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| CONDO’S VS. CO-OP’S: QUICK SUMMARY | |
| CONDO’S | **CO-OP’S** |
| Purchasing real property | Purchasing shares in a corporation |
| Some will have a board package and application | Most will have a board package and application |
| No board interview required in most buildings | Typically requires a board interview |
| Can’t reject a buyer – instead the board has the right of first refusal to purchase the apartment (very rarely used) | Can reject buyers for any reason and are not required to disclose why a buyer has been rejected |
| 10% minimum down payment in most cases | 20% minimum down payment is typical, though many buildings require much more |
| Financial Requirements – If you have the cash to purchase outright or can get a bank to a approve a loan- the building will not be able to reject | Financial Requirements – Most co-op boards will look for a 25-28% maximum debt to income ratio (which includes the maintenance and mortgage on the apartment under consideration). Additionally, most co-op boards will seek the buyer to have 2 years’ worth of post-closing liquidity (cash or cash equivalents after the down payment and closing costs). Some buildings will be far more liberal and others will be far more conservative with these requirements |
| Monthlies – Common Charges (which is for building maintenance) and a separate charge for property taxes. | Monthlies – Maintenance (which includes both the cost to maintain common areas of the building as well as property taxes); a portion of the maintenance can be tax deductible for the property taxes and building mortgage (if one exists) |
| Subletting – In most cases an owner can sublet without term restrictions; Fees may apply | Subletting – In most cases the building will restrict subletting; the most common policy is sublets are permitted 2 or 3 years out of every 5 years. Some buildings will be far more liberal and others will be far more conservative; Fees may apply |
| Pied-a-terre – In most cases an owner can use the apartment as a Pied a Terre without restriction | Pied-a-terre – board policies will vary though many will lean toward using the apartment as a primary residence |
| Non U.S. Citizens or Assets not primarily in the U.S. – Easier purchase since the board can’t deny an application | Non U.S. Citizens or Assets not primarily in the U.S. – Some buildings will permit non U.S. Citizens to purchase though many will not |
| Owner Occupancy- Since condos rarely have restrictions on subletting, the level of owner tends to be a lower percentage than co-op’s | Owner Occupancy- Since co-op’s tend to be more restrictions on subletting, the residents tend to mostly be other owners. |
| Sales Price: Since there is greater flexibility in most condo’s – Prices tend to be significantly higher – typically ranging from 15-30% higher than a comparable co-op | Sales Price: Since many co-op’s have greater restrictions – Prices tend to be significantly lower than co-op’s. If a co-op has very liberal policies, this will impact pricing moving toward condo level prices |