

## **Good News for Co-op Boards and Managing Agents for the New Year: Changes to Housing Stability and Tenant Protection Act Benefit Co-op Corporations**

On December 22, 2021, Governor Hochul signed legislation exempting co-ops from many of the onerous restrictions in the Housing Stability and Tenant Protection Act of 2019. These revisions will allow boards and their agents to represent the shareholders' interests more effectively in operating their buildings:

- First, co-ops are no longer restricted to collecting only one month's maintenance as a security deposit held in escrow to approve purchasers who otherwise would not be allowed to close. This is a valuable option to facilitate a sale to a border-line purchaser whose finances are precarious.
- Second, the new law eliminates arbitrary limits on application fees, credit reports and background searches managing agents perform, which will allow sales and leasing to occur without undue restraint.
- Third, prohibitions on imposing late fees and reimbursing attorney fees were revised as well. Co-ops now may charge delinquent shareholders up to 8% of monthly maintenance charges which are not paid when due. Also, if an eviction proceeding is filed, co-ops may seek payment of their attorney fees as well as all other charges such as late fees in the same proceeding, rather than having to file a second lawsuit.

The one caveat is that currently all landlords (including co-ops) may not add attorney fees to an account without a court order. This prohibition may be rescinded soon for co-ops, so that other shareholders will not have to pay legal fees which should properly be charged only to a defaulting owner.

These revisions to laws which previously restricted boards and their agents in many ways are a welcome improvement for most co-ops. (The revisions do not apply to Mitchell-Lama and other housing developments under the Private Housing Finance Law.) If board members or managing agents have questions or want to discuss these new changes or any other aspect of co-op governance, please contact the attorneys in the Phillips Nizer Cooperative and Condominium Practice Group.

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