

# HABITAT

## Self-managed co-op admissions Let 'Em In?

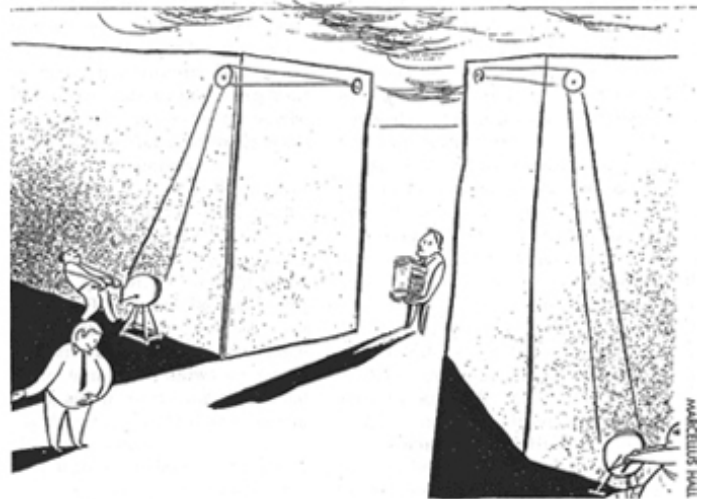
Michael Gwertzman  
October 2003 - Number 194

Rolling out the welcome wagon for new co-op shareholders is easy. Getting them through the front door is the hard part.

Admitting someone into a cooperative is a time-intensive, paperwork-heavy process that needs to be done properly. Few decisions a board makes can have a bigger impact on a building than vetting new shareholders, especially in smaller buildings, because if a newly selected shareholder can't keep up his or her end of the financial obligation (i.e., paying maintenance), the health of every unit-owner's apartment is in jeopardy.

Without a property manager to wrangle applications and organize interviews, self-managed co-ops need to nail down an efficient admissions procedure that ensures that everyone has the right information to make the correct decision. The process itself isn't that different from professionally managed buildings. The same steps must be followed. A prospective purchaser still needs to provide the same documents, there must be a credit check done, and, of course, there must be an interview. But getting everyone's schedules organized, getting all the application forms copied and distributed, following up on missing documents, and all the other back-and-forth matters take persistence, dedication, and time, items which can sometimes be in short supply for hard-working, self-managed boards.

Delegating work can speed things up. Barry



Korman, a retired business executive who is a paid resident manager and board member at his West Side co-op, uses technology to keep up with the document flow. He has all the forms that a prospective buyer needs to fill out saved on his computer, as well as the financial information for the building. Korman can e-mail or fax the documents to prospective buyers when a new sale is underway. Once the buyer has filled out the documents, Korman scans them back into his computer and then prints copies for the board members. That saves on trips to Kinko's, minimizes confusion from missing paperwork, and also keeps a digital record of all the applications and sales.

"I handled eight sales last year, and everyone got the forms they needed on the same day," he notes. For time-stretched boards that don't have a dedicated individual, one option is to make the buyer and seller responsible for wrangling the paperwork. A board president at a 12-unit Jackson Heights co-op says each seller must get all the necessary forms to the buyer. The buyer fills them out and returns them to her, who then reviews them. If they're complete, the buyer must make the necessary copies and distribute them to the board. "The burden of responsibility is on the shareholder," she says.

# HABITAT

Aside from the documents provided by the prospective buyer, it's also crucial to run a credit check on the applicant. There are dozens of companies that offer tenant screening, credit reporting, and verification services online. Just search for "tenant screening" at <http://www.yahoo.com> or contact a firm like ATS Tenant Screening Services at <http://www.atshome.com>.

Putting all the paperwork - tax returns, bank statements, mortgage commitments, asset lists, etc. - into something that makes sense for the board depends on having the right application form. The Council of New York Cooperatives & Condominiums (CNYC), a not-for-profit membership organization that provides education and resources for co-ops and condos, has a simple prototype admissions application with an easy-to-understand list of assets and liabilities, along with personal information, a share purchase agreement, and a list of questions regarding the applicant's involvement in any lawsuits, bankruptcies, or foreclosures. This form is available to all CNYC members. Non-member buildings can join by contacting CNYC at its website (<http://www.cnyc.coop>). CNYC also runs a seminar focused on admissions procedures at its annual fall housing conference.

Once the paperwork is together, centralize responsibilities for following up on the references and verifying the employment letter. Tom Flynn, president at his 16-unit Jackson Heights co-op, says he makes numerous phone calls, and even goes by to check out the applicant's current address if it's nearby. Attorney **Adam Leitman Bailey** also recommends that boards go a step further and do a litigation search.

"I do a litigation search to see if a potential shareholder has had non-payment cases against them in landlord-tenant court," he says. The search will also reveal if the prospective buyer

has been particularly litigious with his or her neighbors. Board members can conduct the searches in person at New York courthouses or they can contact their attorneys.

In Flynn's co-op, four board members review the applications, conduct the interviews, and make the admission decision. After receiving the paperwork and applications from the potential buyer, Flynn gives the board members a week to look everything over and submit any questions they might have to him. He follows up on the queries, and if everything checks out, the applicant is invited in to meet with the board members.

s

"We'll ask them a heck of a lot of questions basically based on the info they gave us," he says. "If there's any questions we'll give them an opportunity to clear them up."

The main admissions criteria for Flynn, and as it should be for every board, is the money picture: does the applicant have enough in the bank to keep up with his financial obligations even in the event of an unforeseen mishap? Basing a rejection on any other criteria can open up the door to a potential discrimination lawsuit brought against the board. If, upon reviewing the data, it appears likely that the prospective buyer won't be admitted by the co-op, attorney Bailey says the best practice is to simply not interview the candidate. The 12-unit Jackson Heights co-op board does just that; rejected applicants are notified via a letter that explains the rationale for the rejection. The president says the move is mainly a preventive step to stave off any potential litigation.

Attorney Ronald Sher, a partner at Himmelfarb & Sher, says that the full board should always be involved when rejecting or disapproving a potential shareholder. If the building uses an admissions committee or interview committee,

# HABITAT

it must not have the power to reject on its own. “The admissions committee should only make a recommendation in the event of a proposed rejection,” Sher says. “They should not expose the board to potential liability without the entire board reviewing it.”

If a candidate has cleared all the financial hurdles and if the references check out, the last steps are to interview the prospective shareholder and vote. Based on the above practices, it’s fairly unlikely that a candidate would be rejected at this final stage. But boards still need to be careful in the interview. Don’t ask questions that appear to be discriminatory: i.e., don’t ask anything about a candidate’s nationality, skin color, race, age, marital status, or disability.

Boards should use the interview as an opportunity to educate the prospective buyer about what is expected as a shareholder in a self-managed building. If residents are responsible for clean-up or other tasks, make sure the buyer is aware of what he or she is going to be asked to do. Tell the interviewee about any particular house rule that he or she should be aware of. And if the board has any worries or concerns, now is the time to voice them.

Julia Turchuk, a board member at her 16-unit Jackson Heights co-op, says her board likes to ask about how the potential shareholder plans to use the apartment. “We want people who are going to live here and participate,” she says. “For self-managed buildings, it’s a crucial thing.”

The admissions process is, above all, about organization and communication, and it must be done properly to ensure that applications are reviewed fairly. Who handles what in a self-managed building? It depends on time, and who’s willing to make the phone calls, shuttle the paperwork, and coordinate interview times.

Centralize responsibilities in one board member if he or she has free time to follow up with everything, or delegate the tasks to avoid one person scrambling to stay on top of work. Try to get the forms and paperwork to the buyer as soon as possible, to give the applicant enough time to fill everything out and to leave enough time for a thorough review by the board. And make sure that everyone is on the same page regarding proper interview questions and discrimination laws.

Aaron Isquith, a broker with Warren Lewis Realty in Brooklyn, praises the self-managed buildings he’s dealt with as generally fast, responsive, and easy to get through to. “It’s normally done fairly quickly,” he says. “For the most part, these are the watchdogs of the building, and much more so than the managing agents.”