

Luxury Listings NYC

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MANHATTAN MARKET ROUNDUP

Getting around the all-cash deal More buyers are now getting a mortgage after the sale has closed

By Hayley Kaplan

Home sellers are in love with hard, cold cash, but coming up with a cool million or more is tough for a lot of New Yorkers. Now, though, more and more are figuring out how to get the edge in Manhattan's heated housing market without draining their rainy day funds.

Here's how: They're putting the money up front, then finding a lender to finance their dream apartment.

Getting a mortgage after a sale has closed has always been an option but not one that buyers embraced until just a few months ago, when sales took off, mortgage experts and brokers said.

Today, there are essentially two ways to secure a loan after a sale has closed: delayed financing, also called a technical refinance, and cash-out refinancing. Technical refinances, which must be wrapped up in 90 days for tax reasons, are the more popular post-closing mortgages by far.

Eight out of 10 buyers who work with Kane Manera, a broker at Douglas Elliman on the LuxuryLoft team, ask about the lending practice because they want to recoup their savings and still beat out other bidders by offering all cash.

The other option, cash-out refinancing, is far less common for two reasons: The mortgage generally carries a high interest rate and the buyer is more likely to receive a smaller loan amount, said Debra Shultz, senior vice president of mortgage lending at Guaranteed Rate.

Even the well-heeled aren't always thrilled about depleting their liquid assets. Douglas Elliman broker Jessica Cohen tells the story of a couple who took an equity line on their first home, in the city, so they could buy a second home, also in the city—a pied-à-terre that they planned to eventually pay for with a technical refinance.

"People don't usually keep the type of money that it costs to buy a New York City apartment in their checking accounts. They're usually pulling it from somewhere else."

—Jessica Cohen, Douglas Elliman

The duo typifies so many of the other buyers who Cohen has worked with: They are conservative with their money and preferred to finance—but they also realized that they had to be ready to move fast when they found the home they wanted.

"All of the headache that it takes to get a mortgage, [buyers are] dealing with it later so they can have a competitive edge in the bidding process," Cohen said. [LL]

Mortgage Type	Interest Rate	Points	National Average
30-yr fixed	4.67%	0.25	4.75%
15-yr fixed	3.76%	0.56	3.6%
30-yr 1st ARM	3.48%	0.26	3.51%

Mortgage	Jan '13	Feb '13	Mar '13	Apr '13	May '13	Jun '13	Jul '13
30-yr fixed	3.72	3.82	3.81	3.73	3.68	4.11	4.62
15-yr fixed	3.07	3.17	3.13	3.06	2.95	3.23	3.66
1st ARM	3.24	3.14	3.08	3.07	3.03	3.08	3.76

Source: Zillow.com

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(EXCERPT)