COLTRAIN MORTGAGE

Condo vs. Co-op on Long Island: Why Financing Them Works Completely Differently

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Coltrain Mortgage Team · September 22, 2026 · 7 min read

Co-ops are common enough on Long Island - especially in older buildings around Great Neck, Port Washington, and other established Nassau County communities - that buyers hit this without warning: the approval process, the paperwork, and even who you're actually borrowing against all work differently than a condo. Here's what changes, and what to ask before you fall for a unit.

What You're Actually Borrowing Against

Buy a condo and you're buying real property, plain and simple - you get a deed, and a lender records a mortgage against your specific unit, the same way it would for a single-family house. Buy a co-op and you don't own real estate at all: you own shares in a corporation that owns the entire building, and a proprietary lease that gives you the right to occupy one unit in it.

That distinction is the reason everything downstream works differently. Fannie Mae's own guidance describes a co-op loan directly: it secures the lender's lien against your ownership interest in the co-op corporation - represented by stock certificates - and your occupancy rights under the proprietary lease, rather than a mortgage on the physical unit. It's called a share loan, not a mortgage, and it's documented with a UCC-1 financing statement instead of a recorded real estate mortgage.

Share Loan, Not a Mortgage	**Board Approval Required**	**Flip Tax on Resale**	**Fewer Lenders Participate**

Condo vs. Co-op, Side by Side

Both put a roof over your head in a shared building. How you finance getting there is where they split.

Condo

A real estate purchase like any other - you get a deed, the lender records a **mortgage** against the unit, and conventional, FHA, VA, or jumbo financing are all on the table depending on the building's approval status. Most boards only hold a right of first refusal and rarely block a qualified buyer.

Co-op

A share purchase - you buy stock in the building's corporation plus a proprietary lease. The lender's collateral is those shares and that lease, not real property, which is why it's a share loan rather than a mortgage, and why far fewer lenders offer them at all.

The Board Approval Package: The Step Condos Don't Have

A condo board's ability to reject a qualified buyer is limited. A co-op board's isn't - most can turn down a buyer for nearly any legal reason, and they typically require it: a full financial package (tax returns, bank statements, sometimes years of asset history, reference letters) followed by a formal interview before you're approved to close.

That review routinely adds several weeks to a purchase timeline that a condo simply doesn't have. It's also exactly the kind of delay worth planning your **rate lock** around from the start, and knowing what's in the standard **documentation package** ahead of time so you're not scrambling to assemble it once the board sets a deadline.

> **Not every lender still originates co-op share loans.** Because Coltrain works with a range of wholesale lenders rather than one bank's overlay list, we can generally still place a co-op purchase when a single-bank lender says no outright - worth asking about early in **the loan process**, not after you've already made an offer on a unit.

Why Some Lenders Won't Touch Co-ops At All

A co-op share loan is harder to originate and harder to resell than a standard mortgage. It's secured by a UCC-1 financing statement instead of a recorded lien, and because co-op ownership laws vary by state, Fannie Mae doesn't publish the same standard multistate forms for co-ops that it does for conventional mortgages - lenders have to handle state-specific documentation instead. Plenty of national lenders simply opt out of the product rather than build for it.

Government-backed financing is even more limited. FHA technically insures co-op share loans through its Section 213 program, but only in buildings HUD has specifically approved for it, and very few buildings anywhere qualify - so an **FHA loan** on a co-op is the exception, not the rule. In practice, most co-op purchases on Long Island are financed conventionally.

1%–3%

The typical flip tax range charged by co-op corporations in the New York area on resale - a cost condos simply don't carry, on top of any government transfer tax.

The Flip Tax: A Cost Condos Don't Have

Many co-op corporations charge a resale fee, commonly called a flip tax, when a unit sells - typically 1% to 3% of the sale price, though the exact structure varies by building, and it's usually paid by the seller. It's not a government tax at all; it's a fee the building keeps for its own reserves, disclosed in the co-op's governing documents, and it's separate from and in addition to any municipal or state transfer tax. Condos almost never carry an equivalent charge.

What to Ask Before You Fall for a Co-op Unit

THE FLIP TAX PERCENTAGE

Get the exact number and who customarily pays it, in writing, before you make an offer - it directly affects your net proceeds if you're selling, or your total cost if it's negotiated onto the buyer.

SUBLETTING RULES

Many co-op boards restrict or ban subletting entirely. That matters if you might need to rent the unit out later - a condo almost never has this restriction.

THE APPROVAL TIMELINE

Board packages and interviews can add several weeks beyond a standard closing. Build that into your contract timeline and rate lock before you sign, not after.

THE BUILDING'S UNDERLYING MORTGAGE

Most co-ops carry a blanket mortgage on the whole building, paid through your monthly maintenance. Ask what it is and when it's due - a large balloon payment can mean a maintenance increase later.

Not sure if a co-op is worth the extra paperwork?

So Which One Is Actually Right for You?

Neither is inherently the smarter buy. Co-ops tend to run less expensive per square foot and remain common in certain established Long Island neighborhoods, while condos offer simpler, faster financing with fewer building-level restrictions. The right call comes down to how much flexibility you need, how comfortable you are with a board approval process, and whether your lender still originates share loans at all - which is worth confirming with a loan officer before you fall for a specific unit, not after your offer is already in.

COMMON QUESTIONS

Is a co-op loan the same thing as a mortgage? +

Can I use an FHA or VA loan to buy a co-op? +

What is a flip tax, and who pays it? +

How long does co-op board approval take? +

Are co-ops cheaper than condos on Long Island? +

SOURCES

Fannie Mae Selling Guide, **"Loan Eligibility for Co-op Share Loans" (B4-2.3-04)**

U.S. Department of Housing and Urban Development, **Section 213 Cooperative Housing Program overview**

Hauseit, **"What Is the Average Co-op Flip Tax in NYC and Who Pays It?"**

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