The New York Times

Real Estate Q&A

Expert Advice for Owners and Renters

Board Turns Down Loan Refinancing

By JAY ROMANO

July 14, 2011

Q. *I want to refinance the share-loan on my Manhattan co-op apartment. The refinance will be for the same amount as the original loan, but at a lower interest rate. When I bought the apartment, I financed 70 percent of the purchase price. The board will not approve the refinance, however, because the new loan will exceed 70 percent of the appraised value of the apartment, which has declined since I bought it. Refinancing would allow me to lower my payments. Can the board do this?*

A. "The board is within its rights to limit financing to a certain percentage of the appraised value," said **Adam Leitman Bailey**, a Manhattan real estate lawyer. He said that by limiting the ratio of financing to appraised value, the board is assuring that all shareholders have at least a certain minimum amount of equity at stake. "To make an exception in this case would lead to the board having to make exceptions for other shareholders, thereby eviscerating its 70 percent rule," he said.