

One Good Reason

Q & A

By Adam Leitman Bailey, Esq.

Q When an applicant applies to buy into a co-op and pays the high application fee, yet is denied by the board, shouldn't they be given a reason why they were rejected? I feel strongly that the board is wrong in turning someone away without so much as an explanation, especially after accepting the non-refundable application fee, which is often in excess of \$700 and holding the prospective buyer up with all the documentation required before even meeting him or her. Is the no-reason-given policy written into law, or just standard board practice?

-- Manhattan Shareholder

A According to Adam Leitman Bailey of the Law Offices of Adam Leitman Bailey, P.C. in Manhattan: "The policy derives from New York State courts' interpretation of the law. The Court of Appeals, New York State's highest court, has held that cooperative corporations may withhold consent to a transfer of shares for any legal reason without having to provide an explanation to the rejected buyer or shareholder. However, a cooperative board cannot reject an application based on his/her race, religion, sex, creed, national origin, marital status or disability.

The writer may receive his/her wish soon, though, as a proposed amendment to the New York City Human Rights Law, titled the Fair and Prompt Co-op Disclosure Law, would require cooperatives to disclose a written explanation for any and all reasons for a rejection."