

## Managing Expectations – Buyers/Applicants

To address the disconnect between what contract purchasers in cooperatives know about your community's finances and their own responsibilities, consider addressing some of the following matters in the application itself. The application is the portion that most buyers read in its entirety. Before making changes to your application, you may wish to consider consulting counsel to ensure that what is included meets all legal requirements including Fair Housing and does not otherwise contradict your bylaws or other governing documents. These suggestions have not been vetted by counsel and are from my perspective as a real estate broker.

### Sample Application Points:

- Remember that by the time the buyer gets to the interview, the resale package “walk away” period is usually over. Therefore, making sure the buyer knows as much as possible early in the process will reduce the chances of having a buyer in front of you whose needs are not a good match for the coop's rules.
- Designate an available Board member to answer questions when a buyer is in the review period.
- Provide a schedule of the last 3-5 years' fee increases and a description of the primary drivers for those increases to inform and manage expectations for future changes (for instance, 30% of 2020's increase was for energy, 15% for property taxes, 10% additional reserve contributions, etc.)
- Consider posing a question about how a buyer would pay a theoretical special assessment or handle a theoretical maintenance increase that was larger than usual due to the need to beef up reserves or handle an unexpected expense.
- Show a pie chart of what percentage of fees in this year's budget go to different categories.
- Explain how the budgeting process works. For instance, “The Board calculates the required funding to meet all of our maintenance obligations, tax payments, energy costs, and reserve contributions and that total number is divided by each member's share/percentage”.
- Set expectations regarding what the Board is looking to see financially, i.e., “While the Board considers the entire picture for each applicant, as a general guideline we look for 10% down and a debt ratio not exceeding 40%” or “We require a down payment of 20% and a debt ratio not exceeding 35%”.

- Also set expectations on reserves required after purchasing – for instance, “The Board looks most favorably upon applicants who can demonstrate they will have at least four months’ reserves of their revolving obligations” or “The Board requires applicants demonstrate liquidity of six times the monthly co-op fee and mortgage payment post-closing”. Also explaining what those funds can be – is it retirement, stocks, etc. or must it explicitly be cash? *Remember that making policies too restrictive or specific can harm sales and real estate values in your building.*
- Provide a clear understanding of what facets of the apartment and structure are the building’s responsibility for maintenance vs. an owner’s.

### **Managing Expectations – Sellers**

To make the process more smooth, consider offering an FAQ to sellers that sellers may share with their brokers. For instance, this might include:

- Rules the Board has on open houses
- Whether the building has official square footage measurements for the unit itself
- Key building rules that will matter to buyers – the pet policy, the sublet policy, residency requirements and surcharges for non-residency, whether washers & dryers or central air can be installed in units with approval
- Explanation of transfer process – who is the transfer agent, where does the Board application go to, what is a typical turnaround time, what is the interview process like
- Explanation of what Board is looking for financially in an applicant
- Explanation of how underlying mortgage works if applicable, sample of how to fill out regional sales contract with underlying mortgage information
- Information on whether storage units or parking spaces in the building stay with the apartment or are otherwise assigned or rented so broker advertises correctly
- Information on lenders who can lend to the building – and whether other lenders who use the “standard DC recognition agreement” can be added by default
- Request that seller inform Board when a contract is signed and when the resale package goes out so Board can be on notice to answer a contract buyer’s questions promptly