



# BUYER'S GUIDE

TO PURCHASING A HOME IN NEW YORK CITY



# WELCOME HOME

New York City is home to one of the world's most exciting real estate markets. With the help of this guide, you'll learn the nuances that make New York City's real estate process so unique and gain an edge in the market.

When you're ready to take the next step, our top-performing agents will be here to help you determine which neighborhood offers the character and amenities you desire, which type of property suits you best and how to negotiate the best deal. All the resources and influence we've gained as the #1 brokerage in New York City will empower your real estate buying experience.

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# GETTING STARTED



# 1

## CLEAN UP YOUR CREDIT

Banks use credit scores to evaluate the risk of lending to individuals. If you know you'll need to borrow money from a bank to finance your home, learn your credit score as soon as possible and work to boost it as needed. Websites like Credit Karma will provide your credit details without damaging your score.

# 2

## PREPARE YOUR SAVINGS

You'll typically be expected to put down at least 20% of the sale price upfront, plus additional closing costs. Your real estate agent will be able to provide you with a complete breakdown of these associated expenses.

# 3

## GET A PRE-QUALIFICATION ESTIMATE

This can easily be done over the phone with your bank or mortgage professional. A loan officer will ask you about your income, assets, debts and projected down payment. They will then determine the amount you'll most likely qualify for based on the information you've provided.

# 4

## COMPLETE LOAN PRE-APPROVAL

After prequalification, you'll want to work with a lending institution to receive a written "good-faith" estimate of the amount you'll be able to borrow. This step requires an in-person appointment and a possible fee. You'll be expected to submit more information, such as pay stubs, bank statements, tax returns and other financial documents. Once you receive your pre-approved loan statement, it is normally valid for 60 days.



# PURCHASING JOURNEY

The purchase process for a condo or townhouse can move, as long as a loan can be secured in a timely fashion. In such instances, a sale can move from contract to closing in about 60 days. However, the co-op process is more involved and often takes longer — 60 to 90 days, or longer, is not unusual.

## KEY MOMENTS IN YOUR JOURNEY

### 1 PRE-APPROVAL

### 2 PROPERTY SEARCH

**3 OFFER NEGOTIATION:** Once you're ready to buy, your agent will communicate your offer to either the seller's agent or to the seller directly. The seller may counter your offer, which opens a negotiation process that will eventually lead to a meeting where price, terms and closing date will be agreed upon.

**4 CONTRACT REVIEW:** You'll want to be represented by an attorney that is familiar with New York City real estate during this stage. They should examine the contract of sale and by-laws and financial condition of the building to conclude it's satisfactory before allowing you to sign the contract.

**5 SIGN CONTRACT:** At this time, you will usually be required to present a deposit. The contract, plus the deposit, will then be forwarded to the seller for a signature. This money will be held in the seller's attorney's escrow account until closing. It is important to note that until all parties have signed the contract and it has been delivered, the seller can still entertain and accept other offers.

**6 LOAN APPLICATION:** If financing, you should move forward with your loan application and schedule an appraisal with your financial institution.

**7 COMPLETE APPLICATION:** You will receive these requirements and materials from your agent, which typically include: an application, a financial statement signed by the purchaser or a CPA, all requisite support for your financial statement, two to three years of tax returns, bank statements, letters of personal and financial reference, letters of professional reference, the contract of sale and bank documents (if financing) indicating that your loan is in place. Your Douglas Elliman agent will assist you in this process. In the case of a co-op, if your application meets initial approval, you will be invited to be interviewed by the board or an interviewing committee.

### 8 BOARD APPROVAL

### 9 BANK SUPPLIES CLEARANCE TO CLOSE

### 10 CLOSING SCHEDULED

### 11 FINAL WALK-THROUGH AND CLOSING



# CO-OPS & CONDOS

## COOPERATIVE BUILDINGS

Co-op buildings are more common in New York City than in other parts of the country. Approximately 75% of available New York City apartments at any given time are co-ops.

Individual tenants do not “own” their apartments as they would in the case of “real” property. Rather, co-ops are owned by an apartment corporation and individual unit owners are “shareholders,” which entitles them to a long-term proprietary lease. Co-ops are traditionally stricter when approving a buyer whose funds are not in the United States.

## CONDOMINIUM BUILDINGS

On average, 25% of available New York City apartments are in condominium buildings. When you buy a condo in New York City, you get a deed as if you were buying a house — this categorizes these units as “real” properties, unlike co-ops. Condos are the preferred choice for those with assets held outside of the United States or for buyers who are interested in greater ownership flexibility.



## CO-OP

## CONDO

### COST

Generally, more attractive.

Generally, more expensive.

### APPROVAL PROCESS

The board interviews all prospective owners, and has the right to approve or reject any applicant.

No interviews are required  
Application is not as rigorous as the co-op board process.

### FINANCING

Be prepared to put down at least 20% of the purchase price, plus closing costs.

Be prepared to put down at least 10% of the purchase price, plus closing costs.

### MONTHLY FEES

Maintenance fees based on the number of shares the tenant owns (typically dictated by apartment size and floor level).

Common charges (services and amenities shared by condo residents) and property taxes.

### TAX BENEFITS

Shareholders can deduct their portion of the building's real estate taxes and their proportionate share of the interest on the building's mortgage.

Real estate taxes are deductible, but common charges are not.

### SUBLETTING

Must be approved by Board of Directors.

Typically permitted.

### SELLING

Board will need to approve the new buyer.

Can be sold at will.



# TOWNHOUSES

## TOWNHOUSE

Defined as a multi-story urban home, usually attached, that's built close to the street and scaled similarly to the buildings surrounding it. Often times, they are multi-unit homes. They are sometimes renovated into a single unit or can be used as rental units for additional income. A Brownstone is a type of townhome, recognizable by the reddish-brown sandstone of its façade.

When you purchase a townhouse, you own both the structure itself and the land. It has its own roof and may have a garage or private yard included. You'll most likely have more freedom and flexibility with how you treat your

property, particularly regarding renovations, subleases or additions. However, it's important to research the zoning laws for these same reasons.

While you won't pay monthly common charges or maintenance fees as you would for condos and co-ops, you are 100% responsible for all repairs and general upkeep. Only about 2% of available residential properties in New York are townhomes, which creates a competitive market. Working with a knowledgeable agent will give you an advantage over other buyers.

# REAL ESTATE TERMS



<b>APPRAISAL</b>	Process of determining a property's market value.
<b>CLOSING COSTS</b>	Expenses over and above the price of the property, paid at the closing.
<b>COMMON CHARGES</b>	Monthly charges paid by condo owners that cover the cost of shared building amenities.
<b>CONTRACT OF SALE</b>	A legal agreement between a buyer and seller that outlines the terms of purchase or transfer for a property.
<b>CO-OP BOARD</b>	A group of residents elected to represent all shareholders within a co-op building. The board determines the rules of the building, addresses building issues and reviews new buyer applications.
<b>FINAL WALK-THROUGH</b>	A property inspection that takes place a few days before closing so that the buyer can ensure the space's condition is true to what is specified in the contract.
<b>IN CONTRACT</b>	An offer has been made and accepted on a property. The buyer has paid a deposit and both seller and buyer have signed the offer. The listing is no longer available on the market unless the deal falls through.
<b>MAINTENANCE FEE</b>	Monthly charges paid by co-op owners to cover operating expenses of the building, including taxes, insurance, etc.
<b>MORTGAGE</b>	Loan that a bank or lender gives you to buy a house. A mortgage payment is made up of principal, interest, taxes and insurance.
<b>PRE-APPROVED</b>	Written statement from your bank or lender confirming that you are approved for a specific loan amount.
<b>PRE-QUALIFIED</b>	An estimate of the loan amount you will likely be pre-approved for.

# CLOSING COSTS

## TYPICAL ESTIMATED CLOSING COSTS: CONDOMINIUM APARTMENTS FOR THE PURCHASER

<b>Buyer's Attorney</b>	Consult your attorney
<b>Bank Fees</b>	\$750-\$1,000
<b>Application Fee</b>	\$350-\$650
<b>Processing Fee</b>	\$330-\$500
<b>Appraisal Fee</b>	\$500-\$2,000
<b>Credit Report Fee</b>	\$45-100+
<b>Bank Attorney</b>	\$650-\$1,000
<b>Tax Escrow</b>	2-6 months
<b>Recording Fees</b>	Appr. \$1,200-\$1,700
<b>Nassau</b>	Deed Fee - \$200 verification fee + \$355 per block Verification Fee - \$355 per instrument, per block
<b>Suffolk</b>	Deed Fee - \$200 per lot per document Verification Fee - \$200 per instrument, per lot Mortgage Fee - \$300 per mortgage or mortgage type document
<b>Recording Fees - NYC &amp; Westchester</b>	Appr. \$250-\$750
<b>Fee Title Insurance</b>	Variable by transaction
<b>Mortgage Title Insurance</b>	Variable by transaction
<b>Municipal Searches</b>	\$350-500
<b>Working Capital Fund Contribution</b>	An amount equal to 1-2 months common charges
<b>Flip Tax</b>	Varies building to building, consult your agent

## MORTGAGE TAX

PROPERTY TYPE	MORTGAGE TAX New York City	MORTGAGE TAX Nassau, Suffolk, Dutchess and Orange Counties	MORTGAGE TAX Yonkers
Residential Condo Unit up to \$499,999.99	2.05% (0.25% paid by lender; 1.8% by mortgagor) <sup>1</sup>	1.05% <sup>1</sup>	1.8% <sup>1</sup>
Residential Condo Unit \$500,000 and up	2.175% (0.25% paid by lender; 1.925% by mortgagor) <sup>1</sup>		
Commercial Condo Unit up to \$499,999.99	2.05% <sup>2</sup>		
Commercial Condo Unit \$500,000.00 and up	2.8%		

\*Mansion Tax is paid by purchaser on transactions that are 100% residential and the purchase price is \$1M or above.

<sup>1</sup> Minus \$30 for 1-2 family

<sup>2</sup> Four family residence requires mrt to be calculated at the commercial rate

This closing-cost guide is designed to give you the general costs associated with the purchase or sale of a condominium property. Please note that these are estimates and that potential buyers and sellers should consult their real estate attorney or financial advisor for specifics. Kindly note, we do not represent that these are the entirety of potential costs, but are only to be used as a guide. All transfer and filing fees are subject to change by government agencies in each location.

## ADDITIONAL EXPENSES

Maintenance Adjustment	Pro-rates for the month closing
Short-term interest	Equal interest for the balance of month in which you close

# CLOSING COSTS

## TYPICAL ESTIMATED CLOSING COSTS: CO-OPERATIVE APARTMENTS

### FOR THE PURCHASER

<b>Buyer's Attorney</b>	Consult your attorney
<b>Bank Fees</b>	\$550–\$1,000
<b>Application Fee</b>	\$350–\$650
<b>Processing Fee</b>	\$330–\$500
<b>Appraisal Fee</b>	\$500–\$2,000
<b>Credit Report Fee</b>	\$45–100+
<b>Bank Attorney</b>	\$650–\$750
<b>Lien Search</b>	\$350–\$450
<b>UCC-1 Filing Fee</b>	\$20 - \$40 in all counties except for Nassau
<b>UCC-1 Filing Fee (Nassau)</b>	\$340 (\$40 to file + \$300 per block)

\*Mansion Tax is paid by purchaser on transactions that are 100% residential and the purchase price is \$1M or above.

### ADDITIONAL EXPENSES

<b>Miscellaneous Co-op Charges</b>	Varies by building
<b>Recognition Agreement Fee</b>	Approx \$250
<b>Flip Tax</b>	Please check with building
<b>Maintenance Adjustment</b>	Pro-rates for the month closing
<b>Short-term Interest</b>	Equal interest for the balance of month in which you close

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# CLOSING COSTS

## TYPICAL ESTIMATED CLOSING COSTS: TOWNHOUSE & SINGLE-FAMILY HOMES

### FOR THE PURCHASER

<b>Buyer's Attorney</b>	Consult your attorney
<b>Bank Fees</b>	\$750+
<b>Application Fee</b>	\$350+
<b>Processing Fee</b>	\$330+
<b>Appraisal Fee</b>	\$500–\$2,000
<b>Credit Report Fee</b>	\$45–100+
<b>Bank Attorney</b>	\$750–\$1,000
<b>Tax Escrow</b>	2–6 months
<b>Mortgage Recording Fees</b>	Appr. \$1,200-\$1,700
<b>Nassau</b>	<i>Deed Fee - \$200 verification fee + \$355 per block Verification Fee - \$355 per instrument, per block</i>
<b>Suffolk</b>	<i>Deed Fee - \$200 per lot per document Verification Fee - \$200 per instrument, per lot Mortgage Fee - \$300 per mortgage or mortgage type document</i>
<b>Recording Fees - NYC and Westchester</b>	\$250–\$750
<b>Fee Title Insurance</b>	Variable by transaction
<b>Mortgage Title Insurance</b>	Variable by transaction

### MORTGAGE TAX

PROPERTY TYPE	MORTGAGE TAX New York City	MORTGAGE TAX Nassau, Suffolk, Dutchess and Orange Counties	MORTGAGE TAX Yonkers
<b>Single Family Residence \$499,999.99 and below</b>	2.05% (0.25% paid by lender; 1.8% by mortgagor) <sup>1 2</sup>	1.05% <sup>1</sup>	1.8% <sup>1</sup>
<b>Single Family Residence at \$500,000 and up</b>	2.175% (0.25% paid by lender; 1.925% by mortgagor) <sup>1 2</sup>		
<b>Commercial Properties and Vacant Land \$500,000.00 and under</b>	2.05% <sup>2</sup>		
<b>Commercial Properties and Vacant Land \$500,000.01 and up</b>	2.80%		

\*Mansion Tax is paid by purchaser on transactions that are 100% residential and the purchase price is \$1M or above.

<sup>1</sup> Minus \$30 for 1-2 family

<sup>2</sup> Four family residence requires mrt to be calculated at the commercial rate

This closing-cost guide is designed to give you the general costs associated with the purchase or sale of a condominium property. Please note that these are estimates and that potential buyers and sellers should consult their real estate attorney or financial advisor for specifics. Kindly note, we do not represent that these are the entirety of potential costs, but are only to be used as a guide. All transfer and filing fees are subject to change by government agencies in each location.

# NEW YORK STATE MANSION TAX

Mansion Tax (1% of purchase price) is paid by the purchaser on transactions that are 100% residential and the purchase price is \$1M or more. In the five boroughs of New York City, the rate increases based on the sales price as follows:

PROPERTY PRICE	MANSION TAX RATE
\$1,000,000 - \$1,999,999	1.00%
\$2,000,000 - \$2,999,999	1.25%
\$3,000,000 - \$4,999,999	1.50%
\$5,000,000 - \$9,999,999	2.25%
\$10,000,000 - \$14,999,999	3.25%
\$15,000,000 - \$19,999,999	3.50%
\$20,000,000 - \$24,999,999	3.75%
\$25,000,000 or more	3.90%



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