

## Co-op Coalition Survey: Byers' Financial Requirements

Thanks to those who took the time to respond. The results are contained in the table, below. Once again, thanks for helping your other co-op Coalition members!

NOTE: The Coalition does not offer any opinion about the responses and does not provide legal advice. Since this issue involves tax law and employment law issues, each co-op should consult with its own attorney.

Mike O'Dell, Director  
DC Cooperative Housing Coalition  
[www.CoopsDC.org](http://www.CoopsDC.org)  
[CooperativesDC@aol.com](mailto:CooperativesDC@aol.com)

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In a message dated Wed, Nov 8, 2017 4:25 pm, CooperativesDC@aol.com writes:

This email is being sent to Coalition member Presidents, Managers, and Representatives (Please decide who would be the best to respond.).

Many co-ops do their own financial reviews and vetting of prospective buyers. Others have these reviews done by professionals outside their co-op. The Coalition member requesting this survey accepts the financial reviews performed as part of the regular mortgage process but has had financial reviews for all-cash sales done by an outside professional reviewer. Below are their questions. Please respond COB Friday, November 24.

Thanks, once again, for helping one another out!

Mike O'Dell, Director  
DC Cooperative Housing Coalition  
[www.CoopsDC.org](http://www.CoopsDC.org)

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1. For what type(s) of buyers do they review their finances? (a) All buyers whether or not they are getting a mortgages, (b) Only for all-cash buyers, (c) Other (describe), (d) They do not do any reviews.
2. Who does the financial reviews? (a) Members of the Co-op Board, (b) Co-op management, (c) Co-owners, (d) An outside reviewer, (e) Some other (please name/describe)
3. What are their written policies for minimum financial requirements?
4. How do they confirm the buyer's financial ability?
5. May we contact the co-op for more information?

<50 units	1. (a) Our Board reviews the finances of prospective buyers, but generally relies upon either the opinion of the mortgage lender or PNC Mortgage (for all-cash purchases) in making a final decision. As a result, we don't fit neatly into the boxes offered by this survey. (b) For all-cash buyers we use [an individual] at PNC Mortgage to perform the financial review 2. See #1 3. We have no written policies for minimum financial requirements. 4. We rely on the mortgage lender or PNC Mortgage for all cash- purchases in making a decision.
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	5. Yes
<50 units	We do not do any financial reviews, relying on those done by the bank in reviewing a mortgage application. There wasn't any change in procedure for the couple of all cash sales we have had. The remaining questions are thus inapplicable.
<50 units	<ol style="list-style-type: none"> <li>1. (a)</li> <li>2. (a)</li> <li>3. No minimum requirements.</li> <li>4. Information about job and credit.</li> <li>5. Sure, but there's not a lot more than that.</li> </ol>
<50 units	<ol style="list-style-type: none"> <li>1. All</li> <li>2. Members of the Board, all members vote, but only one does the document review (so only one board member has seen all the details.)</li> <li>3. a. Confirmation that information on the application is true (rental record, salary, employment, history of bankruptcy, details of loan, etc.)</li> <li>b. Must have enough liquid assets after settlement (down payment and closing costs) to cover the maintenance fee for 6 months</li> <li>c. Mortgage + maintenance fee must not exceed 38 percent of gross income per month</li> <li>d. All debts, including mortgage plus the maintenance fee must not exceed 44 percent of gross income</li> <li>e. No bankruptcy in the past three years.</li> <li>4. We run a credit report and asks prospective residents for an application form, monthly statements from liquid accounts, W2s, 1099s, and Schedule C for two years for sole proprietors. We do a couple of exceptions (pay stubs for people who have recently changed jobs and have a different salary now, etc.).</li> <li>5. We could talk. Though it might be more useful to share the forms/worksheet</li> </ol>
<50 units	<ol style="list-style-type: none"> <li>1.. We review the finances of all prospective buyers.</li> <li>2. Reviews are conducted by members of the Co-op Board. Anyone receiving mortgage financing has been reviewed by the lender as well.</li> <li>3. We do not have a written policy on the subject.</li> <li>4. We require a credit report, pay stub and/or recent tax return, plus letters of reference.</li> </ol>
<50 units	Reviews are done by the Coop Board. In that the Coop fee is small relative to the value of the unit, our reviews as to financial ability are not very extensive. If someone has the resources, through a cash purchase or through a financed transaction, with financial vetting presumably done by the mortgage lender, to purchase a unit; our presumption is that they will have the resources to pay the coop fee; and if not, our security is significant.
50 – 199 units	NONE
200+ units	We rely on the lenders used by prospective buyers and with whom we have recognition agreements that define what happens should the owner go into default. For all-cash sales, we have a lender who reviews the prospective buyer's finances as if s/he were applying for a mortgage. That financial reviewer then gives us a letter indicating if the buyer has the resources to purchase the unit as well as maintain the monthly fees. Our co-op does not seek, nor keeps, any financial information about individual buyers. We discontinued our own financial reviews about 20 years ago believing the lender does a better job at reviewing applicants' finances than we could given they have the greater financial risk should the buyer go into default. Financial information for renters is the responsibility of the co-owners who rent their units.