

How to Process, Underwrite, and Settle a Co-Op Loan

A Comprehensive Guide by The Housing Assistant



What Even is a Co-Op?

A Co-Op (short for Cooperative Housing) isn't your typical real estate deal. Instead of owning the actual unit, the borrower buys shares in a corporation that owns the building, and that share gives them the right to live in a specific unit. Think of it like a condo's quirky, rule-loving cousin.

And yes, it comes with extra paperwork, board approvals, and more hoops than a 1990s basketball team. But don't panic, this guide walks you through how to process, underwrite, and close a Co-Op loan file like a seasoned pro.

Required Documentation for a Co-Op Loan File

Here's your Co-Op file survival kit, don't try submitting without it:

Required Document	Why It's Needed
Fully Executed 1003 Loan Application	Standard form but must indicate 'Co-Op' property type.
Tri-Merge Credit Report	Evaluate creditworthiness, this isn't a free membership club.
Income and Asset Documentation	To confirm borrower can afford the loan + co-op monthly fees.
Co-Op Board Approval Letter	Proof the building's board is letting the borrower in.
Executed Co-Op Contract of Sale	Replaces traditional purchase contract.
Recognition Agreement (Form 216/217/218)	Allows lenders to establish lien rights.
Offering Plan & Amendments	Outlines rules, structure, and finances of the co-op.
Two Years of Co-Op Financials	Verifies financial stability of the building.
Occupancy Agreement	Co-op's version of a lease.
Appraisal (Form 2090)	Specific form for co-op units.

Master Insurance Policy	Proof that the building is insured.
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Processing a Co-Op Loan

- Collect documents early – Especially the Recognition Agreement and co-op financials.
- Board approval – Required before clear to close. This isn't optional; the board has veto power.
- Appraisal – Must be ordered on Form 2090. Make sure the appraiser is co-op experienced.
- Offering Plan Review – Send to underwriter early to avoid “what is this?” delays.
- Track deadlines – Co-op boards don't care about your closing date. Give them time.

Underwriting Guidelines: GSEs vs FHA

Requirement	Fannie/Freddie	FHA
Co-Op Approval Needed?	Yes, building must meet review criteria	Yes, must be on HUD Co-Op list
Project Review Type	Full or Limited	Full
Recognition Agreement	Mandatory	Mandatory
Appraisal Form	Form 2090	Form 2090
Income & Assets	Standard DU/LPA rules	Standard FHA rules
Board Approval	Required before close	Required before close
Title Insurance	Not traditional, lender policy only	Not traditional, lender policy only

Closing the Co-Op Like a Champ

- No deed. The borrower receives stock certificates and a lease, not a title.
- Manage expectations. Explain this difference to all parties early.
- Recognition Agreement must be signed. No signed agreement = no closing.
- Funds go through managing agent. Confirm payment and wiring details early.
- Final CD – Must reflect co-op structure; confirm fees with managing agent, not just title.