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COOP VS. CONDO

There are two basic forms of residential apartment ownership in New York: Condominiums and Cooperatives. There are many differences between the two. Below is an explanation of both and a comparison chart listing the similarities and differences between them.

Please note that the information provided below is not set in stone. There are variations from the norm. Each Condominium and Cooperative building is different. The information below is just general information for your knowledge. No decision should be based on this information. Contact us at (800) 517-5240 for a detailed explanation of your Coop or Condo.

CONDOMINIUMS

A Condominium is a combination of Units registered as a Condominium under the Condominium Act. Each Unit is owned individually and transferred via a Deed. There are also "Common Elements" owned by all Unit owners. When a buyer purchases a Condo, the buyer is purchasing the individual unit AND the right to use the Common Elements.

Legally, a Condo is considered real property (i.e. real estate) and as such, it differs significantly from a Coop. When a buyer obtains a mortgage for real property, he/she must pay a "mortgage tax." The mortgage tax is a large portion of a purchaser's closing costs. The mortgage tax differs by county and is based on the mortgage amount:

LOCATION	MORTGAGE AMOUNT	MORTGAGE TAX RATE
New York City	\$10,000 to \$500,000	1.80% minus \$30
New York City	\$500,000 and up	1.925% minus \$30
Long Island (Nassau & Suffolk)	\$10,000 and up	0.80% minus \$30
Westchester (except Yonkers)	\$10,000 and up	0.80% minus \$30
Westchester (Yonkers only)	\$10,000 and up	1.55% minus \$30
Rockland County	\$10,000 and up	1.05% minus \$30
Orange, Putnam & Dutchess	\$10,000 and up	0.80% minus \$30

Note: for mortgages under \$10,000, please subtract 0.30% from the tax rate.

In addition to the mortgage tax, a purchaser of a Condo must obtain title insurance and pay recording fees for recording the Deed, Mortgage and Power of Attorney to the Condo Board. A coop does not require title insurance and the only recording charge is a UCC filing fee.

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When purchasing a Condo, the Purchaser, generally, does not need to get board approval, although the seller must get what's called a "waiver of the right of first refusal." Under the structure of a Condominium, the Condo Board has the right to purchase the unit at the same price that the unit is being sold to somebody else. The Condo Board rarely exercises this right. A Condominium also has no flip tax, although it may charge the Seller for issuing the waiver of the right of first refusal. Subleasing is almost always allowed without permission and repairs do not require Condo Board approval, unless they affect the structure of the building or neighboring units.

Although there is an elected Board of Directors for a Condominium, the power of the directors is limited. Generally the Condo Board has the power to collect and disburse common charges, sign contracts for maintenance and repairs, issue or exercise the right of first refusal and foreclose on units that do not pay their common charges.

A Condo owner pays his/her own property taxes and is usually responsible for paying for electricity and gas. The common charges are not tax deductible, although the property taxes are.

COOPS

A Cooperative Apartment is a term used to describe the ownership of a percentage of a corporation that owns or leases the building where the apartment is located. In exchange for such ownership, the stockholder is issued a proprietary lease to live in the Coop apartment. When purchasing a Coop, the buyer is purchasing a package consisting of (1) shares in the Corporation AND (2) a lease allowing the buyer to live in the specific unit.

A Coop is considered personal property and *not* real estate. As such, a buyer who obtains a "mortgage" for a coop does not pay a mortgage tax. The buyer also does not have to obtain title insurance or pay to record a deed or mortgage. With a Coop, there is no deed; ownership is determined by a stock certificate and a proprietary lease. Neither document is recorded in public records. The "mortgage" is called a "security agreement" and is also not recorded in public records. The only document that gets recorded is a UCC 1 financing statement. The UCC 1 financing statements provides that the coop is being used as collateral for a loan. The UCC recording fee is about \$100. Please note that the closing costs for a Coop are significantly lower than for a Condo.

Generally, every buyer must get approved by the Coop Board. There are almost no limitations on the reason a Coop Board may deny an applicant. As long as the denial is not "discriminatory," the Board may deny the buyer for *any* reason or *no* reason whatsoever. The Coop Board yields immense power; it can issue subleasing guidelines, pet policies and other

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house rules. It can collect, disburse and increase maintenance and common charges. It can sign contracts for repairs and maintenance and can borrow money.

Taxes are included in the maintenance. Usually the utilities are included as well. Only the portion of the maintenance that is allocated to taxes and interest on existing mortgages is tax deductible.

CONDO V COOP COMPARISON CHART

Please see the chart on the following page for a comparison of coop and condo features.

	COOP	CONDO
DESCRIPTION	Purchaser buys shares in the corporation that owns/leases the building and becomes a tenant of the coop apartment he/she is purchasing.	Purchaser buys the condo apartment itself and becomes the owner of that apartment.
OWNERSHIP How is ownership transferred?	Stock Certificate & Proprietary Lease	Deed
TAXES Are taxes included in maintenances or common charges?	Yes	No
TAX DEDUCTIONS Is the maintenance or are the common charges tax deductible?	Partially	No
UTILITIES Are utilities included in maintenance?	Yes	Sometimes
BOARD APPROVAL Is board approval required?	Yes	No
SUBLEASING	Sometimes	Yes

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Is subleasing allowed?		
FLIP TAX Is there a flip tax?	Sometimes	No
MORTGAGE TAX Is there a mortgage tax?	No	Yes
TITLE INSURANCE Is title insurance required?	No	Yes
AVERAGE CLOSING TIME: CASH DEAL	45 Days	25 Days
AVERAGE CLOSING TIME: MORTGAGE	90 Days	60 Days
RENOVATIONS Is permission for renovations required?	Yes	No, provided the renovations do not affect the structural aspects of the building or neighboring units.
MOVE IN / MOVE OUT REGULATIONS Are there day of the week and time limitations on moving?	Yes	Yes
BOARD OF DIRECTORS Is there a Board of Directors?	Yes	Yes
POWER OF BOARD Extent of power of the Board	The Board has almost unlimited powers, including: (1) approve/deny buyers or renters, (2) sign contracts for maintenance and repairs, (3) collect and distribute maintenance, (4) borrow money, (5) evict owners/tenants for not paying maintenance or breaking house rules, (6) create house rules.	The Board has the power to: (1) sign contracts for maintenance and repairs, (2) collect and disburse common charges, (3) foreclose on units that do not pay common charges, (4) issue waivers or exercise the right of first refusal.

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