



January 31, 2010

The Board Package



What Information Goes in The Board Package?

Once you have received a fully-executed copy of your purchase contract, you will have ten business days to submit a "Board Package" to the co-op's managing agent. If the transaction is "subject to financing", the Board Package will have to be submitted three business days after the loan commitment letter is issued by your bank. The Board Package consists of a standard form of purchase application which most Boards use to collect basic information about your business and personal life (and that of your spouse); authorization for a credit check; various disclosures about the co-op (for example, the Board Package might contain a notice that a purchaser will be required to replace the windows in his or her apartment or pay an upcoming assessment); a financial statement (usually consisting of a balance sheet and income statement) to be filled out by the purchaser; a request for business and personal references; a request for an application fee; a lead-based paint disclosure if the building was constructed before 1978; and various other documents or Board requirements. In most cases, the real estate broker that helped you find the apartment will help you put together your Board Package. The broker will review all the information, and in many cases, will make suggestions to help you present your

information in the best light. The process can border on the absurd and can be unbearably time consuming, but there's no way to avoid the approval process unless you buy an apartment in a condominium (that being said, condos have extensive Board Packages as well, but no real rejections rights). Take the process seriously and try to put together the best presentation that you can. It will be reviewed by all of the Board members and will be used to determine whether the Board will schedule an interview with you. Boards have the power to turn down a prospective purchaser without an interview if they don't like the Board Package. It's serious business. A bunch of strangers sitting around a dining room table, looking over your purchase application, can make your life miserable. Listen to what your broker suggests and do what's asked of you...within reason. To avoid a world of grief, remember:

Don't Misstate Your Financial Condition

It's life, there will always be a fudge factor in business and personal matters. Presenting yourself in the best light is expected and appropriate. Nevertheless, if you overstate your assets or income, there is always a possibility that the managing agent's representative or one of the bean counters on the co-op Board (and there is always at least one) will figure out how you're cooking the books. When that happens, you will not only run the risk of getting turned down by the co-op Board, but you will also run the risk of losing your contract deposit by submitting a Board Package in bad faith (that is, lying about your financial condition). Your best line of defense is to question your real estate broker thoroughly about the financial requirements for the co-op you're interested in. If the building requires a liquid net worth equal to twice the purchase price and you only have a liquid net worth equal to one and a half times the purchase price (sort of), you're probably looking at the wrong building. In most cases, the broker will give you the third degree to determine which properties should be shown to you based upon your financial condition. It's one of those rare situations where you should be completely honest about your financial condition with a complete stranger. Most of us wouldn't tell a close friend what our real numbers are, but with co-op purchases, you have no choice. Let the broker know what your situation is and never try to outsmart the Board with creative accounting. I As I have seen over and over, it just won't work.

For more about process of applying for approval to a co-op Board, See [How to Avoid a Board Turn Down](#)" and [Board Package Red Flags](#)".

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