The New York Times

YOUR HOME

# YOUR HOME; Co-op Lending Eases

By Andree Brooks

*Nov. 28, 1993*

IT is finally getting easier for shareholders in financially troubled New York City co-op buildings to secure share loans -- either to refinance their individual loan or to further a sale.

For several years loans had been extremely difficult to obtain these share loans because the real estate excesses of the 80's had left many co-ops with dozens of unsold units. Maintenance payments on those units then became an unreliable source of building income. This scared lenders because it posed a long-term threat to building conditions.

In addition, real estate brokers backed off from taking listings, aware that prospective buyers could not finance their purchases. Only those sellers willing to drop asking prices so low that an all-cash buyer might be found were given encouragement.

But all that's changing. The most positive signal came several weeks ago when the Federal National Mortgage Association (Fannie Mae), which buys residential mortgages and tends to set policy for the mortgage industry, announced liberalized lending rules for co-ops in New York City (co-ops elsewhere, subject to different local laws, are not yet included). Those changes, since clarified in detail, are as follows:

* A lender may now write a loan in a building where only 51 percent of the units have been sold to owner-occupiers. The previous minimum was 80 percent.

* Units that shareholders had rented out temporarily will no longer be counted as unsold but instead will be included in the owner-occupied total.

* Buildings that imposed flip taxes will be eligible so long as the flip tax is not too onerous, say, less than 3 percent of the total sales price or if it is based on any appreciation since the prior sale.

* Lenders may now approve a loan in a building with a small negative cash flow -- provided a sponsor default would not increase an individual borrower's maintenance payments by more than 10 percent.

* New 30-year fixed-rate loans will be available with a down payment of 10 percent. In the past, co-op loans were typically limited to 80 percent of value.

* The pro rata share of the underlying mortgage can now reach 40 percent of total unit value. The limit had been 30 percent.

Following the announcement, Fannie Mae announced 15 participating lenders. They are Arbor National Mortgage, Anchor Mortgage Services, Bank of New York Mortgage Company, Chase Home Mortgage, Chemical Bank, Citibank, Columbia Equities, Dale Mortgage Bankers Corporation, Dime Savings Bank of New York, The Greater New York Savings Bank, Home Savings of America, Long Island Savings Bank, MidCoast Mortgage Corporation, the Prudential Home Mortgage Company and Republic Bank for Savings.

The list, together with the names and phone numbers of loan officers in these institutions working with the new program, may be obtained by calling Fannie Mae's public information hot-line: 1-800-7FANNIE and then pressing 3 for operator assistance.

But the changes are only guidelines. Lenders retain a great deal of discretion. "We can even make waivers if there is a good reason to do so," said Jeff Ogren, a branch manager with Columbia Equities familiar with the program. One example might be to approve a loan in a building where less than 51 percent of the units had been sold to owner-occupiers if the building is otherwise healthy.

Don't expect every bank to know about the changes. Since the change is new, applicants may have to be persistent and ask to speak to a supervisor.

And don't expect all buildings to be eligible. Those unlikely to win financing even now are those with multiple underlying mortgages, those with major rehabilitation needs and a sponsor with a checkered financial history, said Eric Moskowitz, executive vice president of Dynamic Realty with offices in Manhattan and Queens.

So the burden of convincing a lender will still fall upon the borrower. Thus shareholders planning to refinance or sell under the new guidelines should begin by assembling supporting documents from their co-op.

Those documents certainly helped Sayed J. Noori when he approached Dime Savings Bank to finance the purchase of a $38,000, one-bedroom co-op in Woodside, Queens. The price was low since only 57 percent of the units had been sold and financing had previously been unavailable. His loan, approved in October, made him one of the first buyers to benefit from the change.

John Donohoe, a partner in the law firm of Phillips, Lytle, Hitchcock, Blaine & Huber in Manhattan, said that documents filed with any application should ideally include financial statements from the co-op showing that payments on the underlying mortgage are current and a sizable reserve fund and a solid cash flow are in place.

Charles Sewright, executive vice president of Anchor Savings Bank, said a potential borrower should also provide names and phone numbers for the building's managing agent, treasurer and sponsor. Even with the new guidelines, he warned, it will be difficult to gain a commitment unless they cooperate.

Also useful, said Mr. Ogren, the loan officer from Columbia Equities, would be a copy of the co-op's current operating budget and the disclosure statement the sponsor must file with the Attorney General whenever the sponsor's financial circumstances substantially change. "Any board member should be able to get this information for you," he said.

Melissa Cohn, chairwoman of Manhattan Mortgage, a mortgage broker, said lenders not participating in the Fannie Mae program were liberalizing criteria, too. Rates should also fall in the coming weeks, she said, as more lenders return to this market and compete for the business. So using a mortgage broker to do the shopping would be another possibility, particularly for the busy shareholder.

It's also an ideal moment for any shareholder anxious to make another stab at getting that unit listed to do so. **Ed Gitlin**, a partner with Benjamin Realty, which has offices throughout Queens, said his agency would reconsider such a listing, provided it met the new guidelines. And he has questionnaires to help make that calculation.

In fact, his agency plans to send fliers to hundreds of shareholders in Forest Hills, Rego Park, Briarwood and Kew Gardens, Queens, within the next few weeks encouraging them to list their apartments with his agency despite what might have occurred in the past. "We can help with refinancing too," he said.

Board members, brokers, managers and even lenders might find it useful to attend a breakfast seminar on co-op financing changes sponsored by the Southern New York Chapter of the Community Associations Institute and the Mortgage Bankers Association of New York. It is scheduled for next Tuesday at 8.30 A.M. at the New York Helmsley

Hotel, 212 East 42d Street. The fee is $25. For reservations call Daphne Cohen, chapter executive director, at (212) 268-8939.