



RESIDENTIAL MARKET

## Finding a way around the all-cash buy

Buyers are getting mortgages after the sales have closed

By HAYLEY KAPLAN

**C**ash remains king for buyers scrambling to get the edge in New York City's heated housing market. But most aren't really draining their rainy-day funds — not at all. They're putting the money up front, then finding a lender to help finance their dream home.

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 the process of residential deals started moving at a breakneck pace, mortgage experts and brokers told *The Real Deal*.

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 are the more popular

post-closing mortgages by far, experts told *TRD*. Kane Manera, a senior advisor at Douglas Elliman on the Manhattan Loft team, estimates that

eight out of 10 buyers whom he works with ask about the lending

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practice because they want to recoup their savings and still beat out other bidders by offering all cash. “If [a buyer] has the cash, they feel like they should use cash, especially if they’re looking for a seller’s concession or a service fee. They’re usually pulling it from somewhere else.”

Overall, mortgage refinances — including technical refinances — are declining because of the inching up of mortgage rates, according to the Mortgage Bankers Association. For the week of July 17, for example, refinance applications accounted for 63 percent of all mortgage applications, a drop from 64 percent the week before and the lowest level since April 2011, according to the trade group.

Sales in Manhattan are slowing down too, even though prices are still climbing. Just 461 condominium sales closed in June, compared with 529 for the same month the year before — a 12.85 percent decline, data compiled for *TRD* by real estate database CityRealty shows. Condominium prices climbed to \$1,350 per square foot, up from \$1,279 in June 2012 — a 5.6 percent increase.

The priciest contract signed in July was a townhouse at 144 Duane Street in Tribeca, listed for \$49.5 million with Elliman's Leonard Steinberg and Herve Senequier, according to the Olshan Luxury Market Report and listings website StreetEasy.

Despite the dip in mortgage applications, lenders are increasingly willing to write technical refinances, said Rolan Shnyder, director of new development lending at

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**Commercial Real Estate**

POPULAR COMMUNITY BANK

RECENT DEALS

\$3,400,000

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- \$3,340,000**  
Construction Financing  
Condominium  
New York, NY  
6 Residential Units
- \$2,040,000**  
Permanent Mortgage Financing  
Brooklyn, NY  
19 Residential Units
- \$7,800,000**  
Acquisition Financing  
3-Story Commercial Building  
New York, NY
- \$4,250,000**  
Permanent Mortgage Financing  
2 Rental Apartment Buildings  
Brooklyn, NY  
40 Residential Units
- \$1,575,000**  
Permanent Mortgage Financing  
Rental Apartment Building  
Brooklyn, NY  
8 Residential Units

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H.O.M.E. Mortgage Bankers. Buyers, though, must complete the loan process within 90 days after closing to comply with a regulation by the Internal Revenue Service, the experts said.

If a buyer misses the 90-day window, he still has the cash-out refinancing option. Cash-out refinancing, though, 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, Shultz said.

For the all-cash buyers who come to Guaranteed Rate, Shultz does what she can to make sure they qualify for the more desirable technical refinance — she has their paperwork all ready to go as soon as their sales are finalized.

Even the well-heeled aren't always thrilled about depleting their liquid assets. 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," she said. "They're usually pulling it from somewhere else. They're not taking it from a checking account or liquidating a retirement portfolio."

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. "I've seen a lot of interesting stories where people have their loan commitment and they're ready to close and the bank backs out at the last minute. It's brutal." **TRD**

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