

## Hated New York co-op boards teach lenders a lesson

By Ilaina Jonas  
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**NEW YORK (Reuters)** - In Manhattan, the much maligned apartment co-op board, famous for rejecting notables such as Richard Nixon and Mariah Carey, may turn out to have been the last line of defense against risky lending practices.

Several real estate agents said the stringent boards that govern the comings and goings of buyers in their buildings could mitigate whatever effects higher interest rates and more restrictive lending policies may inflict on the Manhattan apartment market.

And they might have a thing or two to teach some of the banks and other home-loan lenders hurt by loose lending practices.

Co-operatives comprise about two thirds of the non-rental residential units in Manhattan.

A co-operative apartment building is a corporation. Instead of owning individual apartments, buyers own shares in the corporations, which are governed by boards. The boards have the final say on any sale and can reject a candidate for just about any reason other than those that violate U.S. constitutional rights.

Eric Appelbaum, president and owner of mortgage brokerage [Apple Mortgage](#), likened the board review to a fraternity initiation ceremony. "They were a tortured guy or girl going in. They were hazed. So they want to haze."

Richard Nixon was rejected twice by Manhattan co-op boards after leaving the White House. Carey was rejected by the same Central Park West board that rejected buyers for Barbara Streisand's apartment.

Many candidates have found the boards too intrusive, requiring references, payment guarantees, extensive income histories and long tallies of assets. Even media tycoon Rupert Murdoch had to seek co-op board approval before spending \$44 million on a three-story penthouse three years ago.

Real estate brokers and agents often act as a prospective buyer's representative during the co-op approval process.

**"I know more about their finances and their life than their own personal financial advisor very often," said Deanna Kory, senior vice president at real estate brokerage the Corcoran Group.**

The difference in standards between co-op boards and the banks has been substantial in recent years.

Most co-op boards will reject a candidate who plans to spend more than 25 percent of their gross monthly income on mortgage and maintenance payments, while a bank will allow 44 percent, said Appelbaum.

The boards also want a candidate to have one year of maintenance payment money in the bank as a cushion, while banks require only two months.

As for down payments, most co-op boards require at least 25 percent down and some will demand as much as 50 percent, while banks have been allowing 10 percent down or even nothing at the height of the recent lending frenzy.

**"Because co-ops are notoriously nervous about people defaulting, there's been an upward push for the amount of equity that co-ops have wanted in the apartment and restrictions on the amount of money that people have been able to leverage on the apartment," Kory said.**

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