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Key Terms in the NYC Homebuying Process

Buying a home in New York City is so one-of-a-kind that it even has its own lingo. Most of it pertains to the properties themselves, or the buying process. Your agent knows it, but it’s important for you, the buyer, to know it too. Learn how to speak NYC real estate with these key terms.

Co-op

When you buy a co-op, you don't actually own your specific unit. Instead, you own shares of a co-op corporation that owns the building, and the right to a proprietary lease of your unit. The larger your apartment, the more shares you own within the corporation. Co-ops are usually less expensive than condos and have a strict approval process. Co-ops, for the most part, do not allow investors. Co-ops charge maintenance fees each month that cover things like utilities, insurance, and staff salaries.

Condo

Condominiums are "real" properties. Each individual unit has its own deed and its own tax bill. You own it free and clear, though like a condo anywhere, you are subject to the terms, rules, and regulations of the condo board's governing documents. Condos also have monthly charges that cover building operating costs and management fees, shared with other residents.

Condop

A condop is a co-op that was formed inside of a condo building. At the bottom of the building is often a single condo unit that houses commercial and retail space, which is run under condo rules. Above, all the residential space is one giant condo unit in which a co-op is formed so that the apartments can be divided via shares among owners. The co-op residents operate primarily under co-op rules, but the co-op must abide by the condo rules and hence both rules are in effect for condop owners. For the most part, condops function more like co-ops when it comes to the application and approval process. Condop owners own shares in the building, just like co-op owners, and also pay maintenance fees that include taxes.

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Co-op board

A volunteer organization of co-op shareholders, elected by fellow shareholders, which oversees sales, purchases, and other regards, such as building rules. Condo buildings also have boards, but they may function differently and may not have the same powers.

Maintenance fees

Operating costs for a co-op building that owners are required to pay. This includes taxes, insurance, mortgage, management staff salaries, gas, heat and hot water, etc.

Common charges

Condo equivalent of maintenance fees. Do not include real estate taxes.

Land lease

A building whose land is leased, generally for long terms (50 to 99 years). Unit owners pay a land rent, which is wrapped into maintenance fees, generally according to the number of shares associated with each unit.

Sponsor unit

An apartment being sold directly by the building's owner or developer. Often these units have been occupied by long-term tenants and need renovations. However, the buyer is often allowed to bypass the co-op board interview.

Prewar

A prewar apartment or building is one built before World War II. These coveted properties often contain signature characteristics like high ceilings, spacious layouts, original hardwood floors, large foyers, crown moldings, and more.

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Pied-à-terre

A non-primary residence. Co-op buildings tend to have strict rules regarding pied-à-terre usage.

Pre-qualification

An informal recommendation a mortgage professional creates for prospective buyers regarding their ability to secure financing for a home. The potential buyer provides basic, self-reported financial information; the broker may then issue a pre-qualification letter, which can be shown to the seller or agent.

Pre-approval

A formal process in which mortgage brokers determine if prospective borrowers can qualify for a mortgage of a specific value. The process involves more paperwork than pre-qualification because brokers have to look at tax returns, pay stubs, bank statements, and an official credit report. In addition to financial information, the broker will ask for details on the buyers' prospective property or similar properties.

Cash

A cash offer or cash deal is one that is not contingent upon financing. The buyer purchases the property outright and upfront, without a mortgage.

Financing

The percentage of the purchase price that a co-op or condo will allow to be in the form of a mortgage or share loan. If a building allows 70% financing, the buyer must make a 30% down payment.

Financial statement

A formal record of all your financial assets, debts, and liabilities.

Debt-to-income ratio

The percentage of a buyer's gross income relative to the amount of debt owed. Co-ops and condos tend to have DTI ratio requirements, typically of no more than 25% to 29%.

Appraisal

An assessment of a property's market value, typically done when obtaining a mortgage.

Lien search

A background check on the property and seller to ensure there are no outstanding debts or claims.

In contract

A property is "in contract" once a contract has been fully executed by both buyer and seller and a deposit has been received by the seller's attorney. An accepted offer does not mean a property is in contract.

Contract deposit

Also known as "earnest money," a contract deposit is a percentage of the purchase price that the buyer pays upon signing the contract. It's effectively a pledge that the buyer will fulfill the terms of the contract and not back out. The contract deposit is usually part of the down payment and is not recoverable if the buyer backs out.

Final walkthrough

A final inspection of the property done a few days before closing, allowing the buyer to ensure the condition is true to what was specified in the contract.

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Contract of sale

The legal agreement between a buyer and seller outlining the terms of purchase for a property.

Closing costs

Additional taxes and fees that both buyers and sellers have to pay when closing on a home sale. There are two types of closing costs: bank-related costs, including mortgage taxes and bank fees, and title-related costs, such as transfer taxes, title insurance, and mansion taxes.

Mansion tax

A tax on any residential property in NYC purchased for $1 million or more, ranging from 1% to 3.9%.

Flip tax

A “flip tax” is not actually a tax, but a transfer fee that a co-op charges when a unit sells. It is most often paid by the seller, but is sometimes paid by the buyer or both parties, pursuant to negotiation.

Power

Usually short for “power of attorney” (or POA), this is a legal document authorizing a representative (such as a real estate agent, attorney, friend, relative, or business partner) to close on a transaction on the buyer’s behalf.