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# How to Buy a Home

*New York City*



## 1 Find an Agent

Look for a licensed real estate agent who is knowledgeable about the neighborhoods you're considering and can help guide your search.

## 2 Get Pre-Qualified

Before beginning your search, your first step is to get pre-approved for a mortgage loan (unless you will be paying in cash for the full price of your home). Your Compass agent can connect you to a mortgage broker. Based on your income and credit history, the mortgage broker will determine how much the bank will lend you, which will help you determine the price range for your search.

## 3 Visit Properties

Attend viewings and open houses spanning a range of areas and property types. Now is the time to consider your ideal home's location and amenities.

## 4 Negotiate

Reach an agreement with the seller on price and terms. Once you have seen a home you like, you can put in an "offer," which is a non-binding agreement to pay a certain price for the home. If your offer is lower than the list price, the seller will likely return with a "counter offer" price, which you can choose to accept, reject, or make another offer. Your Compass agent will provide advice on pricing throughout.

## 5 Review

Analyze the contract of sale, building financials, and board minutes with your attorney. It's best to work with an attorney who specializes in New York City co-op and condo sales. Your attorney's job is vital to protecting your interests, and they have an incredible amount of paperwork to review on your behalf. Therefore, you want to select an attorney who is familiar with these transactions.



## 6 Sign Contract and Put Down Deposit

## 7 Complete Loan Application

Organize an appraisal with your bank.



# 8

## Prepare Your Board Package

(If you are purchasing a townhouse, skip ahead to Step 10.)

Co-ops are run by a board of directors, who will require a board package in order for you to purchase an apartment. A board package generally consists of financial documents including tax returns, bank statements, mortgage commitment from your bank, and letter of reference. After reviewing your package, the board will set an interview date. Your Compass agent will help prepare your board package as well as prepare you for your interview. While condos do not generally require board packages or interviews, you will need to present a purchase application that shows you are financially qualified to purchase the apartment.

# 9

## Board Approves the Purchase

# 10

## Bank Issues Clearance to Close

# 11

## Closing Scheduled by Attorneys



# 12

## Final Walk-Through with Your Agent

# 13

## Closing

Congratulations, you are now a home owner!



## Key Terms

### APPRAISAL

Assessment of the property's market value, typically done for the purpose of obtaining a mortgage.

### COMMON CHARGE

Monthly maintenance fee paid by condo owners. Property taxes are not included in the common charge.

### CONTRACT DEPOSIT

A percentage of the agreed-upon purchase price paid by the buyer at the time of signing the contract.

### CO-OP SHAREHOLDER

Owner of a co-op unit, since what they are actually purchasing are shares of stock in the co-op corporation.

### DEBT-TO-INCOME RATIO

The percentage of an individual's monthly gross income relative to the amount of debt owed.

### ESCROW DEPOSIT

Deposit of funds to be transferred upon completion of the deal.

### FINANCIAL STATEMENT

A formal record of all your financial assets, debts, and liabilities.

### FLIP TAX

A tax levied by a co-op and paid by the seller when a sale is made. They are designed to generate funds for the co-op's cash reserve.

### MAINTENANCE FEE

Fees paid by co-op shareholders that contribute to building operations.

### LIEN SEARCH

A background check on the property and the seller to ensure there are no outstanding debts or claims upon the property.

### POST-CLOSING

The amount of cash the buyer must have on hand after deducting the down-payment and closing costs.

### PRE-APPROVED

Advanced approval from a bank or other lending institution for a home mortgage.

### PRE-QUALIFIED

Potential buyers provide an overall financial picture and mortgage brokers provide an estimate of what level of loan you will likely be pre-approved for.

### RECORDING FEE

A fee paid to the local government to officially report a sale of a home; usually paid by the buyer.

### TAX ABATEMENT

Newly constructed buildings sometimes receive abatements so that owners do not have to pay taxes on their units for a specified amount of time.

### SPONSOR

The entity responsible for developing a new building or converting an existing rental building to a condo or co-op.

	Co-op	Condo
<b>Cost</b>	Typically cheaper.	Typically more expensive.
<b>Supply</b>	75% of NYC's housing. Built before 1980s.	25% of NYC's housing. Built after 1980s.
<b>Culture</b>	Most units are owner-occupied. More controlled and stable.	Mix of owners and renters. More laid back.
<b>Approval Process</b>	Very strict and thorough. Personal interview required.	Less rigorous—no interview. Quicker to approve.
<b>Ownership Type</b>	Indirect. Stock certificate and lease.	Direct. Buyer owns real property.
<b>Monthly Payments</b>	Maintenance fees. Amount includes taxes.	Common charges. Taxes paid separately.
<b>Tax Benefits</b>	Some tax deductions can be taken for owner's share.	Tax abatement programs keep taxes low for about 10 years.
<b>Renting Out Your Unit</b>	Limited, if allowed at all.	Easy and unrestricted.
<b>Re-Selling</b>	New buyer must be approved. Seller must pay flip tax.	New buyer can rarely be denied.
<b>Investor Friendly</b>	Rarely.	Yes.