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Real Estate

Q & A

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Refinancing a Sponsor Unit

Q ***I want to refinance my co-op, which was bought as a sponsor unit. Do I need board approval to get the refinancing?***

A "The answer to this seemingly simple question is complicated, since it involves two different issues," said Andrew Brucker, a **Manhattan** real estate lawyer.

The first issue relates to the status of the shares. Because the shareholder bought the unit from the sponsor, if the shares were bought as an investment — that is, neither the shareholder nor a member of his family ever moved in — they may be considered "unsold shares." If that is the case, then it is possible that the co-op's governing documents allow the shareholder — who would be considered a "holder of unsold shares" — to take a loan without the consent of the board.

If, however, the writer moved into the apartment after she bought it, she would have no special rights and would have to comply with the requirements of the governing documents regarding financing.

Co-ops have different rules when it comes to refinancing. "Board consent to financing is common in most leases," Mr. Brucker said.

In some leases, financing must be approved by the board, and such consent cannot be unreasonably withheld. But some leases, he said, require no approval at all.

"So to understand her rights," Mr. Brucker said, "the shareholder should review the lease carefully."

Some leases provide that a shareholder cannot borrow more than 80 percent of the value of the apartment, while others have stringent rules requiring cash and excellent **credit scores** before allowing refinancing.