

How to Get Almost Anyone Past a Co-Op Board

by Lucy Cohen Blatter | 5/22/12 - 9:26 AM

When it comes to passing a co-op board interview, preparation is the name of the game -- which means even if you weren't totally comfortable sharing everything with your broker *before* going to contract, the kimono needs to open *now*.

“Don’t be put off by a broker questioning something in your finances or how your package is being structured. As brokers we err on being overly cautious, because you only have one time to do a co-op board presentation,” says [Deanna Kory, a real estate broker at Corcoran](#).

Even perfect candidates--with solid job history, good references, and debt at no more than 30% of income--can trip up by presenting a disorganized application package to the board, says [Brad Malow of Rutenberg Realty](#).

"You have to make sure the board has to do the least amount of work and hunting as possible. The minute you make them work, you're in trouble," says Malow.

If you're not an ideal candidate--perhaps you fall into one of the categories listed below--you'll need more than mere attention to detail.

Here's how to handle 9 potentially sticky situations:

1. Freelancers

It can be tricky to get a board to approve self-employed buyers because freelance incomes are often not steady and can fluctuate greatly from month to month.

Present the board with two to three years of income history (the more, the better). Have the accountant who does your taxes every year write a letter for you, and include recent tax returns.

However, notes Kory, “Sometimes I want to scream when I get the letters back from the accountants -- they’re dry and hard to understand. Typically what I say to the buyer is, 'If you get your accountant to write it, I’ll take a look at it.' Sometimes I’ll write the letter with what they’ve told me, and they tweak it. It just has to be clear.”

You’ll also want to present a prediction for your income over the next three years. If you have any contracts that are already set, get letters from employers detailing them.

"Anything you can get on company letter head that explicitly refers to 'guaranteed' income is a good thing," Malow says.

Real estate lawyer [Kevin Farrelly](#) says he's recently seen boards ask for up to two years of maintenance in escrow for anyone who's self-employed, so be prepared for that, too.

2. Retirees

Board don't necessarily have any problems with retirees, as long as they have a strong financial profile, good liquidity, and a healthy passive income to cover the monthlies.

A letter from an accountant outlining all investments and pensions is a crucial part of any retiree's co-op board package.

For those living off of pensions and investments, the board will need to be completely clear on how much money is actually coming in annually.

“For people who've invested in triple-tax-free municipal bonds, for example, a \$200,000 annual income is really like \$300,000, but you need a lawyer to spell that out,” says Kory.

"One of the most advantageous things is show as diversified a portfolio as possible," Malow says.

3. History of bad credit

Even if your bad credit is ancient history (and it better be if you're looking to buy a co-op), or there's been some mistake regarding your credit report, it's important to address it in a co-op package.

Buyers should offer a letter explaining the situation and where they are with it. Here, too, a letter from an accountant can help.

4. Recent divorcee

The problem with people going through a divorce, Kory says, is that until a divorce is finalized or settled completely, there's always a question in terms of who's going to get what financially -- assets, child support and/or alimony.

If your divorce is amicable, it's helpful to get a letter from your divorce lawyer explaining that and clearly outlining that you are in good financial standing.

“If the person is relying on money from a settlement, you have to be pretty far along in the divorce for this to work,” says Kory. But as soon as papers are signed, and the court has sanctioned any settlement, it should be fine, Kory says.

5. Wall Streeter with an unknown bonus

Most Wall Street cash bonuses dipped last year, but plenty of Wall Street-ers received deferred compensation and stock options, which can increase their appeal to the co-op board.

Some boards are sympathetic and positive about Wall Street-ers, others are less so. Kory says it's the job of the broker to know which category a board falls into before presenting a buyer.

It's also important to present an outline of all deferred comp and stocks, with information on when the comp is coming through and the stocks will be vested.

Getting the word "guaranteed" into any employment or accounting letter is important. If there's a minimum bonus guarantee, be sure to show that.

Due to the complicated nature of it all, Kory likes to present the info in chart form.

"It need to goes back historically and look forward. The chart has to be clear, convincing, and it must go back at least three years," she says.

It also helps to find a broker who is familiar with how Wall Street compensation works, and who is good with math.

6. A history of co-op lawsuit (s)

Oops. Even Kory is stumped on this one: Co-op boards see any potentially litigious person as a big no-no, fearing future lawsuits.

"If it's an absolutely legitimate thing--like, say, a shoddy new development which you justifiably sued--you could try [to explain it]. Honestly, though, I just don't see it. You'd need to get more lawyers involved, and it becomes too big of an expense for everyone," Kory says. "I would say buy in a condo."

On the other hand, since many lawsuits end up settling before going to court, you may never need to tell the board anything (and a non-disclosure agreement may ban you from talking about it all).

"Of course, if the case did go to court and the judge ruled in your favor, by all means you should include any court documents in your package," Farrelly said.

7. Bad Google reputation/Skeletons in the closet

The extent to which a past scandal can affect your standing with a board really depends on the board.

"This is when it's really helpful to have a broker who knows the building and may even have worked with people who've been turned down by the board," says Farrelly.

Brokers should always Google their clients, and buyers should Google themselves, Farrelly says.

If you do have a slightly salacious (and Internet searchable) backstory, by all means address it with a letter of explanation. You can assume the board will find out.

You may even want to provide a personal letter of reference, Malow suggests.

Kory's even seen problems arise when someone has the same name as a questionable character; buyers should address that too. Translation: Start Googling yourself now.

8. In-home teacher

This is another tough one. Co-op boards have rules about how much of the time you can use your apartment as a home office, and many frown upon any job that has clients coming in and out, Kory says.

Music teachers can be the hardest ones to get past the board. While soundproofing may sweeten the deal, you better hope for a lenient board.

Kory says famed pianist Emmanuel Ax faced several co-op turndowns recently over concerns he would be a loud neighbor.

“And in that case, you can assume that he would have been traveling a lot, and the music would be a lot better than any coming out of a teacher’s apartment.”

But, Kory adds: “Your best bet may be to run the idea up a the flagpole,” and see the board’s reaction. “You’d just have to make a pretty strong case for it.”

9. Real estate developers/Anyone with several real estate investment properties

Developers and real estate investors can have trouble getting past a board because their income is harder to demonstrate.

“There are a lot of tax advantages for those who own real estate that allow for a lot of losses. Sometimes the income shows up on tax returns as being zero or even negative,” says Kory.

How do you put a \$0 income in front of the board?

“You get an accountant to explain the tax law to the board,” she says.

Kory recently had a board return a developer’s package and ask him to resubmit it. She got his accountant and lawyer to put together letters explaining the situation, and he received board approval after all.