# JUST LIKE A VIRGIN

By Patrick Niland

Lately, I've been getting a lot of calls from board members in buildings that currently don't have a mortgage. Some of these buildings were built as co-ops back in the early 1900s, while others may have had a loan at some time in the past but haven't had one for years. For the most part, these co-ops have chugged along just fine, operating very frugally and passing small assessments whenever anything needed fixing.

But, now, many of these buildings are confronting significant upgrades and/or replacements of major building systems like roofs, windows, boilers, or plumbing risers. The magnitude of the required assessments is driving their boards to seriously consider mortgage financing. This is uncharted territory for many of the shareholders in these buildings. As with anything unfamiliar, the whole idea of an underlying mortgage loan is raising lots of questions and inciting more than a little fear.

Let's address the fear first because that seems to be causing the biggest problems.

Whatever their level of financial experience and personal debt, shareholders in these buildings seem to share a sense of security based on their building's debt-free status. They are somewhat distrustful of the lending community and wary of anyone who recommends a monthly payment as the solution to their problems. They fret that the maintenance increase necessary to fund that monthly payment might present a financial hardship to some of their shareholders, yet they know that a lump-sum assessment almost certainly would.

In many ways, they feel trapped. But, most of all, they worry that, unless they get a self-liquidating loan, they could get to the end of their loan term and not be able to refinance. What then? Foreclosure and the loss of their homes?

I'd be lying if I said that such a scenario could never happen. However, I ***can*** say two things. First, it is extremely unlikely that a fiscally-responsible co-op would not be able to get a new loan to refinance an existing underlying mortgage on which they have been paying faithfully. Second, in more than 30 years of arranging underlying mortgage loans, in up, down, and crisis markets worse than the current one, I have not seen a single co-op not be able to get a new loan.

Nonetheless, the fear is real…and normal. However, it should not prevent any board from doing what's in their cooperative's best interest. Failing to preserve the physical health of their property endangers the financial well-being…and home…of each shareholder.