CO-OP.

1. In New York City, co-ops outnumber condos.

2. In a co-op, the entire building is owned by a single corporation. Instead of a deed, buyers get shares (stock certificates) in the corporation, and a proprietary lease that allows buyers to occupy a specific unit and lays down the rules and rights much like a lease in a rental building.

3. Buyers of co-op apartments are referred to as “tenants” or “shareholders,” not “owners,” and when legal issues arise, they are decided in accordance with landlord-tenant law, which typically gives co-op shareholders more protections than the laws that apply to condo owners.

4. Shareholders elect a volunteer co-op board that--except in some very small buildings that choose to save money by self-managing--works with a property management company to oversee the care and maintenance of the building.

5. The board also creates and enforces rules about everything from renovation inside units, to what’s allowed to transpire on the roof deck, to whether you can speak on your cell phone in the lobby, or whether (and what kind of) dogs will be allowed in the building. Unlike condo boards, co-ops can even evict an extremely disruptive shareholder and force them to sell their apartment.

6. Many co-op boards are made up of volunteers, likely with full-time jobs and families who try to make the best of what is a demanding and time-consuming role if done right.

7. Note: In both co-op and condos, your voting power increases with the size of your apartment.

8. Shareholders pay a monthly maintenance fee. Part of it goes toward the expense of operating the building. The other part is the amount of property taxes apportioned to each shareholder based on the number of shares assigned to their apartment. When property taxes and fuel costs are rising sharply, maintenance fees are frequently adjusted upward each year (3%-7% annual increases are quite common).

9. Co-op boards can require shareholders to pony up extra cash from time to time to boost the reserve fund or pay for a specific project. In a 40-unit building, for example, an assessment to replace an elevator might run $8,000-$15,000 per unit, depending on how many shares you own. Typically, shareholders can spread their payments out over a period of time such as 6 to 18 months.

10. A co-op board can turn down a buyer for financial and any lawful reason and the reason need not be divulged. (Note: If you buy an apartment directly from the sponsor, you will not need board approval at all).

11. Most co-ops require buyers to put down 20-25% of the purchase price, about the same as what most lenders require these days. But the range can be vast, depending on the co-op— anywhere from 20% down to 50% or more at higher-end buildings.

12. Co-ops also expect you to have sufficient money left over (also known as ‘liquid asset requirements’). The required amount can range drastically, from a few months’ worth of maintenance payments to 1 to 3 times the purchase price of the apartment. Two years’ worth of mortgage and maintenance charges is about average.

13. A co-op will expect you to meet a debt-to-income ratio, usually around 25%-29%. That means your total monthly payments-mortgage and maintenance--cannot exceed the specified percentage of your gross income. An excellent credit score is also required.

14. The average co-op’s financial standards are much higher than the average mortgage bank. This is a primary reason NYC co-op withstood the last recession so well.

15. NYC co-ops are cheaper, on average, than condos. Part of the reason co-ops tend to cost less is because they are typically older, lacking the bells and whistles of the tens of thousands of new condos constructed in the past decade. Many newer condos have also secured property tax abatements that enable developers to command higher sales prices than if buyers had to pay full tax bills right away. Another reason co-ops are cheaper is that buyers usually must be approved by a board. That process involves a lot of paperwork, a personal interview, the possibility of rejection, and disclosing your financial to the board of directors.

16. Co-ops have policies about subletting, which does not make them an ideal investment opportunity and can present a challenge if your job suddenly relocates to London, for instance. The rules vary, but owners are usually allowed to sublet their apartment for no longer than 1 to 2 years in any 5-7-year period. The board also gets to approve your tenant and charge you a fee for subletting.