



HIGHLINE RESIDENTIAL Homebuyers Guide



PART 1 - OPENING STAGES

PREPARING FOR THE PROPERTY SEARCH



If you are reading this,

it is quite likely you are in the market to purchase a home or are considering entering the market. Congratulations on this major decision.

Purchasing a property is an exciting yet oftentimes stressful time. We have designed this presentation to help guide you through the process of purchasing a home in New York.

We would be glad to sit down with you to answer any questions you may have.

PRE-APPROVAL

If you are planning on getting a mortgage to purchase your home, obtaining a pre-approval from a bank is one of the first steps you should take.

A pre-approval is a letter from a lender that states how much money that lender will be willing to lend to you on a purchase of a home. Pre-approvals are useful for the following reasons:

- 1** When you are ready to submit offers, a pre-approval is submitted alongside an offer to **give your offer credibility**. A seller will take an offer with an attached pre-approval more seriously than one without.
- 2** A pre-approval allows you to understand what you can actually afford. A lender will perform an extensive check on your financial background and credit to **determine the specific mortgage amount** you are approved for. Using this information, you can narrow down your search to specific price points and prevent yourself from being caught off-guard later in the process.
- 3** During the pre-approval process, you have the opportunity to **shop around** at different banks and determine which bank will give you the most favorable terms for your eventual mortgage. It is generally advisable to have your bank choice lined up before you start submitting offers. We would suggest talking to at least **3 different banks** to determine the interest rates, mortgage amounts, and terms each would be willing to offer and narrowing your options down to one or two banks you will be moving forward with.

! **Tip:** Banks should **not charge you any fees** during the pre-approval process. If a bank is asking you to pay a fee, ask them what the fee is for and whether it will be applied to your closing costs at closing.

! **Tip:** Should you use a mortgage broker or not? A **mortgage broker** is useful because they can share your information with their extensive network of banks to secure a loan with favorable terms for you. This comes at a cost. Mortgage brokers generally charge 1% - 2% of the loan amount for their services. If you are uncertain whether you would qualify for a loan due to a choppy job history, poor credit, or some other circumstance, it may be worthwhile to use a mortgage broker that can shop around to actually get you a loan. If you are qualified and have no barriers holding you from getting a loan, then a mortgage broker is usually not necessary.







Determine your Search Criteria



Coop or Condo, determining your neighborhood, your budget, which amenities you absolutely need, apartment sizes and layouts. These are some of the many items you want clarity on when you are about to start your apartment search. If you are working with a Highline Agent, we will have a short introductory meeting with you to determine the answers to these questions and any other relevant questions. Here are some of the things you should consider:

ASSET CLASSES

 **Coop's, Condos, and Houses** (these include townhomes, brownstones, row homes, 1 and 2 family houses etc.) are the 3 types of asset classes typically purchased in New York. Each has its own peculiarities. In Manhattan, Co-ops are the most common asset class available for sale, followed by condos and then houses. In the outer boroughs, houses are the most common, followed by coops and finally condos.

 **A Co-op** (short for cooperative) is a building that is owned and managed by a corporation. Individuals and sometimes entities own shares in the corporation, and the shares allow each shareholder the exclusive right to occupy a specific unit in the cooperative building.

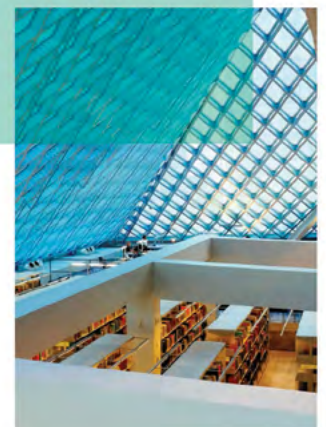
Advantages in buying a Co-op:

- Co-ops are generally cheaper than condos and houses on a price per square foot basis.
- No mortgage recording tax. When you purchase a co-op apartment, you are buying shares in a corporation, and even if you finance the purchase of these shares you do not need to pay the New York Mortgage Recording Tax, which is generally the largest closing cost for any buyer and ranges between 2% and 2.2% of the loan amount. This can amount to thousands of dollars of savings.
- Co-ops typically have stringent subletting policies, so if you prefer to live in a building which is primarily owner occupied rather than occupied by rental tenants, this would be an advantage for you.



Disadvantages in buying a Co-op:

- Strict approval process involves comprehensive board approval and board interview.
- Coops have financing requirements (many will only accept a maximum of 80% financing) and will not approve low down payment financing options.
- Stringent subletting policies mean you cannot easily rent out your unit. Due to this, co-ops are usually not an option if you are purchasing an apartment as an investment or need the flexibility to rent down the road.
- When you want to sell your unit, the potential buyer has to go through the board approval process and may get rejected.





A **Condo** (short for condominium) is a building which consists of many individual property units. Each unit in a condo building is owned by a separate individual or entity. Each of these owners also own a portion of the common areas of the building.

Advantages in buying a Condo:

- Since most of the new developments that are being built in New York are condos, condos are typically renovated and have better finishes than coops. Condo buildings also generally have more amenities.
- No subletting policy means you can easily rent out your unit if need be. Condos are more attractive as investment purchases for this reason.
- Boards rarely block the resale of a condo, making the condo a more liquid asset.
- Financing requirements are lenient, allowing buyers to purchase condominiums with low down payment financing options.



Disadvantages in buying a Condo:

- Condos are typically more expensive than co-ops on a price per square foot basis.
- Condos can contain a large number of rental tenants. As renters are transient occupants, they are less likely to take care of the property and may not adhere to the condo rules.



A **house** refers to the broad category of all residential property that is not a condo or a coop. Houses are found most often in less dense areas. While houses are rare in Manhattan, the bulk of all the inventory that exists in the outer boroughs consists of houses.

Advantages in buying a House:

- A house provides the greatest level of privacy.
- No Approval process means as long as you have the financial means to purchase, you can purchase.
- Private houses have the most space in general, and are more likely to be duplexes/triplexes. This comes at the cost of higher prices.
- You are not reliant on a condo or coop board to make decisions that may improve or hinder your living conditions.
- Easiest to resell due to no approval process making houses the most liquid property type.

Disadvantages in buying a House:

- Generally higher living costs. Since expenses such as utilities, taxes, and repairs are not shared amongst multiple condo or coop owners, they generally end up being higher.
- Condos and sometimes Coops often offer high end amenities not offered in private homes, such as a gym, doorman, pool, concierge, etc.
- Usually the most expensive asset class on a price per square foot basis.
- Homeowners will have to take care of everything themselves. Examples include having annual inspections performed, dealing with violations, maintenance issues, etc. In a condo or coop, issues such as these are taken care of by the managing agent and/or board.

! **Tip:** Your choice of neighborhood, your desire for specific amenities, space, and living conditions will often determine which Asset class you will end up purchasing. For example, most people that want to live on the Upper West Side in Manhattan will end up purchasing a coop, because if they search for condos or houses, their options would be severely limited. Another example: people that want luxury amenities such as a pool or gym in Long Island City will need to purchase a Condo. Based on your desires, your agent should be able to quickly explain which asset class you should be looking at.

NEIGHBORHOOD

You may already have a good idea of which neighborhood you want to live in before you start your home search. If you are on the fence or are trying to narrow your search down from several neighborhoods, here are some of the important points to consider:

- 1** Whether you are driving, taking a cab or using the public transportation system, you want to consider how quickly and easily you can get to your place of work as this is something you will be doing almost every day. A good tool to use to calculate commute time is the MTA Trip Planner found here: tripplanner.mta.info
- 2** Cafes, Bars, Restaurants, Gyms, Parks, Shopping, etc. are some of the things you probably use on a day to day basis. Think about the ease in access to these things in different neighborhoods. A good tool to use is walkscore.com
- 3** Each neighborhood in New York has its own culture. Learn about each neighborhood in detail on the Highline Residential Neighborhood Guide found here: www.hlresidential.com/nyc-top-neighborhoods

APARTMENT FEATURES, AMENITIES AND LAYOUTS

When buying in New York, most people will have to compromise. It is unlikely you will get every amenity you want in the neighborhood you want at the price point you can afford. As a buyer, you should rank your wants based on order of importance and relay this information to your agent. Do you need to have a doorman or is it more important that you live close to your child's school? Do you want park views or to be within easy walking distance to the subway? These are examples of the types of questions most homebuyers in New York find they have to answer. Some of the items you will need to make decisions on include Living Space, Views, Building Amenities, Pet Policy, Building Policies, Apartment Layout, Finishes, Outdoor Areas, etc.



PART 2 - THE PROPERTY SEARCH

FINDING THE RIGHT HOME FOR YOU

HOW AN AGENT CAN HELP YOU

In today's internet age, you will have some success in looking for a home simply by browsing different websites. Considering this, should you use the services of a licensed real estate agent to help you in your search? When buying a property, the answer to this question is an easy yes. Most sales transactions involve two agents, the Buyers Representative and the Seller's Representative. Both agents are paid a commission by the seller. A buyer's agent will provide you with a wealth of services at no cost to you. As you are probably aware, this guide has been written by brokers, and so it's expected that we would play up our value. We still want you to be aware of some of the benefits we offer to you as a buyer.

- 1** If you decided not to use the services of a Buyer's Agent, when you go out and start doing previews, you will be shown homes by the Sellers agent. The seller's agent will look out for the Seller's interests (not your interests) because they have a listing agreement with the seller which requires them to do so. A Buyer's agent will look out for your interests by disclosing all facts, helping perform due diligence, advising you, and guiding you through the process of buying a home.
- 2** A Buyer's agent has access to detailed information (via the MLS) on the current inventory that exists on the market and also past history of inventory and transactions. This information will help you make informed decisions. An example: The home you are interested in was on market last year for 6 months but did not sell and was then taken off market. Once you learn this, you probably want to do some research on why the home did not sell last time. If you are still interested, you know that you have significant negotiating power in this transaction.
- 3** You save time. The agent will do all the research, set up showings, preview homes before showing them to you, help prepare all the paperwork, and much more.

! **Tip:** It is unnecessary to use multiple agents to help you find a home. Most agents have access to the same inventory (via the MLS) and work for the same price (free for you). The most important thing is for you to find someone you like and trust and stick with them. They will be much more willing to expend significant time and effort to help you if they know that they are the only agent you are working with.



During the course of your property search you will eventually identify properties that you want to submit offers on. Offers in New York are submitted in writing and can include the following documents (these documents are prepared by your agent):

SUBMITTING OFFERS

- 1** *Offer Sheet: This will include your offer price, timeframe, contingencies and conditions. The offer sheet is not binding, so either party can always back out of the transaction until a contract is officially signed.*
- 2** *Pre-Approval Letter: As explained previously in this guide, the pre-approval will show sellers that you are serious and ready to close.*
- 3** *Financial Statement: This statement will include a summary of your assets, liabilities, and income, showing the seller you have the financial means to purchase.*
- 4** *Proof of Funds: Generally a copy of the first page of your bank statement(s) showing you have funds for down payment.*

Unless you submitted an offer at asking price, more often than not you will be getting a counter offer from the seller's agent. The seller's agent may or may not let you know whether they have received other offers on the property. Remember that when a seller gives you information like this, it is part of their negotiating strategy. They may be giving you accurate information, they may also be giving you inaccurate information. The seller or seller's agent are not required to disclose accurate details on other offers they may have received. Your agent will help you navigate the negotiating process on your side. They can do an analysis on comparable properties that sold in the area to help you determine a fair market price for the property. But at the end of the day, the price you are willing to pay for a property is determined by you.

- Tip:** If you are interested in a property, do not submit lowball offers. Remember that sellers are doing the research on their side and also have an idea of the fair market value of their property. When you submit lowball offers, sellers are less likely to take you seriously, putting you at a competitive disadvantage versus other buyers that may also be interested. We generally suggest submitting an offer with the idea that you will not increase your price or you will only increase your price once after your initial offer. Have your agent relay this information to the seller's agent to show you are serious and ready to close a transaction without an excessive amount of song and dance. In our experience, we have often come across situations where buyers regretted submitting lowball offers because they didn't find anything better afterwards and they were unable to close on that initial transaction.
- Tip:** Have your real estate attorney lined up before you start submitting offers. An attorney will prepare and review contract documents, help you perform due diligence, and represent you at closing. Having your attorney in place once again shows the seller you are serious and are ready to close a transaction. Seller's care about time, and if you show that you are ready to close a transaction by having all your ducks in a row, they will often accept an offer rather than trying to wait for a better offer which might come weeks down the road and from a less serious buyer.

PART 3 - AFTER CONTRACT SIGNING

THE HOME STRETCH

THE LOAN APPLICATION

Once you have signed a contract, consider yourself on the clock. Your goal is to perform all required paperwork and diligence as quickly as possible. The process to close consists of a series of linear steps, and deals can sometimes fall through because you were unable to close on time (the seller may have received a much better offer and has the ability to break the contract because you did not close on time).

Right after contract signing, you need to go to your bank and officially apply for your loan. The loan process can sometimes take several weeks, and if you are purchasing a condo or coop, you will have to go through this entire process before you can move forwards towards board review.

- 1** Step 1: Bank will ask for all your supporting financial documentation, including tax returns, paystubs, employment verification letters, bank statements, etc.
- 2** Step 2: The bank will schedule an appraisal on the property.
- 3** Step 3: After you go through the banks underwriting procedure, the bank will provide you with a commitment to lend assuming the appraisal went well. They may also offer you the ability to lock in your interest rate for a period of 15-60 days

! **Tip:** Ask your bank to schedule an appraisal as soon as possible. The appraisal is performed by a third party. Since the bank cannot give you a commitment until the appraisal report is in, a delayed appraisal means a delayed closing.

! **Tip:** Banks will ask you for a lot of documentation, some of which may seem redundant and repetitive. Banks have more stringent underwriting procedures after the subprime crisis. Do not get frustrated and send in everything requested by the bank as quickly as possible.




Due Diligence

Your Attorney will usually help you perform all the relevant due diligence on your new home purchase. This includes but may not be limited to hiring a title company to perform the title search, reviewing the coop and condo minutes, reviewing the coop proprietary lease, reviewing the condo declaration and offering plan, and looking into any easements, violations, or liens that may exist on the property. Attorneys do not usually schedule a home inspection for you, so this is something you will have to take care of yourself.

Condo or Coop Board Application & Approval


In conjunction with officially applying for your loan, you should start preparing your condo or coop board package (unless you are purchasing a house, in which case this step is unnecessary). Your agent will request an Application Package from the managing agent or board of the building. Your agent will then review all the requirements and ask you to put together all required financial and personal documents. Your agent will organize and prepare the board package which will then be reviewed by a Highline Manager. Assuming the package has no issues, your agent make all the required copies and submit to the managing agent and/or board for their review.


Additional Step for Coop: *After reviewing your application package, a coop will also schedule an interview with the applicant prior to giving approval.*

 **Tip:** The board application will outline all the fees and deposits you will be required to pay before and after move in. These include the application fee, move-in fee or deposit, and any pet deposits that are required in that building. The application will also give you a hint of how the coop runs, what sorts of policies and house rules are in place, and gives you an opportunity to verify if the building would indeed be a good fit for you.

Closing

Closing is when title is transferred, checks are exchanged, and the transaction is officially completed. Your closing will usually occur in the managing agent's office or one of the attorneys' offices. As long as there are no hiccups, closings should last between 1 and 2 hours. The parties that are usually present at a closing include the seller, the buyer, both attorneys, the bank, the managing agent, the closing agent, and both real estate agents.

 **Tip:** Ask your attorney to send you a breakdown of all the checks (certified and personal) you should bring with you to the closing. Bring a few extra personal checks to the closing along with these just in case.

 **Tip:** Perform a walkthrough of the apartment a few days prior to closing. Your agent will perform this walkthrough with you to confirm the apartment is in the condition you are expecting and any fixtures that are being transferred with the title are still in the property.