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Co-op Purchase Rejection Requirements for Boards

Stephen Lasser · Tuesday, July 21st, 2026

Co-op Applicant Rejections: The Legal Risks for Boards in NYC and Westchester Have Changed

The landscape is changing for New York City and Westchester co-op boards. While boards have never been permitted to reject applicants for discriminatory reasons, they generally haven't been required to explain their decisions. That's no longer the case.

A new **New York City co-op law**, known as the [Cooperative Application Timeline Law](#), (Local Law 2026/058), effective for applications submitted on or after July 28, 2026, establishes mandatory timelines for reviewing applications.

In **Westchester County, NY**, an [even more stringent measure](#) passed in June 2021, requiring boards to not only to meet deadlines but also to provide written reasons for denials, disclose financial requirements in advance, report rejected purchasers to the Human Rights Commission, and complete fair housing training. This measure is very similar to [Suffolk County's 2009 Cooperative Housing Law](#) (Chapter 391 of the Suffolk County Code).

For co-op board members and residential property managers, these changes mean that board decisions are receiving greater scrutiny, and that the consequences of getting them wrong can be significant at both the board and individual board member level.

The cost of getting an applicant rejection wrong

For many co-op boards, one of the greatest concerns is approving a buyer who later proves to be a poor fit for the community. Board members know that a poor admission decision can have lasting consequences for the cooperative and its residents.

In reality, one of the greatest legal risks is rejecting a qualified applicant based on—or appearing to base the decision on—a protected characteristic such as race, religion, disability, familial status, or other protected class.

Even in New York City, where boards generally are not required to disclose the reason for a rejection, they must still comply with federal, state, and local fair housing laws. A lack of explanation does not shield a board from discrimination claims.

And, as we mentioned earlier, Westchester boards face even greater obligations because they must

provide a written basis for a denial and report rejected applicants to the Westchester County Human Rights Commission.

The Biondi case remains a cautionary tale

One of the most important cases every co-op board should understand is **Biondi v. Beekman Hill House Apartment Corp.**

In this New York State case, a jury found that the cooperative board president at an Upper East Side building intentionally discriminated against an applicant based on race and retaliated against a shareholder who opposed the discrimination. The jury awarded punitive damages against the board president personally. When he later sought reimbursement from the cooperative, New York's highest court refused, holding that directors who act in bad faith cannot shift personal liability to the corporation.

In a case like this, where a director is found to intentionally engage in discriminatory conduct, the potential damages can be quite severe, including:

- Personal liability
- Punitive damages
- Loss of indemnification
- Loss of D&O insurance coverage
- Reputational harm for both themselves and their building

The challenge of borderline applicants

Boards struggle with applicants who fall into a gray area. Perhaps an applicant's finances are borderline. Perhaps there are concerns about liquidity, debt ratios, or employment stability. Maybe the applicant's interview raised questions that warrant further consideration.

The challenge for boards is determining whether those concerns provide legally defensible grounds for rejection—and documenting their decision. In Westchester County, where the law includes the following disclosure requirements, this is especially important.

- **Financial Threshold Disclosure.** Before an application is filed, boards must disclose the minimum financial requirements or preferences to potential buyers.
- **Application Timelines.** Boards must acknowledge receipt of an application within 15 days.
- **Decision Deadline.** A decision to approve or reject must be communicated in writing within 60 days of receiving a completed application (which is longer than the 45-day period under the NYC Co-op Law)
- **Written Reasons for Denial.** If a buyer is rejected, the co-op board must provide a written reason for the denial.

When should a co-op board involve legal counsel?

One of the most common misconceptions is that attorneys become involved only after a dispute arises. Actually, the best time to consult counsel is **before** the board communicates a decision.

An experienced co-op and condominium attorney can help boards:

- Evaluate whether proposed reasons for rejection are legally defensible
- Ensure compliance with the latest NYC/Westchester County requirements
- Identify potential discrimination risks before a decision is finalized
- Assist in properly documenting board decisions

The end goal is to reduce the likelihood of litigation.

Application rejection guidance from a firm that knows co-op boards

The recent transparency laws in Manhattan and Westchester County represent a significant shift in how co-op boards must approach applicant reviews. Understanding your obligations—and seeking guidance before making difficult decisions—can help protect your board of directors and your building.

As general counsel to more than 200 co-ops, condominiums, and homeowners associations throughout Manhattan, Westchester County, and the surrounding region, **Lasser Law Group** regularly advises boards on complex applicant approval decisions before they become legal disputes. Our approach is straightforward: we help boards make sound, defensible decisions that protect both the cooperative and the dedicated people who serve it. Our practice includes both proactive counsel and litigation, providing clients with practical guidance informed by courtroom experience.

If your board is considering rejecting an applicant, particularly in a close or borderline case, it's never too early to seek legal guidance.

Contact Lasser Law Group to discuss your situation. A conversation can help ensure your board's actions are legally defensible and reduce the risk of costly discrimination claims later.

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