)

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companies, and you should at least speak with one before making your final decision.

- ❑ WORK OUT A PRE-APPROVAL
  Assuming a mortgage is in your future, you'll want to set up a pre-approval. This will allow you to establish a certain level of comfort with your mortgage payments, and to plan your budget in advance. If you've found a good agent, they should be able to refer you to some fair lenders. Just make sure there's no conflict of interest between the real estate company and the lender--they shouldn't be associated.

- ❑ BEGIN LOOKING AT PROSPECTIVE HOMES
  With a well-prepared agent, you likely will be able to visit roughly 8 to 10 different homes per day. Beware of concentrating only on open houses, though; typically, the number of available homes will be much larger in any area you target.

- ❑ START NARROWING YOUR CHOICES DOWN
  Once you've had a good look at your options, you should begin to focus on only two or three homes. Plan a follow-up visit to do a more detailed viewing of each home. With any luck, you'll find at least one suitable alternative if your front-runner falls through.

- ❑ LEARN ABOUT PURCHASE CONTRACTS
  Many first-time homebuyers make the mistake of failing to closely review their contract before signing. Sit down with your attorney to review processes, documents, negotiation strategies, and any other relevant considerations while you're still searching. The added confidence when it comes time to sign will be well worth your time.

- ❑ GET AN ATTORNEY
  It's customary in New York City for homebuyers to have an attorney represent them during the buying process. Real estate transactions in the city are complex, and sellers often will have their own lawyer on hand as well.

- ❑ REVIEW COMPARABLE SALES DATA
  Begin reviewing comparable sales data, so you know the fair market

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value for the home you're considering. Be sure you're watching market values—if they aren't stable (i.e. are frozen or dropping), you should check out the market inventory and rate of absorption.

- ❑ **PUT IT IN WRITING AND MOVE FORWARD**

  If the negotiations have reached a point where a fair price has been accepted, then now is time to get ink on paper with the seller. If your negotiations have stalled or turn against your favor, though, you'll want to move on to the next home and try again elsewhere.

- ❑ **BEGIN NEGOTIATIONS**

  Having chosen a particular home, you'll want to make an offer right away. In the case you reach an accepted offer keep in mind that should another buyer come along and place a higher offer on the property before you and the seller have signed the contracts there is a chance the seller may decide to go with the higher offer. A deal is not done until both the buyer and seller have signed the contract of sale.

- ❑ **START SHOPPING FOR A MORTGAGE DEAL**

  Once you have a contract in the bag, you'll want to shop for a good deal on your mortgage. Start with the lenders you trust, and then perform cost comparisons to narrow down your choices. Keep these things in mind as you shop:

  - ❑ Type of loan (and your credit profile)
  - ❑ Amount of your loan
  - ❑ The loan's lock period (your closing date determines this)
  - ❑ The quote's date and time (rates often fluctuate throughout any given day)

- ❑ **GET AN INSPECTION FOR THE HOME**

  Be sure to get the home passes all the major inspection criteria—structural integrity, plumbing, electrical work, lead, radon, termites, and more. Check out the Home Inspection Checklist in Chapter 7 to learn more.

- ❑ **SQUARE AWAY YOUR INSURANCE**

  Although we cover this more extensively in Chapter 8 (see the checklist at the end of the chapter), here are the basic

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things you'll need on which you'll need to provide information:

- ❑ Address and county, construction year, and type of dwelling
- ❑ Number of total apartments in the building/complex
- ❑ Roof type
- ❑ Heating type (also any other types of heating, like fireplaces or wood-burning stoves)
- ❑ Proximity to fire hydrants and the nearest fire department
- ❑ Information about the locks (deadbolts, chain locks, etc.)
- ❑ Electrical service info
- ❑ Square footage of your intended home

❑ SET UP AN INTERVIEW WITH THE BOARD

To get approval for your co-op, you'll need to get approval from the board (be sure to review the co-op interview tips from earlier in this chapter before the interview). Bring a copy of your board application with you, or at the very least, have the information below handy for the meeting:

- ❑ Copies of your tax returns for the required period
- ❑ REBNY Financial Statement highlighting your assets and liabilities
- ❑ Paycheck stubs, bank statements, and statements for any 401(k), mutual funds, and stocks you may own
- ❑ Letters of recommendation
- ❑ Documents/references to verify your current employment and your history of employment

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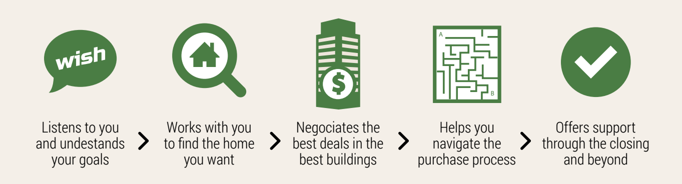
CHAPTER 4

WORKING WITH A BUYER'S AGENT

Your home is likely the largest purchase you will ever make, and it represents more than just a brick-and-mortar investment. It's a symbol of family, security, and commitment to your community. Buying a home is often an emotional experience, filled with anxiety, frustration, anticipation, and ultimately joy. A buyer's agent is your advocate and guide in one of the most important transactions of your life.



WHY SHOULD YOU WORK WITH A BUYER'S AGENT?

There are multiple complex reports, forms, and legal documents required in a home purchase. Your buyer's agent and attorney will help you obtain and evaluate the seller's disclosure forms and inspection reports, compile your mortgage and insurance documents, and decipher and complete complicated government-mandated closing statements. He or she oversees the documentation process to help you avoid costly delays and errors.

Purchasing a home also is a time-consuming process. Your buyer's agent streamlines the process by screening out unsuitable properties, and combing through listings to find the best prospects. He or she negotiates on your behalf once an offer is made, saving you valuable time.

Your agent also coordinates the board application and guides you to the closing, which can take between 30-60 days, and involves multiple components. A good buyer's agent will perform a comparable market analysis to help you determine the fair value of your preferred property so you can negotiate to purchase the property for the best price possible.

Your buyer's agent understands the fine print, and can explain the implications behind various components in a sales contract. He or she has contacts in the mortgage industry who can help you obtain the most favorable loan. Your agent has access to a wide variety of facts and statistics—like recent sales, property tax data, time on the market—that help inform your purchase decision.

Buyer's agents have their pulse on the market, and they know industry trends that

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WORK WITH AN AGENT WHO IS A MEMBER OF THE REAL ESTATE BOARD OF NEW YORK AND THE NATIONAL ASSOCIATION OF BUYER'S AGENTS

affect your purchase decision. They stay on top of current and pending laws and regulations that affect the mortgage and real estate industries. Their experience is often invaluable in finding hidden gems, identifying up-and-coming neighborhoods, and negotiating creative solutions to purchase contract disagreements.

Your buyer's agent acts as your advocate throughout the purchase process. He or she provides insight and objectivity in situations that are charged with emotion. Your agent actively looks out for your best interests in all phases of the real estate transaction.

In New York City almost all cases, it costs you nothing to take advantage of the skills and expertise of a buyer's agent. The seller pays your agent's fees in the form of commission at the time of closing. In New York City, the seller pays the buyer's agent's commission. However, in the end, the buyer indirectly pays the fees because they are wrapped into the purchase price, so you choose to either have your own representative (buyer's agent), or pay to have no representation, because the seller's agent's fiduciary responsibility is to the seller at all times.

Be an informed buyer and take the guesswork out of purchasing your next home: Work with an agent who is a member of the Real Estate Board of New York and the National Association of buyer's agents.

QUESTIONS TO ASK YOUR BUYER'S AGENT

Choosing a buyer's agent to represent you is a bit like conducting a job interview. Asking the right questions will help you find the agent with the right combination of skills and experience to best represent you.

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1. **HOW LONG HAVE YOU BEEN IN RESIDENTIAL REAL ESTATE SALES?**
   Experience, of course, does not guarantee success, but like every other profession, the most valuable skills are learned on the job.

2. **IS THIS YOUR FULL-TIME CAREER?**
   Some people supplement their income with part-time real estate work; this may limit their time and availability to work with you.

3. **DO YOU HOLD ANY PROFESSIONAL CREDENTIALS, SUCH AS ABR, CBR, CNE, GRI, OR CRS?**
   These designations indicate an agent has pursued extensive, specialized training; only about one-fourth of agents hold these designations.

4. **APPROXIMATELY HOW MANY BUYER-SIDE REAL ESTATE TRANSACTIONS DID YOU AND YOUR AGENCY COMPLETE LAST YEAR?**
   How does that compare with other brokerages in this area?

5. **WHAT IS THE AVERAGE NUMBER OF DAYS IT TAKES TO PURCHASE A HOME IN THIS AREA?**

6. **WILL YOU REPRESENT ME EXCLUSIVELY, OR WILL YOU BE A DUAL AGENT ON ANY OF THE PROPERTIES YOU PLAN TO SHOW ME?**
   While it is legal for one agent to represent both parties (dual agent), it is essential that you understand where your agent's obligations lie. A good agent will explain the agency relationship, and describe the rights of each party. As a buyer, you may want to consider an agent that represents you exclusively.

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7 DO YOU HAVE REFERRAL ARRANGEMENTS WITH PROVIDERS WHO CAN ASSIST ME IN OBTAINING A MORTGAGE, INSPECTING MY HOME, AND MAKING REPAIRS?

A good agent will recommend more than one provider, and disclose if they receive a financial incentive for referring you.

8 HOW WILL YOU COMMUNICATE WITH ME?

Will you email or text me if I am not available for a phone call? When and how often will I hear from you? Your agent should be willing to put your needs and preferences ahead of his own.

9 CAN I CONTACT ANY OF YOUR PREVIOUS CLIENTS?

Your agent should have the name of several customers who are willing to share their experience with him or her. Also ask if the agent has any testimonials and/or letters of reference.

Keep in mind, however, that the relationship between you and your agent is a highly personal one, and the most qualified candidate may not necessarily be the best one for you. The most important factor in choosing a buyer's agent is feeling comfortable around, and trusting, him or her. You'll share deeply personal information and financial data with your agent, and spend a lot of time with him or her in the purchasing process.

LEARN MORE:

Why Choose a Buyer's Agent?
How to Choose a Buyer's Agent

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UNDERSTANDING THE DIFFERENT TYPES OF AGENCY

You should understand the legal responsibilities your real estate salesperson has to you and to the other parties in the transaction. Ask your buyer's agent to clearly explain the type of agency relationship they have with you and with the brokerage company. New York State law requires the agent to present you with the agency disclosure form provided below at your first meeting.

+ **SELLER'S AGENT:** The seller hires a listing agent to represent him or her. The agent's fiduciary responsibilities are to the seller alone. The agency relationship is created by the listing agreement.
+ **BUYER'S AGENT:** The buyer hires a buyer's agent to represent them in a real estate transaction. The buyer's agent owes fiduciary responsibility solely to the buyer. The buyer's agent can work for a straight fee paid by the buyer, or receive payment from the seller via a commission split with the listing agent.
+ **BROKER'S AGENT:** These agents work in cooperation with or at the behest of a listing agent or a buyer's agent. Significantly, the broker's agent does not work for the same firm as the listing/buyer's agent with whom they are engaged. These agents don't have a direct relationship with either buyer or seller.
+ **DUAL AGENT:** Dual agency is a relationship that occurs when the brokerage firm represents both the buyer and the seller in the same real estate transaction. Dual agents have limited fiduciary responsibilities, and there is a potential for conflict of interest. Because of this, all parties in a dual agency relationship must give their informed consent. Disclosed dual agency, in which both the buyer and the seller are aware that a single agent is representing both of them, is legal in most states.
+ **DUAL AGENT WITH DESIGNATED SALES AGENT:** This is a brokerage practice that allows the managing broker to designate which agents in the brokerage will act as the agent for the seller and which will represent the buyer. Designated agency avoids many of the pitfalls associated with a dual-agency relationship. The

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designated agents give their clients full representation, with all the attendant fiduciary duties. The broker supervises both groups of agents.

THE IMPORTANCE OF A QUALIFIED BUYER'S AGENT

At Elika, we understand why different properties appeal to different buyers; so we know how to present you with properties that fit your lifestyle. We help with the deluge of paperwork also associated with buying a home. We help make sure that our clients understand the purchasing timeline. And by keeping our clients informed every step of the way, we keep the process relaxed. As we are familiar with New York neighborhoods and properties, we can also offer a professional, experienced point-of-view, which is valuable when applying, negotiating, and financing.

New York is one of the most culturally diverse cities in the world. With many beautiful neighborhoods to choose from, limitless food and entertainment options, and relatively stable property values, it is easy to see why people choose to buy New York real estate.

Unfortunately, it is also easy to make simple mistakes when buying in the city. Proper buyer's representation from Elika is an essential tool that will eliminate the mistakes, and reduce your stress while getting the best possible real estate deal.

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DESIGNATED AGENCY

You might have heard the term "designated agency" in real estate circles. In a single real estate transaction, this term refers to the buyer's agent and the seller's agent working for the same brokerage firm. In this scenario, the buyer and the seller are denied true representation and one firm earns the full commission.

THIS TERM REFERS TO THE BUYER'S AGENT AND THE SELLER'S AGENT WORKING FOR THE SAME BROKERAGE FIRM

DUAL AGENCY

Similar to designated agency, dual agency defines the relationship between a single real estate broker who represents the buyer and seller in the same real estate transaction.

In both dual agency and designated agency, the brokers who are employed by the same real estate firm are prohibited by law from negotiating for their clients (the buyer and seller), but rather, more focused on closing the transaction. What's more, under these circumstances, brokers can be privy to confidential information from the buyer and seller that they would not have had access to otherwise.

Even though legal in New York State, these types of agency are considered conflicts of interest, in that they do not provide undivided loyalty to the client. Instead, these relationships are profitable for the brokerage firm, and discourage trust between the broker and their client. For these reasons, when purchasing property in NYC, it's best to work with an exclusive buyer's agent, one with whom you can build a relationship. A good buyer's agent will negotiate on your behalf.

Based on the Real Estate Board of New York's co-brokering policies, either the seller pays the full commission (usually ranges from 4 to 6 percent) to the listing agent, or the commission is split 50/50 between the buyer's agent and the broker who listed the property. Regardless of the listing price, legally, that amount of commission will be paid, so it's probably a wise idea to take advantage of the expertise of a buyer's agent and reap the benefits mentioned above.

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New York State
DEPARTMENT OF STATE
Division of Licensing Services
P.O. Box 22001
Albany, NY 12201-2001

Customer Service: (518) 474-4429
www.dos.state.ny.us

New York State Disclosure Form for Buyer and Seller

THIS IS NOT A CONTRACT

New York State law requires real estate licensees who are acting as agents of buyers or sellers of property to advise the potential buyers or sellers with whom they work of the nature of their agency relationship and the rights and obligations it creates. This disclosure will help you to make informed choices about your relationship with the real estate broker and its sales agents.

Throughout the transaction you may receive more than one disclosure form. The law may require each agent assisting in the transaction to present you with this disclosure form. A real estate agent is a person qualified to advise about real estate.

If you need legal, tax or other advice, consult with a professional in that field.

Disclosure Regarding Real Estate Agency Relationships

Seller's Agent

A seller's agent is an agent who is engaged by a seller to represent the seller's interests. The seller's agent does this by securing a buyer for the seller's home at a price and on terms acceptable to the seller. A seller's agent has, without limitation, the following fiduciary duties to the seller: reasonable care, undivided loyalty, confidentiality, full disclosure, obedience and duty to account. A seller's agent does not represent the interests of the buyer. The obligations of a seller's agent are also subject to any specific provisions set forth in an agreement between the agent and the seller. In dealings with the buyer, a seller's agent should (a) exercise reasonable skill and care in performance of the agent's duties; (b) deal honestly, fairly and in good faith; and (c) disclose all facts known to the agent materially affecting the value or desirability of property, except as otherwise provided by law.

Buyer's Agent

A buyer's agent is an agent who is engaged by a buyer to represent the buyer's interests. The buyer's agent does this by negotiating the purchase of a home at a price and on terms acceptable to the buyer. A buyer's agent has, without limitation, the following fiduciary duties to the buyer: reasonable care, undivided loyalty, confidentiality, full disclosure, obedience and duty to account. A buyer's agent does not represent the interest of the seller. The obligations of a buyer's agent are also subject to any specific provisions set forth in an agreement between the agent and the buyer. In dealings with the seller, a buyer's agent should (a) exercise reasonable skill and care in performance of the agent's duties; (b) deal honestly, fairly and in good faith; and (c) disclose all facts known to the agent materially affecting the buyer's ability and/or willingness to perform a contract to acquire seller's property that are not inconsistent with the agent's fiduciary duties to the buyer.

Broker's Agents

A broker's agent is an agent that cooperates or is engaged by a listing agent or a buyer's agent (but does not work for the same firm as the listing agent or buyer's agent) to assist the listing agent or buyer's agent in locating a property to sell or buy, respectively, for the listing agent's seller or the buyer agent's buyer. The broker's agent does not have a direct relationship with the buyer or seller and the buyer or seller can not provide instructions or direction directly to the broker's agent. The buyer and the seller therefore do not have vicarious liability for the acts of the broker's agent. The listing agent or buyer's agent do provide direction and instruction to the broker's agent and therefore the listing agent or buyer's agent will have liability for the acts of the broker's agent.

Dual Agent

A real estate broker may represent both the buyer and seller if both the buyer and seller give their informed consent in writing. In such a dual agency situation, the agent will not be able to provide the full range of fiduciary duties to the buyer and seller. The obligations of an agent are also subject to any specific provisions set forth in an agreement between the agent, and the buyer and seller. An agent acting as a dual agent must explain carefully to

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both the buyer and seller that the agent is acting for the other party as well. The agent should also explain the possible effects of dual representation, including that by consenting to the dual agency relationship the buyer and seller are giving up their right to undivided loyalty. A buyer or seller should carefully consider the possible consequences of a dual agency relationship before agreeing to such representation. A seller or buyer may provide advance informed consent to dual agency by indicating the same on this form.

Dual Agent with Designated Sales Agents

If the buyer and seller provide their informed consent in writing, the principals and the real estate broker who represents both parties as a dual agent may designate a sales agent to represent the buyer and another sales agent to represent the seller to negotiate the purchase and sale of real estate. A sales agent works under the supervision of the real estate broker. With the informed consent of the buyer and the seller in writing, the designated sales agent for the buyer will function as the buyer's agent representing the interests of and advocating on behalf of the buyer and the designated sales agent for the seller will function as the seller's agent representing the interests of and advocating on behalf of the seller in the negotiations between the buyer and seller. A designated sales agent cannot provide the full range of fiduciary duties to the buyer or seller. The designated sales agent must explain that like the dual agent under whose supervision they function, they cannot provide undivided loyalty. A buyer or seller should carefully consider the possible consequences of a dual agency relationship with designated sales agents before agreeing to such representation. A seller or buyer may provide advance informed consent to dual agency with designated sales agents by indicating the same on this form.

This form was provided to me by ______________________________ (print name of licensee) of ______________________ (print name of company, firm or brokerage), a licensed real estate broker acting in the interest of the:

(____) Seller as a (check relationship below)

- (____) Seller's agent
- (____) Broker's agent

(____) Buyer as a (check relationship below)

- (____) Buyer's agent
- (____) Broker's agent

(____) Dual agent

(____) Dual agent with designated sales agent

For advance informed consent to either dual agency or dual agency with designated sales agents complete section below:

(____) Advance informed consent dual agency

(____) Advance informed consent to dual agency with designated sales agents

If dual agent with designated sales agents is indicated above: ______________________________ is appointed to represent the buyer; and ______________________________ is appointed to represent the seller in this transaction.

(I) (We) ____ acknowledge receipt of a copy of this disclosure form: signature of { } Buyer(s) and/or { } Seller(s):

______________________________ ______________________________

______________________________ ______________________________

Date: ______________________________ Date: ______________________________

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CHAPTER 5

MORTGAGE AND FINANCING FOR YOUR HOME

Seeing as how your home will likely be the largest financial investment you make in your lifetime, it's important to know some basic information when it comes to financing it before you even walk into a loan office. Be sure you're familiar with these concepts before moving forward with the purchasing process.

HOW MUCH MORTGAGE CAN I AFFORD?

Thanks to tax advantages for homeowners, you can generally manage a mortgage payment that is about one-third larger than your current rent payment.

The following formula assumes a 28 percent tax bracket; if your tax bracket is higher, you'll be able to afford an even larger mortgage payment.

Your current monthly rent payment x 1.32

=

Equivalent mortgage payment.

For more detailed analysis, try Elika's mortgage calculator.

USEFUL LINKS:

Elika's Mortgage Rates

MORTGAGE VARIABLES

Your monthly payment, and the total amount you pay over the life of your loan, can vary greatly, and depend on a number of mortgage variables.

- **MORTGAGE TERM**
  Standard mortgage terms are 7, 15, 20, and 30 years, although some lenders offer customized terms. A longer term means a lower monthly payment, but a much larger total repayment amount. Typically, short-term mortgages have lower interest rates than longer-term loans.

- **FIXED OR ADJUSTABLE INTEREST RATES**
  If interest rates are low, a fixed rate mortgage is a great choice. If interest rates are high, an adjustable rate mortgage typically offers a lower rate in the first few years of the mortgage, before it fluctuates with the market rate for the duration of the term. ARMs are a good choice for buyers who expect their income to increase significantly in the coming years.

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- **JUMBO LOANS/MORTGAGES** If the loan amount goes over the established, annually determined Office of Federal Housing Enterprise Oversight (OFHEO) limits, then it's considered a jumbo loan or mortgage. Significantly, these loans can't be sold to, securitized, or guaranteed by Freddie Mac or Fannie Mae.
- **INTEREST-ONLY MORTGAGES** Interest-only mortgages offer a low short-term interest rate (typically three to seven years), and the monthly payment is lower since no money is collected to reduce the principal of the loan. If you plan to sell your home within that time frame, an interest-only mortgage is often a good choice; however, on the flip side, interest-only rates can be the highest risk.
- **GOVERNMENT-BACKED LOANS** Government-backed loans offer special terms, including lower down payment requirements and reduced interest rates. The Department of Veterans Affairs and the Federal Housing Administration operate several special programs.

HOME FINANCE PROCESSING CHECKLIST

Buying a new home is an exciting time, but the process can seem daunting to anyone entering the property market. The best way to calm your nerves is to break the process down into manageable, bite-sized steps. This handy guide will help you keep your cool and discover the steps you'll take when financing your home. Note that this document is intended to be a general guide only and it might not include all the steps necessary to finance your particular home.

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STEPS	DESCRIPTION
SEARCHING FOR YOUR HOME	
❑ Use an online mortgage calculator	+ Get a preliminary picture of your finances, including how much you'll need for a down payment and what your payments might be with this online tool
❑ Book meetings with a home mortgage banker or broker	+ Arrange initial consultation to discuss home financing needs, current financial situation, and future goals + Make formal inquiries, providing details on income, assets, liabilities, and existing real estate + Provide written consent for a banker or broker to access your credit report + Learn more about loans to suit your credit profile and needs
❑ Choose a financial institution. This may be the institution you currently bank with or one suggested by your home mortgage consultant, but it doesn't have to be	+ Research lenders and their home loan packages carefully + Read this online guide to ensure you don't make one of the common mistakes outlined + Choose a lender with a good reputation and home loan packages that suit your needs

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STEPS	DESCRIPTION
SEARCHING FOR YOUR HOME	
❑ Apply for pre-approval, sometimes called pre-qualification	+ Fill out pre-qualification application + Provide documentation outlined in application + Consent to a credit check + Once pre-qualification is granted, you can feel more confident making an offer on your dream home + Note that pre-approval is an indication of your credit rating, but not a commitment from your financial institution to lend
❑ Provide documents and information requested by mortgage or home loan consultant	+ These documents may include tax returns, W-2s, bank statements, and pay stubs. This online mortgage financing requirements guide shows what U.S. residents and foreign nationals typically require + Check all documents are accurate and complete before submitting them + Submit requested documents quickly to avoid approval delays
❑ Find your dream home and make an offer	+ Liaise with an experienced buyer's agent while browsing property market + Give real estate representative pre-qualification letter to help him or her negotiate with the seller

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STEPS	DESCRIPTION
SEARCHING FOR YOUR HOME	
❑ Book a home inspection	+ Hire a home inspector or independent engineer to assess your property's condition
❑ Sign the purchase contract	+ Check to see if all terms and contingencies negotiated are included in the contract that may allow you to renegotiate if necessary + Ask your home mortgage consultant whether the closing date is suitable + Sign the contract and put down a deposit
APPLYING FOR YOUR MORTGAGE	
❑ Finalize your application	+ Thoroughly review the terms and conditions + Ask your home mortgage consultant about anything that isn't clear
❑ Choose to lock or float your loan pricing	+ Decide whether to lock in your interest rate or allow it to float according to market changes + Consult an online mortgage rate guide to make the most informed decision + Note that you can reconsider your plan to float up to 10 business days before closing

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STEPS	DESCRIPTION
APPLYING FOR YOUR MORTGAGE	
❑ **Organize insurance**	+ Obtain homeowners insurance and send receipt to your financial provider + Obtain flood insurance, if needed, and send receipt to your financial provider + Consider if you'd like to obtain mortgage insurance for extra peace of mind
❑ **Review disclosure package**	+ Read all documents, including the Good Faith Estimate of Closing Costs and Truth-in Lending Disclosure carefully + Ensure all mortgage terms meet your expectations + Sign and quickly return documents needing signatures to avoid processing delays + Pay relevant fees + Contact your home mortgage consultant with any questions or if you don't receive the package within three days of lodging application
❑ **Get property appraisal and title search**	+ Confirm lender has ordered the appraisal and liaised with closing agent to order title commitment + Talk to the appraiser, who will contact you to schedule an appointment and advise you on the process and any documents you should bring

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STEPS	DESCRIPTION
APPLYING FOR YOUR MORTGAGE	
❑ Get property appraisal and title search	+ Attend the appraisal + Receive completed appraisal three or more days before closing (unless review period is waived) + If the appraisal is too low, speak to your mortgage consultant to discuss options
❑ Receive welcome call from home loan processor	+ Ask any questions about the process + Obtain his/her contact information + Ensure you've submitted all necessary documents + Learn the status of your mortgage application + Confirm the closing date
❑ Receive official approval	+ Receive commitment letter from financial provider that confirms approval if conditions are accepted + Review commitment letter and resolve any outstanding issues (evidence of required inspections, Certificate of Occupancy etc.)

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STEPS	DESCRIPTION
CLOSING THE SALE	
❑ Receive pre-closing Truth-In-Lending disclosure	+ Read this updated disclosure thoroughly, noting annual percentage rate and finance charges + Contact mortgage consultant immediately with any questions + Wait three business days to close the sale
❑ Confirm closing date	+ Settle on a mutually agreeable date, time, and location for closing that suits all parties + Your closing agent gets a copy of HUD-1 Settlement Statement outlining closing costs
❑ Draw up certified or cashier's check	+ Make out a check for the exact amount needed for closing
❑ Attend closing	+ Allow closing agent to review and explain more about mortgage and closing documents + In most cases, establish an escrow account to pay future real estate taxes and relevant insurances + If you cannot attend closing, a power of attorney may represent you if arranged in advance

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STEPS	DESCRIPTION
MAKING USE OF YOUR LENDER'S SERVICES	
❑ Select your preferred method of payment	+ Most lenders allow you to make automatic payments monthly, weekly, or biweekly to help you budget + You might also make online payments or send checks + Make payment decisions at closing. These can be reviewed at any time during the term of your mortgage
❑ Open an online mortgage account	+ Most lenders will let you create an online account to access information about your mortgage securely and free of charge at any time via your computer or mobile devices
❑ Contact your lender with any questions	+ Your lender's commitment doesn't end at closing. Call them throughout the term of your mortgage with any questions. You might contact them if you can't make your payments, if you wish to refinance, or if you want to buy an additional property.

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QUESTIONS FOR YOUR LENDER

Most buyers prequalify with their chosen lender before making an offer on a property. Once your offer is accepted and the contract is signed, it's time to complete your mortgage application package and choose the right home financing product. These questions will help you make an informed decision about
your mortgage.

- What mortgage products do you offer? Since the real estate crisis, most lenders offer three main types of mortgages: Fixed rate mortgages of 15, 20, and 30-year terms, adjustable rate mortgages, or ARMs, where the interest rate fluctuates over the life of the loan, or hybrids that combine a period of fixed rate mortgage, typically from three to ten years, with the remaining years at an adjustable rate.
- Which mortgage product do you recommend for me? Ask your lender to discuss the advantages and disadvantages of available mortgage loans.
- Are rates, terms, fees, and closing costs negotiable? Can I use discount points to buy down my interest rate? A point costs 1% of the mortgage amount, paid upfront, in exchange for a reduction of the interest rate over the life of the loan. In some cases, buying down your interest rate can save tens of thousands of dollars over the life of your loan.
- What is your policy regarding private mortgage insurance (PMI), and how much does it cost? PMI is usually required if your mortgage amount is more than 80% of the value of the home. Most lenders will let you drop PMI once you've built up enough equity, but be sure to ask your lender's policy.
- Will you service the mortgage yourself, or is it contracted out to a third party?
- What are the escrow requirements for my loan? Most lenders pay your property taxes and homeowner's insurance premiums using money collected each month in addition to the principal and interest payments and held in an escrow account until the tax and insurance payments are due.

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- How long is the lock-in period? Will my rate go down if interest rates drop during that time? During the lock-in period, the lender will honor the quoted interest rate even if rates go up.
- How much is the penalty if I should need to extend the rate lock?
- Do you charge a penalty if I prepay the loan? If you plan to sell your home in three or four years, it's important to understand the lender's prepayment policy.
- How long will the loan process take? What is your average time to close a loan?

DOCUMENTS YOUR LENDER WILL NEED

- Two years of W-2 or 1099 forms for each person who will be on the mortgage loan.
- One or more months of the most recent pay stubs for each person signing the loan.
- Copies of the four most recent bank statements for all checking and savings accounts.
- Two or more years of personal income tax returns for each person signing the loan.
- Copies of the four most recent statements for any brokerage accounts.
- Proof of any major assets (stock and bonds, for example) not held in a brokerage account.
- Copies of the most recent 401(k) or other retirement account statement.
- Verification of any additional income such as alimony or child support.
- Account numbers and outstanding balances for all existing credit cards.
- Account information and outstanding balance on installment loans like student or auto loans.
- Physical address for the past five to seven years, including landlord name and contact information, for each person on the loan.

It's a good idea to start gathering this information for your mortgage prior to pre-approval, so it's organized and available to your lender when you apply for your loan.

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ALTERNATIVES TO TRADITIONAL FINANCING REQUIREMENTS

If you are unable to meet traditional mortgage requirements, there are options and alternatives to help you purchase a home. Your buyer's agent can help you determine if any of these options will work for you.

- There are several local, state, and federal down payment assistance programs that provide low-cost loans or grants to cover all or part of a required down payment. At the federal level, the Nehemiah program and the American Dream Down Payment Fund are good places to start.
- In some cases, the seller may be willing to finance all or part of the purchase price of the home, allowing you to make monthly payments directly to them instead of to a lender.
- Consider a shared equity arrangement. In a shared equity arrangement, your family, friends, or a third-party investor buys a portion of the home, and thus shares in any profit when the home is sold. The main owner/occupant pays the mortgage, taxes, and maintenance costs, but all investors appear on the mortgage. Services are available to help you locate a third-party investor.
- Ask a family member to loan money for a down payment, or co-sign the mortgage if you have limited credit history.
- Some sellers will let you lease the property with the option to buy. In lease-to-purchase agreements, many times the property owner will apply a portion of your monthly lease payment toward the purchase price of the home. In exchange, you usually pay a small nonrefundable fee to the owner at the start of the contract.
- See if you qualify for a small short-term second mortgage to cover your down payment. This is usually only possible if you have reliable income and very little debt.

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PICK A MORTGAGE CHECKLIST

You'll probably find that many mortgages are available to you with a range of different terms. However, it's equally likely that only one will perfectly fit your needs. Subsequently, it's imperative that you learn everything possible about each one before you decide.

MORTGAGE DOCUMENTS YOU NEED TO GATHER:

- ❑ Pay stubs for the past month (for each earner in the household)
- ❑ Your W-2s and tax returns for the last two years
- ❑ Financial statements from the past three months for 401(k)s, mutual funds, IRAs, and stocks
- ❑ Prior mortgage statements or 3+ months worth of student loan statements
- ❑ A letter from your employer to verify you're currently employed
- ❑ If you've received financial gifts, you'll need a letter to verify they're gifts

THINGS TO DO BEFORE SIGNING A MORTGAGE:

- ❑ Familiarize yourself with mortgage terminology and rates (you can find some good info on the Elika Blog
- ❑ Talk to a minimum of three banks and brokers
- ❑ Have each loan officer give you a Good Faith Estimate (GFE) that transparently lays out terms and fees
- ❑ Run the numbers against your needs and decide the loan that's best for you
- ❑ Sign your mortgage agreement and be sure to thank anyone who co-signed your loan or gave you access to cash

FIFTEEN-YEAR FIXED RATE LOANS

- ❑ Higher monthly payment
- ❑ Lower interest rate
- ❑ No rate changes

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- ❏ Lower interest paid (total)
- ❏ **Ideal situation:** You and your significant other can afford a higher monthly payment, but you'd prefer to save money in the longer-term. You should also be planning to stay in your home for a relatively long period of time.

THIRTY-YEAR FIXED RATE LOANS

- ❏ Lower monthly payments
- ❏ Higher interest rate
- ❏ No rate changes
- ❏ Higher interest paid (total)
- ❏ **Ideal situation:** You and your significant other prefer lower monthly payments, and you might need a longer timeline to pay off your home. You should also be planning to stay in your home for a long period of time.

3/1 ADJUSTABLE RATE MORTGAGE (ARM)

- ❏ Lower monthly payments for three years, then it may change from year to year
- ❏ Lower interest rate
- ❏ Fixed 3-year rate changes that can fluctuate thereafter
- ❏ Interest rates dictate the total interest you pay
- ❏ **Ideal situation:** You and your significant other prefer lower monthly payments initially, but plan on being able to handle longer-term market fluctuations.

5/1 INITIAL INTEREST ONLY LOANS

- ❏ Much lower monthly payments for 5 years, and only requires payment of interest during this time.
- ❏ Lower interest rate
- ❏ No rate changes for the first 5 years, but then it fluctuates
- ❏ Interest rates dictate the total interest paid
- ❏ **Ideal situation:** You and your significant other want low initial monthly payments, knowing you'll be able to afford higher payments a half-decade later.

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7-YEAR BALLOON LOANS

- Low monthly payments until the entire balance becomes due, requiring full payment or refinancing
- Lower interest rate
- Fixed rate for the first seven years
- Interest rates at the time the payment is due will determine total interest paid
- **Ideal situation:** You and your significant other have precognitive abilities that allow you to peer into the future, so you'll know what interest rates look like in 7 years. You'll also be able to make a fortune betting on sporting events to pay off your loan.

PAYMENT OPTION ADJUSTABLE-RATE MORTGAGE (ARM) LOANS

- Four choices are available every month: low minimum payments, low interest-only payments, higher principal payments, higher interest payments
- Very low interest rates
- Rate changes happen monthly
- Interest rates determine the total interest you pay
- **Ideal situation:** You and your significant other would prefer to make only minimum payments and watch your mortgage grow in size.

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CHAPTER 6

A STEP-BY-STEP TIMELINE FOR HOME PURCHASING

Once you've found an agent and figured out the financing, you've taken the first steps on a long and complicated journey involving many individuals and institutions. Here's what you can expect on your quest for homeownership:

MORTGAGE PREAPPROVAL

Estimated timeframe: 3-7 days

You can't start shopping until you know what you can afford. Keep in mind that your final mortgage approval is contingent on having the requisite down payment. Condo apartments typically require 10 percent down, while co-op apartments require at least 20 percent or more. In Manhattan, approximately 20 percent of the buildings are condominiums, and the other 80 percent are cooperatives.

FINDING A PROPERTY

Estimated timeframe: 1-6 months

The average buyer sees between 15 and 20 properties before making an offer on one. Your search length will depend on how many requirements you have for your next home.

NEGOTIATION

Estimated timeframe: 3 days to 2 weeks

Everything is negotiable in a sales contract, from assessments and appliances to floors and fixtures. Expect a lot of back-and-forth during this phase.

CONTRACT SIGNING

Estimated timeframe: 1-2 weeks

The seller's attorney draws up the contract of sale, and the buyer's attorney does due diligence, reviewing minutes, financial statements of the building, etc. Once approved, the buyer signs the contract and forwards it to the seller's attorney with a 10 percent deposit. At this point, the seller executes the contract, and it becomes binding on both parties. Possible contingencies include financing, approval by any co-op or condo board, closing dates.

CONDOMINIUM AND COOPERATIVE APPLICATION OR BOARD PACKAGE

Estimated Timeframe: 2-3 weeks

Once your purchase contract is executed, your condo board will give you an application to complete. This application must be completed and approved before closing takes place. If there is no mortgage involved, it generally takes about 2-3 weeks to gather all the information needed for the application.

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Co-ops, however, demand an exhaustive list of documents and information. Most co-ops require the following in a board package: Complete financial disclosure with supporting documentation, detailed employment history, current salary, personal and business references, two years of tax returns, and a comprehensive credit history.

SUBMIT CONDO APPLICATION AND/OR BOARD PACKAGE FOR REVIEW

Estimated Timeframe: 1-4 weeks

Once EA completes your board package, we forward it to the building's management agent, who reviews it for completeness. Then it's forwarded to the condo's board of directors, and they decide if they will meet the potential buyer.

CO-OP BOARD INTERVIEW AND DECISION

Estimated Timeframe: 30-60 minutes

Most co-op boards meet just once a month, and many do not meet in August. Frequently, meetings are in the evening on a weeknight. Keep in mind that an interview does not guarantee approval. The board will reach a decision between one day and one week after the interview.

CLOSING

Estimated Timeframe: 1-2 weeks after approval by the board

Once you have been approved by the board, the parties will schedule a closing as quickly as possible.

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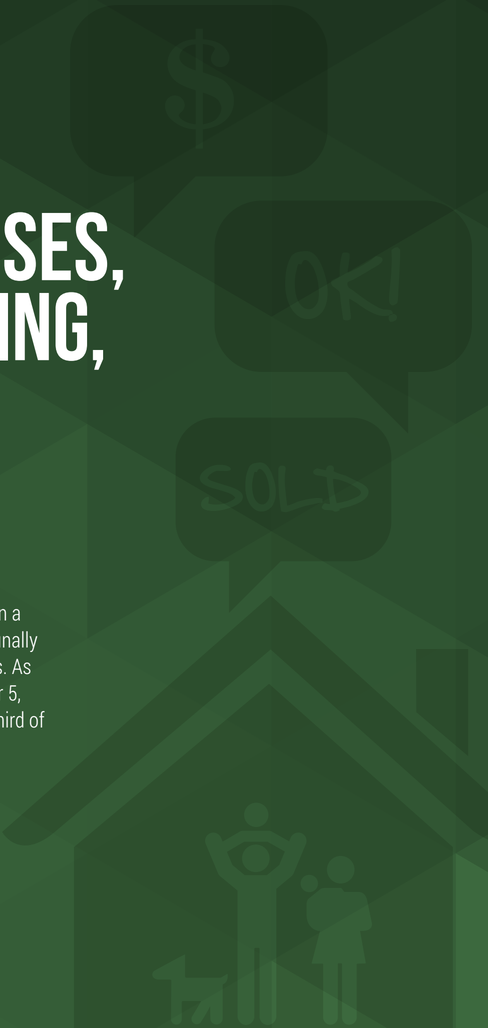
CHAPTER 7

OPEN HOUSES, NEGOTIATING, CLOSING, & MOVING



So you've found a savvy agent, gotten a pre-approved mortgage, and you've finally started narrowing down your choices. As you've seen in the timeline in Chapter 5, though, this only means you're one-third of the way there.

OPEN HOUSES

Possibly the best way to see if a space really meets your needs is by attending open houses. These events allow you some time to explore potential homes, and you can glean deeper insights into who actually lives in the surrounding neighborhood. You'll want to approach these open houses in a systematic manner, though. Otherwise, it's easy to get lost in a seemingly endless parade of staged homes and smiling seller's agents.

Begin by creating a game plan. Do some cursory research on potential properties online and put together a list of open houses that you want to attend. While doing so, be sure to note any rates, fees, or other relevant facts. Try to plan it out so you can visit a cluster of open houses in a given area all on the same day, so you can optimize the time you spend in your search.

However, be sure that you block off enough time to look at each property comfortably, and don't forget to account for travel time between open houses. Do your best to show up at the beginning of the open house, because the crowd won't be as large, and you'll get more one-on-one time to ask questions. It's also important to dress well, because this is where you'll have an opportunity to make a first impression.

Next, focus on each property individually.

POSSIBLY THE BEST WAY TO SEE IF A SPACE REALLY MEETS YOUR NEEDS IS BY ATTENDING OPEN HOUSES

Take particular note of the exteriors, landscaping, and common areas in the homes you're viewing—they can provide good insight into how well the building has been maintained, and whether more repairs will be needed. Pay close attention to the number of bedrooms and bathrooms, and the square footage of any home you view (also, any other unique features you see). Look around for any damages, and keep an eye out for the condition of appliances, so you can find out if the owner retained the proper warranty paperwork. Perhaps most importantly, try to imagine yourself living in these spaces as you explore them.

While you peruse these properties, be sure

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to ask a lot of questions and pay careful attention to the answers. For example: What is motivating the seller to part with the property? What kind of reputation does the neighborhood have, and what's close by? Keep in mind that this is really your opportunity to get acquainted with the property. You might even find it beneficial to listen in on what the other open house attendees are discussing; after all, they might be noticing things that you haven't seen or may not have even thought to look for.

Play your cards close to the vest while you do this, though. Steer your conversations with the agent (or with other attendees) away from anything that might give the seller an advantage. Don't talk about things like your current housing situation, your finances or budget, or even when you're thinking of moving. It's important to establish a positive relationship, but don't let the topic stray from the property itself. You'll lose your edge if your poker face drops and you express too much interest. If you really love the place, call your broker or agent right after you leave and let them start making moves for you.

NEGOTIATING

To achieve the best negotiating position, work with your buyer's agent to compile important information:

+ Why is the seller listing the property?
+ What is the listing price for similar properties within a half-mile radius of the home?
+ What have comparable properties sold for within the past six months?
+ Do market conditions favor the buyer or the seller?
+ How long has the property been listed for?
+ What type of financing is available to you?

Knowledge is power and helps inform your opening offer and bargaining position. When you submit an offer, be sure your research supports it. Negotiate with the aim of closing the deal, not killing it with unreasonable demands. Remember, you stand to make money when you purchase real estate at the right price.

Keep these tips in mind when you

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negotiate a sales price on your new home:

+ Be cautious with low-ball offers; you don't want to shut down negotiations with an insulting first offer.
+ Be an easy-to-work-with and responsive buyer; reply to inquiries promptly and in good faith.
+ Try to find common ground with the seller in negotiating potential sticking points.
+ Support your position with facts from your research; don't get emotional.
+ Keep detailed records of any changes and share them with your attorney as soon as agreements are made.

WINNING A BIDDING WAR

In competitive real estate markets, like New York City's boroughs, bidding wars can be the norm. These battles can be intimidating, but with these tricks up your sleeve you can feel confident you'll win the war.

Begin by looking for lower-priced properties. Bidding wars are so common in New York it's more likely that one will break out than not. You can prepare yourself for this by looking at properties priced 10 to 20 percent less than your upper limit. This will give you some extra money to play with so you can offer enough to win a bidding war.

You'll also want to do your best to make yourself appear appealing. Creating a positive impression can give you the edge you need to win a bidding war. People become attached to their homes, so they want to feel certain they're leaving them in good hands. In New York, it's not possible to meet the seller personally, because all transactions are brokered. However, a letter from the buyer to the seller can be included with the offer—this is your opportunity to put a "face" with the offer, as it were, by personalizing the letter.

Share what you love about the property and how you'll use it. The seller may be inspired by your story of following your career dreams in New York City or wanting to raise your family in the Big Apple. They won't want to hear your entire life story or details of drastic renovations to their

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beloved home, but the right details can tug at the heartstrings.

Attaching a preapproval letter and REBNY Financial Statement (see Chapter 2) to your offer will also give your broker a snapshot of your financial standing and give the seller confidence in your offer. Sellers receiving multiple offers often discard those without assured financing.

Remember, the needs of sellers will vary from property to property. Some hope to close quickly so they can finance their next home while others prefer a longer period so they have time to move and set up somewhere else. Accommodating your seller's preferences is a great way to win a bidding war. Gestures that go above and beyond—like helping an elderly seller moving into a retirement community find a new home for his pet can also sweeten the deal. If all things are equal, a buyer that's easy to deal with will have a real competitive edge.

ACCOMMODATING YOUR SELLER'S PREFERENCES IS A GREAT WAY TO WIN A BIDDING WAR

Be sure to keep tabs on the bidding status regularly. Checking the status of a bidding war daily, or even twice a day, is one of the best ways to ensure you're not outbid. Brokers won't disclose the price of competitive bids, but they may hint at the amount you should increase your bid by.

If you can afford it, making a cash sale should help you win any bidding war. Buying with cash eliminates the entire mortgage process and need for underwriting approval. Sellers can also breathe easier as they know your financing won't fall through. Cash sales account for 59 percent of New York property sales, roughly 16 percent more than the national average, because local buyers know a wad of cash will help them get ahead. Remember these tactics before entering a bidding war to gain a competitive edge.

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HOME INSPECTION CHECKLIST

Before you commit to years of mortgage payments, it's a good idea to find out exactly what you're getting. Although it may cost you a few hundred dollars up front, a thorough home inspection could potentially save you thousands (or tens of thousands) of dollars in the long run.

WHAT DOES A HOME INSPECTOR DO?

A home inspector is an independent expert who scrutinizes the property to determine its condition. These individuals will examine the structure, plumbing, electrical work, and heating and air system. They don't typically give you a monetary appraisal; rather, they'll give you a list of repairs that need to be made to the home, and they'll tell you how to prevent future home repair problems.

GETTING A HOME INSPECTION

YOUR FIRST STEPS

- ❑ Research the home inspection agencies in the area of your intended home. Your buyer's agent will probably provide references, or you can check out the American Society of Home Inspectors.
- ❑ Contact some home inspection companies in your area to find out about getting a general inspection, a pest inspection, and a lead inspection (if your home was built prior to 1978).
- ❑ Review the estimates and compare them. To get an accurate estimate, you'll need to provide information on the home's size (square footage), the year it was constructed, and how many heating and air systems it contains.
- ❑ Arrange an appointment with the home inspection agency. Both you and your buyer's agent should be present, so be sure to arrange a time that works for all three parties.
- ❑ Take careful notes on any problems or future problems that the inspector identifies.

DEALING WITH DAMAGE AND OTHER PROBLEMS

- ❑ Depending on which problems were identified, get an appraisal from a contractor or an exterminator.
- ❑ Evaluate if the home is still worth your investment.

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- ❑ Assuming you still want the place, use the appraisal to get leverage in your negotiations.

FOLLOWING A SATISFACTORY INSPECTION

- ❑ Bring copies of your engineer's report to your closing negotiations.
- ❑ Use the report to negotiate any minor repairs that still need to be made.

PRE-CLOSING WALK-THROUGH

COME PREPARED

The first step toward a successful walk-through is to make sure you come prepared so you can document the condition of the property. Bring a camera to take photos of any areas of the apartment that don't meet your standards and to keep a visual record of the condition.

Have a pen and paper so you can take notes. Be sure to have a cell phone charger to check that all electrical outlets function. Also, bring a tape measure to ensure your furniture will fit in the elevator and through the halls and doorways.

GENERAL CHECKS

- ❑ Check for any signs of an insect or rodent infestation, such as droppings or chew marks.
- ❑ Make sure home phone or cable jacks are available, and that they are functioning and accessible.
- ❑ Check for floor creaks, noticeable cracks in plaster or drywall that might have been covered before the previous owner moved out, which could be signs of structural damage.
- ❑ Turn on all light switches, the microwave, and the A/C unit at the same time to be sure a breaker doesn't trip.

SAFETY CHECKS

- ❑ 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 home is in an apartment building, and make sure you know where to go in the event of a fire or other emergency.

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DOOR AND WINDOW CHECKS

- ❏ Check all windows and doors to make sure they operate properly.
- ❏ Try all locks and doorknobs to ensure they are secure and not wobbly. If there is more than one type of lock, ask your building super for a key for each lock.
- ❏ Be sure window screens function.

BATHROOM CHECKS

- ❏ Flush toilets to make sure the plumbing works properly. Look inside the tank to be certain the handle is sturdy.
- ❏ 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 the water pressure is good. Test the hot water to ensure it heats up in a timely manner. Fill the tub with water to be sure that it drains well.
- ❏ Open the medicine cabinet door to be certain it works well.

KITCHEN CHECKS

- ❏ Turn on all the burners on the stove to make sure they light.
- ❏ Open and close the oven door, and check that all racks are in the oven. Check the broiler and make sure it works.
- ❏ Open and close the refrigerator doors and pull out every drawer. Check for any musty smells. If there is an icemaker, check to see if it works. Make sure the fridge is chilly and the freezer is cold.
- ❏ Check all other appliances (microwave, dishwasher, etc.) and make sure they are in good working order.
- ❏ Examine tile for any scrapes, scuffs and cracks, and check the counter tops for any stains, burn marks or chips.
- ❏ Open and close all the cupboard doors and drawers. Check for chips and dings.

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BEDROOM AND LIVING ROOM CHECKS

- ❑ If the air conditioner is in the window, test it on low, medium, and high to be certain it cools. 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 baseboards.
- ❑ Check for stains in the carpet, chipped paint, peeling wallpaper, and large holes in the wall.
- ❑ Make sure the fireplace (if there is one) is in working condition.
- ❑ Once you and your broker have completed the walk-through, schedule any repairs, and make sure to sign a document detailing the agreed-upon condition of the property before going to closing.

THE FINAL WALK-THROUGH

Sometime after the sales contract is signed, the day of or day before you close on your home, you and your buyer's agent will go through the apartment or house to make sure everything is in order. Specifically, make sure that:

- Any repairs included in the sales contract are made. Get copies of repair bills and any related warranties.
- Everything included in the sales agreement is in the home, such as furnishings and appliances. Make sure the appliances are in good working order.
- The heating system and hot water heaters are functioning.
- The HVAC is in good working order.
- Instruction books and warranties on appliances and fixtures are available.
- The home is clean and free of personal items and debris.
- If the home was sold "as is," it should be delivered in the same condition as it was when the contract was signed.

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YOUR GUIDE TO WHAT HAPPENS AT CLOSING

After months of searching and weeks of negotiating, it's finally time to close on your home. At this point, you've found your ideal home, assembled a board package (if purchasing a resale condo or co-op), passed the board's interview, and you feel good about your investment. Although you might think that the closing just consists of wrapping up a few details, there actually are still a few hurdles to overcome.

You should also have completed the aforementioned walkthrough with your agent; if you haven't done so yet, then don't move forward with closing the sale until you've done so. It's important that your agent confirms that everything is as it should be, and that your new home doesn't have any huge problems that have heretofore gone unnoticed.

During the closing, you as the buyer will (of course) be giving the agreed-upon amount of money to the seller. In return, you either receive a deed (for a condo) or a proprietary lease (for a co-op). In reality, two closings may be happening at this stage—a closing for the sale, and possibly a closing of your loan on the mortgage.

The location of this closing could be at one of a few different places: the managing agent's office, an attorney's office, a broker's office, or possibly even another place where the sale is officially recorded. You (the buyer) and the seller both will obviously be in attendance along with both sets of attorneys. Additionally, a closing agent, your real estate agents, and maybe a mortgage company representative will be there as well. Some insurance deals also might have to happen at this stage—just be sure you've gone over all these things with your attorney beforehand.

As the buyer, you'll need to come with whatever monies have been prescribed by your purchase application and the sales contract. If you're moving into a condo or co-op, you'll have to pay for these things:

+ move-in fee
+ attorney fees
+ filing fees
+ flip tax (in some cases when purchasing a co-op)

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+ maintenance adjustment and appraisal (depending on the specific circumstances)

Assuming you're financing, you'll also need to have a recognition agreement, and you'll have to pay a loan origination fee and a UCC-1 filing fee. You may also need to pay out for pre-paid mortgage interest.

Your attorney will provide you with a closing statement that itemizes costs paid both by you and the seller. It will also list how much money they get after all brokers fees, attorney's fees, flip taxes, and everything else that is paid. The closing statement will also specify the transaction's various "debits and credits" as they pertain to the buyer and seller. All of these will need to be paid via certified checks.

The real property transfer tax (which the seller usually pays) also will be given at this stage of the transaction. If the property in question costs more than one million dollars, you'll also have to pay a "mansion tax" that comes out to 1 percent of the property's purchase price. Considering that this tax generated more than $259 million in the 2012-2013 fiscal year, according to the New York Post, it's clear that this tax is becoming increasingly common in NYC.

If either side is unprepared, you may find that your closing will take a ridiculous amount of time to complete. Be sure that you carefully review the process with your attorneys to prevent this from happening. Take care that you have all the right checks lined up, and that you know what all the documents mean. Assuming you're on the same page as the seller, though, the process should more or less be painless.

The turning point in any closing, of course, will be when you finally receive the keys to your new property. Although you'll likely end up changing all the locks right away, the symbolic significance nonetheless will still offer closure to the process. The deed and mortgage will then be recorded in the public records by your attorneys, and the purchase of your new home will be closed officially.

ASSUMING YOU'RE ON THE SAME PAGE AS THE SELLER, THOUGH, THE PROCESS SHOULD MORE OR LESS BE PAINLESS

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UNDERSTANDING THE BUYER'S CLOSING COSTS

If financing, your lender must prepare a good faith estimate of all settlement costs before closing, but the title company or other entity calculates the exact amount you are required to bring to closing. Be sure to get a cashier's check for your share of the costs a few days before the settlement date.

Common closing costs charged to buyers include:

- ❑ Down payment
- ❑ Loan origination fees
- ❑ Appraisal fee
- ❑ Credit report
- ❑ Private mortgage insurance premium (if financing more than 90%)
- ❑ Property tax and homeowner's insurance escrow
- ❑ Title insurance
- ❑ Survey
- ❑ Deed recording fees
- ❑ Inspection fees—building inspection, termites, etc.
- ❑ Notary fees
- ❑ Prorated costs such as utilities and property taxes*

**Since these costs are usually paid on a monthly or annual basis, you may pay for some services used by the seller before they moved. Similarly, some costs are paid in advance of services being used. Proration allows the buyer and the seller to balance these accounts so that each only pays for the services they used.*

CONDOMINIUM CLOSING COSTS

Own Attorney	$1,500 + up
Managing Agent Application Fee	$500
Credit Report Fee	$75 - $100 per applicant
Lead Based Paint Disclosure Fee	$0 - $50
Mansion Tax	1% of purchase price when $1 million +
Move-in Deposit	$500 - $1,000 (refundable if no damage)
Common charges, real estate taxes and insurance	pro rated as of closing

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Mortgage Associated Fees:	
Recording Tax Sales under $500,000	1.8% of entire mortgage
Recording Tax Sales over $500,000	1.925% of entire mortgage
Application, Credit Check, etc.	$500 + up
Appraisal	$250 + up
Bank Attorney	$500 + up
UCC-1 Filing	$50 + up
Recognition Agreement Fee	$200 + up
Lien Search	$350
Fee Title Insurance	Approx. $450 per $100,000
Mortgage Title Insurance	Approx. $200 per $100,000
Recording Fees	$200 - $300
Origination Costs - Points	0-3% of loan value
Departmental Searches	$200 - $400
Real Estate Tax Escrow	2-6 months
If Purchased Directly from Sponsor	*New Developments
NYC Property Transfer Tax	1% of purchase price up to $500,000 1.425% of purchase price over $500,000

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NYS Transfer Tax	$4 per $1,000 of the purchase price
Sponsor's Attorney Fee	$1,500

CO-OPERATIVE CLOSING COSTS

Own Attorney:	Consult your attorney
Bank Fees:	Points: 0% to 3% of loan value
Application, credit check, etc:	$500+
Bank Attorney:	$695
Miscellaneous Bank Fees:	$500+
Lien Search:	$300
UCC-1 Filing:	$100
Appraisal Fee:	$300+
Application Fee (Credit Report/Appraisal):	$500+
	Short Term Interest; Equal to interest for balance of month in which you close.
Move-in Deposit:	One time fee of $500.00+
Recognition Agreement Fee:	$200
Maintenance Adjustment:	Pro-rated for the months of closing.
Mansion Tax:	1% of entire purchase price where price is $1,000,000 or more.

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Note:
Inquire with bank/mortgage broker for additional fees . NY State Law requires a written letter of engagement if the legal fee will exceed $3,000. Non New York State residents should procure exemption for state transfer tax forms. Projections above are only estimates. Please confirm all closing costs for specific transactions with your attorney and/or mortgage representative.

Useful Information:

New York City Condos

New York City Co-ops

YOUR CLOSING DOCUMENTS

+ The Real Estate Settlement Procedures Act (RESPA) statement, also called the HUD-1 statement, itemizes all closing costs. You'll need this document for income tax purposes, and when you sell your property.
+ The Truth in Lending Statement spells out the terms of your mortgage loan.
+ The mortgage and the note, two separate documents, explain the legal terms of your mortgage obligation and agreed-upon repayment terms.
+ The deed, which transfers ownership to you.
+ Affidavits affirming various statements made by either party. For example, the sellers often sign an affidavit stating they have not incurred any liens on the property.
+ Riders/amendments to the sales contract that affect your rights. For example, if you buy a condo, there may be a rider outlining the condo association's rules and restrictions.
+ Insurance policies to provide a record and proof of your coverage.

MOVING LIKE A PRO

Settling into your new home is ultimate reward for all the effort and stress in the home-buying process. Packing your belongings and preparing for the move is the last step before you reach your goal. With a little planning and forethought, you can minimize the disruptions and move like a pro.

+ Create a master to-do list that includes a timeline for completing each task. This keeps you on schedule and ensures nothing important is

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overlooked.

+ Be ruthless as you sort through your belongings. Donate or dispose of anything you don't really need.
+ Pack like items together—kitchen utensils with pots and pans. Don't be tempted to fill a partially empty box with items that belong in another part of the house.
+ Keep precious items like photos, valuable breakables, and jewelry away from the other moving boxes, and transport them yourself to your new home.
+ Choose the right size box. Items are more likely to be damaged if they are loosely packed. Don't let the weight of the box exceed 50 pounds.
+ Wrap fragile items individually and pad the sides of the box to prevent breakage.
+ Clearly label each side of the box; no matter how the boxes are stacked, you won't need to move them around to see what's inside.
+ Use color-coded labels to indicate to movers where each box should go. Color-code a floor plan of your new apartment so movers can easily identify where to place each box.
+ Number your boxes, and keep a master list of the contents of each box. Keep your moving documents together, including phone numbers, driver's name, and van number. Don't forget to keep your address book handy.
+ Back up your computer files before moving your computer.
+ Check each box and piece of furniture for damage as soon as it arrives.
+ Remember: Most moving companies do not move plants.

KEEP PRECIOUS ITEMS LIKE PHOTOS, VALUABLE BREAKABLES, AND JEWELRY AWAY FROM THE OTHER MOVING BOXES, AND TRANSPORT THEM YOURSELF TO YOUR NEW HOME

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THE MOST CRUCIAL STEP: SUBMITTING YOUR OFFER

When all is said and done, perhaps the most crucial step in the whole process will be submitting your offer. After all, the offer is the first and most crucial step to opening a meaningful dialogue for all the negotiations that follow. There's much more to making one of these offers than figuring out a price and deciding that's what you're comfortable paying.

Buying a home is an enormous financial undertaking, particularly in our current, litigation-driven world. Subsequently, you and the home-sellers will want to include contingencies and protections in the agreement. This will reduce risk and ensure the investment is sound.

An offer includes many details of the purchase aside from the price you want to pay. It specifies how you plan on financing the home, what your down payment will be, who's paying the closing costs, the inspections that need to happen, what the timetables are, any personal property that's part of the purchase, the cancellation terms, any repairs that need to be made, the professional services that will be needed, and the terms of settlement for any disputes that may happen.

More than any other investment you've made in your lifetime, purchasing a home is going to impact your finances. Your offer also will influence the sellers' finances and future plans as well. For your part, the decisions you make will have ramifications for the next few years or decades of your life. Likewise, the sellers are going to go over your offer meticulously, because it's going to impact their lives too.

Elika Associates will guide you through this process; we excel at providing advice and insight on the terms and pricing to include in your offer. If you're looking for a home in Manhattan or Brooklyn, it's helpful to know that your offer will best be sent to the listing broker via a submit offer form or an offer letter. The sellers, in turn, typically will send any counter offers verbally.

Once the sellers have accepted the offer, inspections usually will commence. Keep in mind, though, that other buyers still can make offers on the property at this stage, and your offer still can be

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turned down. When the inspections have been completed (and any remaining negotiations have been finished), the sellers' attorney will send a sales contract to your lawyer, who will then read it over and make any necessary changes on your behalf.

You'll then sign the contract and submit it to the sellers' attorney along with a deposit (usually 10% of the agreed-upon price). Assuming they agree, the sellers will sign the contract and return it to your lawyer. At this stage, the offer will become a binding contract conditional upon any contingencies that may be relevant. As you can see, the importance of submitting a well-considered offer cannot be understated.

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CHAPTER 8

WARRANTY AND INSURANCE CONSIDERATIONS

You may have closed the deal and moved into your new home, but there are still some precautions you need to take to protect your stuff. Be sure that you're well acquainted with both the warranty on your home, and that it's adequately insured.

CHECK YOUR HOME WARRANTY

Your home warranty should protect you from financial exposure on the items you use the most. Ideally, your warranty will cover the full replacement costs of the following items:

+ Dishwasher
+ Stove/cooktop/oven and microwave
+ Refrigerator
+ Washer and dryer
+ Air conditioner
+ Heating system

UNDERSTANDING HOMEOWNER'S INSURANCE

+ **BEWARE OF COVERAGE EXCLUSIONS**
  Most insurance policies do not cover flood or earthquake damage. If your property is at risk for damages from these natural disasters, you will need separate insurance policies.

+ **KNOW THE COVERAGE LIMITS**
  There is a cap on reimbursement even on covered risks, so make sure your policy adequately protects your home and valuables. If you have valuable jewelry or art, for example, you may need separate riders to cover their damage or loss.

+ **UNDERSTAND REPLACEMENT COST**
  If your property is destroyed, your insurance company will pay you up to the maximum amount of your coverage. If your home is for $600,000, but it costs $725,000 to replace it, your insurance company only pays you $600,000. Evaluate your coverage limits every year or two to limit your risk exposure.

+ **WHAT ACTUAL CASH VALUE MEANS**
  If your home is destroyed and you choose not to replace it, your insurance company pays actual cash value, which is replacement cost (up to your limits) minus depreciation.

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+ UNDERSTAND LIABILITY COVERAGE

Your homeowner's policy covers accidents that happen to other people on your property. Most policies cover medical care, court costs and legal fees, and court-ordered judgments, up to the limits of your coverage. Be sure to discuss your coverage needs with your insurance agent on a regular basis.

TIPS TO LOWER YOUR HOMEOWNER'S INSURANCE PREMIUM

1. Select the highest deductible you can afford to cover in the event of a loss.

2. Most companies offer a discount if you cover both your home and auto; in most cases, it makes sense to switch providers to take advantage of the discount.

3. See if you qualify for any discounts; people in retirement who spend more time at home may qualify for a discount on theft insurance, for example.

4. Explore your professional and social affiliations. Some associations, alumni groups, professional organizations and corporations offer lower insurance rates totheir affiliates.

5. Purchase just enough insurance to cover your needs adequately. Review your policy limits each year; some possessions may depreciate in value and no longer need to be covered under your policy.

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6 If you have a long relationship with your current provider, don't be afraid to ask for a rate review/reduction, especially if you haven't filed any claims.

UNDERSTANDING TITLE INSURANCE

+ Title insurance protects your ownership rights against fraudulent claims against your ownership. It also protects you against mistakes made in earlier sales, usually involving an inaccurate legal description of the property, or misspelling a previous owner's name.
+ The buyer pays for this service; the cost is usually based on the purchase price of the property.
+ If your home was sold before within the past few years, your fee could be discounted, because much of the title research is already done. Ask the title search company if this discount applies to you.
+ Your lender usually requires a separate lender policy to protect its interest in the property.

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HOME INSURANCE INVENTORY CHECKLIST

CARRIER 1

Broker ____________________
Phone ____________________
Email ____________________
Address ____________________
Policy ____________________
Policy number ____________________
Policy ____________________
Policy number ____________________

CARRIER 2

Broker ____________________
Phone ____________________
Email ____________________
Address ____________________
Policy ____________________
Policy number ____________________
Policy ____________________
Policy number ____________________

HOME INVENTORY

Item ____________________
Description ____________________
Quantity ______ Value ______ Replacement cost ______
Date purchased ______ Place purchased ______
Make/model ______ Serial number ______
Website ____________________
Username/email ____________________
Password ______ Account number ______

IMAGE HERE

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HOME INVENTORY

IMAGE HERE

Item ____________________

Description ____________________

Quantity ______ Value ______ Replacement cost ________

Date purchased ________ Place purchased ________

Make/model ________ Serial number ________

Website ____________________

Username/email ____________________

Password ________ Account number ________

HOME INVENTORY

IMAGE HERE

Item ____________________

Description ____________________

Quantity ______ Value ______ Replacement cost ________

Date purchased ________ Place purchased ________

Make/model ________ Serial number ________

Website ____________________

Username/email ____________________

Password ________ Account number ________

HOME INVENTORY

IMAGE HERE

Item ____________________

Description ____________________

Quantity ______ Value ______ Replacement cost ________

Date purchased ________ Place purchased ________

Make/model ________ Serial number ________

Website ____________________

Username/email ____________________

Password ________ Account number ________

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AFTERWORD: YOUR NEW YORK CITY REAL ESTATE ADVOCATE

In the end, buying a home or investment property in New York City can be a confusing and often overwhelming process. Without the right help, you could easily get in over your head. Turn to the professional help of an Elika Associates buyers agent who can help you navigate the complex real estate market of New York City.

We have literally helped hundreds of buyers in New York find the right property for their unique situation. We can do the same for you by providing expert advice and assistance. We never represent sellers so you never have to worry about a conflict of interest when it comes to your best interests being represented. As an exclusive buyers agency our fiduciary duty is always 100% to you the buyer.

Best of all our services are free for buyers. We are compensated as any other Broker and paid through the proceeds of the sale. Customarily, fees for real estate brokerages have been "built in" to the purchase price of the property. This means that a typical purchase will results in no additional out-of-pockets fees to you!

The questions is: Would you prefer to pay to have someone work for you or for both you and the seller?

You may be thinking the higher the price you pay for the home, the higher the commission will be, so how does this work? We have a fiduciary responsibility to negotiate the home at the best price for you, not the highest commission for ourselves.

We know that our business expands more with satisfed clients, and recognize the long term value of their equity position.

To speak with an Elika Exclusive Buyers Agent who can help you,
CALL US AT 212-590-0540

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APPENDIX A: IMPORTANT NYC PHONE NUMBERS

Housing	
Building Complaints	311
Gas Leaks	212-683-8830
Heat Complaints	311
Settling In	
Verizon	800-Verizon
Con Ed	800-752-6633
Time Warner Cable	800-652-2253
Driver's License	212-645-5550
Renter's Insurance	716-675-8100
Buses and Subways	718-330-1234
Access Locksmith & Security	212-206-0001
Public School Info	718-935-2000
Library Cards/Hours	212-930-0800
US Postal Information	800-275-8777

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Motor Vehicles	
Parking Violations	212-477-4430
Towed Away Cars	212-566-6014
Telephone	
Information	411
Repairs	611
Annoyance Call	212-890-6200
Time	212-976-1616
Weather	212-976-1212
Street	
Potholes	212-768-4653
Streetlights	212-566-2525
Water and Sewer	718-699-9811

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APPENDIX B: USEFUL NYC WEBSITES

- New York City Housing Authority:
  http://www.nyc.gov/html/nycha/html/home/home.shtml
- New York City Housing Development Corporation:
  http://www.nychdc.com/#
- New York City Rent Guidelines Board:
  http://www.housingnyc.com/
- New York City Housing and Vacancy Survey:
  http://www.census.gov/hhes/www/housing/nychvs/nychvs.html
- Neighborhood Housing Services of New York City:
  http://www.nhsnyc.org/
- New York State Division of Housing and Community Renewal:
  http://www.dhcr.state.ny.us/
- NYU Furman Center – Research and Debate on Housing, Neighborhoods and Urban Policy
  http://furmancenter.org/

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ABOUT THE AUTHOR

Gea Elika is the founder and principal broker of Elika Associated. Founded in 2008, Elika Associates is an exclusive buyers agency. It is the only Manhattan based buyers brokerage associated with the NAEBA (National Association of Buyer Agents). Mr. Elika serves as the Regional Director of NAEBA.

He has been quoted in the New York Times, Wall Street Journal, USA Today, The Real Deal and many other leading publications. As both a resident of and investor in Manhattan, he has lots of insight and knowledge which he shares in The Home Buyers Handbook that simply isn't available anywhere else.

DESIGNATIONS AND ASSOCIATIONS

- Certified Negotiation Expert (CNE)
- Accredited Buyers Representative (ABR)
- Real Estate Board of New York (REBNY)
- Real Estate Buyer Agency Council (REBAC)
- National Association of Buyers Agents (NAEBA)

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