

Co-op Coalition Survey: All-Cash Purchases Financial Reviews

Thanks to the 14 members who responded to this survey. Following is the original question and the table of responses. Several co-ops conduct their own financial reviews of prospective buyers while others have them done by someone outside their co-op.

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In a message dated 2/1/2016 1:12:52 P.M. Eastern Standard Time, CooperativesDC@aol.com writes:
 Has your co-op had unit purchases that were "all-cash"? Did you use an independent, third party to review the buyer(s) finances and ability to pay future assessments? If so, a Coalition member seeks your help. The question follows, below. Please respond by 5pm, Friday, February 12. Thanks for helping a fellow co-operator!

Best,
 Mike O'Dell, Director
 DC Cooperative Housing Coalition

My co-op intends to establish a relationship with a mortgage bank to conduct financial reviews of prospective buyers who are purchasing a unit here with all cash. I understand that other co-ops have established agreements with mortgage banks on a fee basis to review such purchases. This is to request assistance from members of DC/CHC to provide us with a copy of their agreement or, if that is not possible, information about the elements of the agreement and fees being charged. Thanks!

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< 50 units	We have no such arrangement.
< 50 units	We have not engaged anyone to do a financial review of those purchasing units with cash. All prospective buyers need to provide financial information as well as a credit check for the board to review.
< 50 units	We do not have an established relationship with a mortgage bank to conduct financial reviews of prospective buyers who are purchasing a unit with all cash. The need has not arisen because there have not been any all cash purchases. However, it does sound like a good idea should the need arise.
< 50 units	We talked about this but have not had an actual cash offer for the [3 small co-ops, 20 - 35 units] I manage. We'd still make them go through the financial review process. We use Flynn Co. for this service. As you know ... [monthly maintenance] fees tend to be high, you still want to get a sense that they'll be able to make their payments down the road.
< 50 units	We have had all cash purchases; and we use a third party to conduct a financial review.
< 50 units	1- Our Coop does allow 100% cash purchases. 2- We have not in the past and do not currently use a mortgage bank to conduct the financial review. 3- However, all members are required to use Edmund J Flynn Co for settlement and must complete our / their application which includes a credit

	<p>report. The application including the credit report and 2 letters of recommendation, etc. are forwarded to the Board for review. The Board sets up a time for a meeting and interview. The Board members have an opportunity to ask questions prior to final approval for membership.</p> <p>4- The application and credit report are included in the settlement fees paid by the purchaser (and or seller depending on their arrangements). Edmund Flynn Co fees are quite reasonable and I believe can be obtained on their website also.</p>
50 – 99 units	At [our co-op], our transfer agent, E.J.Flynn Company, handles the receipt and review of buyer finances, including all cash purchases. They transit the financial documents to the Board for our review.
50 – 99 units	Yes, [our co-op] has had several all cash purchases in the past five years. No, [our co-op] does not have a relationship with a third-party evaluator, like a bank or mortgage company to review finances of prospective purchasers. Prospective purchasers' financial records are reviewed confidentially by the Treasurer and President of [our co-op].
50 – 99 units	Not applicable at [our co-op].
50 – 99 units	We've never used an outside third party to review all-cash purchases. We do it in-house and require a credit check from all-cash buyers.
100 – 199 units	That responsibility falls to me as the Treasurer, and I make a recommendation to the full board. We've only ever denied an application once, on account of the applicant having no credit history whatsoever and no verifiable income. I am intrigued by the idea of outsourcing this task, though, so I would be interested in hearing what others do.
200+ units	We have had all cash purchases. Our process requires the buyer to provide specific documents that substantiate financial information on the application. We review those documents to determine if they meet the financial criteria, which includes the ability to pay the co-op fee for 6 months.
200+ units	We have historically used PNC to process our cash sales. We have the bank confirm that if the purchaser wanted to buy the unit, they would qualify for a loan.
200+ units	We discontinued our co-op's own financial reviews in the 1990s and replaced the review for all-cash purchases with reviews by a lender with whom we have a recognition agreement. We made this change for several reasons: (1) It was time consuming; (2) prospective buyers were leery about sharing information with people who would be their neighbors who would know about their personal finances; (3) lenders had greater access to financial/credit information than we did; and (4), it ensured fairness and balance with the review being conducted by an independent third party. Since then, all of our all-cash sales have been done by a professional agent who worked for one of the lenders with whom we had a recognition agreement. Over the past decade, the percentage of all-cash sales has begun to increase and has ranged from 10 percent to 30 percent of all sales each year. The independent, professional financial reviews have been done quickly and have not proven themselves to be a problem for anyone concerned and have greatly improved our admissions process and the new owner experience.