

They Just Don't Understand

In a tight market, banks look askance at walk-ups and studios. What's a New Yorker to do?

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Refinancing was tough for the candidate, but not for the usual reasons. On paper, he was a dream: good job, great credit score, tons of equity in a big, well-renovated Inwood apartment. But many banks refused, for one simple, though confusing, reason: He lived in a fifth-floor walk-up. Never mind that in his neighborhood, Inwood—indeed, all over the city, even in the best neighborhoods—walk-ups are everywhere.

Never mind, also, that most of the big banks are headquartered in New York, and that their bean-counters might be expected to understand our peculiar landscape. The fact is, broad national rules often put ridiculous constraints on New York deals. Paul Cole, of the mortgage-brokerage firm Trachtman and Bach, notes that New Yorkers who are neither subprime borrowers nor financially dicey are often confounded by arcane house rules that are incompatible with our urban landscape. “The business of mortgages and common sense don't necessarily mix,” says Cole.

Take four-unit co-ops. While they're standard-issue in well-off brownstone neighborhoods like Park Slope, Cole says they're practically untouchable for some lenders. So are apartments with window bars; if an appraiser photographs them, a red flag will sometimes go up. Some banks won't fund co-op deals at all, says Jeffrey Guarino, managing director of Gotham Capital Mortgage—and cooperatives constitute 75 percent of New York's salable housing stock. Small properties can also be suspect. One magazine editor was stunned to discover that JPMorganChase wouldn't write him a home-equity loan because his West Village studio, worth more than many suburban houses, was under 600 square feet. Cole gets agitated just talking about it: “You and I know you can sell a ten-by-ten storage unit in the city and get a bidding war!” he says. (Reached for comment, Chase's Mike Fusco says that “the dimensions of a co-op do matter when applying for a home-equity loan.”)

The solution, fortunately, is not difficult. If you find yourself up against one of these rules, find another bank. You may have to settle for the second-best interest rate, say, or a lender that's less convenient. If you're working on your own, this may require more shopping; if not, most New York mortgage brokers know the game inside out, and will do the screening for you.

So why don't the banks just wise up? Even though the city is thickly speckled with Chase branches—and those of other banks—lending rules are often hatched in far-off places,

where walk-ups are considered slums and 500-square-foot apartments are hard-to-sell oddities. “Here’s the thing: We forget sometimes that New York City is a small piece of a lender’s portfolio,” says Guarino. Today’s suspicious mortgage climate doesn’t help, either. “No one’s in the mood to make exceptions,” explains Cole. “You may think you’re qualified, but that may not matter.”

