

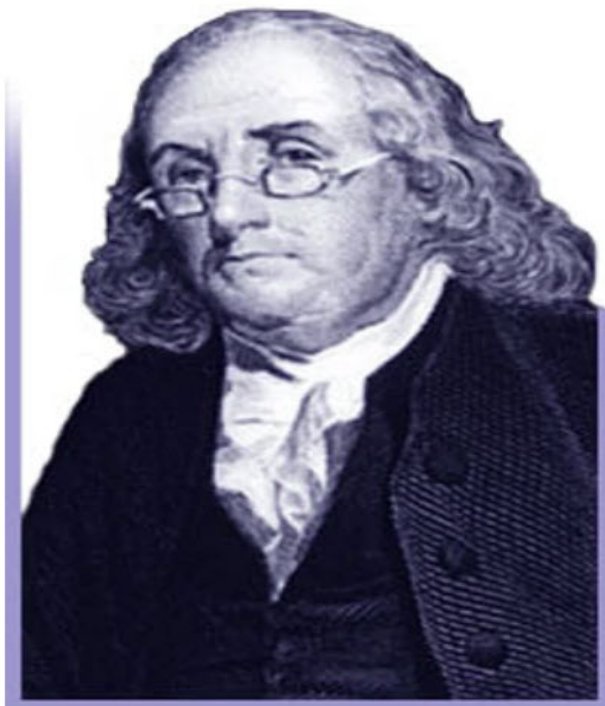
Cooperative Dictionary



Richard Berendson

Business terminology is not always clear, and different terms are often used to describe the same business concept. This glossary defines and explains common business terms associated with cooperatives, and can help members, employees, and newly elected directors better understand the financial reports, as well as other business reports, of their cooperative.

Benjamin Franklin



(1706 - 1790)
Inducted;1987

Benjamin Franklin was the prime mover and organizer of the Philadelphia Contribution ship for the Insurance of Houses from Loss By Fire the oldest fire insurance company and operating cooperative in the nation. Franklin promoted the principle of mutual insurance in the United States and, as a signer of our Declaration of Independence, helped create a national climate in which cooperatives might grow.

The Philadelphia Contribution ship, the first successful mutual insurer in the country, had far-reaching influence on the philosophy and conduct of the insurance industry. Organized for the benefit of its policyholders, it proved the wisdom of the mutual idea whereby, as Franklin said, every man might help another, without any disservice to himself.

A

ABATEMENT.

See TAX ABATEMENT.

ACCELERATION CLAUSE.

A clause is a deed of trust or mortgage that accelerates or hastens the time when the debt becomes due, for example, most deeds of trust or mortgages contain a provision that the note shall become due immediately upon the sale or transfer of title of the land or upon failure to pay an installment of principal or interest.

ACCOUNTS PAYABLE.

Money owed by the cooperative to some other party. Bills are accounts payable from the time they are incurred until they are paid.

ACCOUNTS RECEIVABLE.

Money owed to the cooperative from any source.

AD HOC COMMITTEE.

A committee appointed or installed for a specific purpose; for this purpose only.

AD VALOREM.

Refers to a tax levied in proportion to value.

AFFIRMATIVE MARKETING PLAN.

A plan for selling co-op memberships that actively seeks to reach minority and disadvantaged groups.

AGENCY.

The business of one entrusted to another AGENT. See MANAGEMENT AGENT.

ALTERATION PERMIT.

See INSTALLATION/ALTERATION PERMIT. AMENITIES.

Attractiveness and/or desirable features.

AMENITIES

Attractiveness and/or desirable features

AMORTIZATION.

That part of the payment made on a mortgage or other debt that serves to reduce the outstanding amount of the debt itself, principal. AMPO. An FHA acronym for Allowance to Make the Project Operational.

ANNUAL FINANCIAL REPORT.

Also called an audit. This report is prepared annually by a certified public accountant. It summarizes the financial condition of the cooperative. Required by HUD for all the co-ops it insures.

ANNUAL INSPECTION.

An inspection made once a year to determine if the co-op units are safe, sanitary and in good repair.

ANNUAL MEMBERSHIP MEETING.

The annual meeting of the cooperative members, at which they elect a board of directors (the date of the annual meeting is set forth in the co-op by-laws).

APPRAISAL.

An estimate at the real or market value of a property.

APPURTENANT TO.

Relating to an object, place, or thing

ARTICLES OF INCORPORATION.

The legal documents filed with a state government giving life and purpose to a corporation.

ASSESSED VALUATION.

The value assigned to a piece of property by a governmental agency for real estate tax purposes. See also MARKET VALUE.

ASSESSMENT.

Real estate value or tax levied on a person or property by a governmental unit.

ASSETS.

Refers to things a person or cooperative holds that have exchange value or can be readily converted into money, such as savings and checking accounts, stocks and bonds, real estate and property.

ASSIGNEE.

One to whom property, or rights to or an interest in property, has been assigned.

ASSIGNMENT.

A transfer of any present or future interest in property, real or personal.

ATTORNEY IN FACT.

One who is legally appointed by another to transact

any business for - him or her, a legal agent.

AUDIT.

See ANNUAL FINANCIAL REPORT.

B

BANKRUPTCY.

Inability of persons or corporations to pay their debts.

BLIGHTED AREA.

One of several terms used in urban renewal to describe areas that qualify for assistance because of certain adverse conditions.

BMIR.

This an FHA acronym for Below Mark Interest Rate; applies to certain mortgage insurance programs in which the mortgage carries a low interest rate to make it possible for low- to moderate-income families to secure housing.

BOARD OF DIRECTORS.

Officers of the cooperative corporation elected by the members at the annual membership meeting.

BOOK VALUE.

See TRANSFER VALUE.

BORROWER.

One who receives a loan with the expressed or implied intent to repay the loan in full.

BROKERS.

One who, for a commission or fee, brings parties together and assists in negotiating contracts between them. In real estate transactions the broker usually brings together the buyer, the seller, and the mortgage lender.

BUDGET.

A plan, generally prepared once each year, that projects income and expenses for the coming year, based on previous experience and plans for the future. The approved budget is the basis for the calculation of the monthly housing charges for each unit.

BUILDING CODES.

Laws that specify the minimum standards for constructing a building—kinds of materials that

may be used, how strong the structure must be, the minimum size, etc.

BUILDING LINE.

Lawful or agreed property line beyond which a building cannot extend.

BY-LAWS.

A written set of rules and regulations governing the operation of an organization

C

CARRYING CHARGES.

See MONTHLY HOUSING CHARGES.

CASH FLOW.

Reports showing the continuing financial status of a development. A cash flow analysis for a federally Insured cooperative normally includes HUD Form 93211 (see Appendix E) and subsidiary schedules as Required by the board, such as listings of delinquent accounts, a schedule of payables, and reconciliation of all reserve, escrow, and checking accounts.

CERTIFICATE OF TITLE.

Proof of ownership of a cooperative; usually contains the legal description of buildings and land.

CERTIFICATION.

Refers to the process of determining the eligibility of an applicant for housing prior to occupancy, according to the regulation governing income and family composition for the coop's particular program.

CHARTER.

See ARTICLES OF INCORPORATION.

CHATTEL MORTGAGE.

A mortgage on personal property.

CLOSING CONFERENCE.

A meeting of the parties to a mortgage transaction or transfer of title to property at which the documents are signed, executed, and delivered.

CLOSING COSTS.

Various expenses, in addition to the cost of the property, involved in the buying or selling of real estate, changing title, and procuring and processing a

mortgage.

CLOUD ON TITLE.

A valid encumbrance that would impair the owner's title.

CODE ENFORCEMENT.

Inspection, notification, issuance of citations, or court action requiring property owners to maintain or Improve their property according to minimum standards set by the government.

CODES.

Government regulation (Building, Housing, health, Fire, Electrical, Plumbing, etc.) Regulating the Construction and operation of public and private facilities; usually intended to protect and promote health and safety through the establishment of minimum standards for construction and operating conditions.

COLLATERAL.

Stocks, bonds, evidence of deposit, and other marketable properties which a borrower pledges as security for a loan. In mortgage lending, the collateral is the specific real property the borrower pledges as security.

COLLECTION LOSS.

Money the development loses when it fails to collect charges due from residents of occupied units or from persons who are responsible for paying but perhaps not actually occupying units.

COMMISSION.

A percentage payment given to an employee in return for sales made.

COMMITMENT.

A binding agreement used in mortgage financing to indicate the terms and conditions under which FHA will insure a lender against default on a mortgage; the basis upon which final arrangements for closing the loan is made.

COMMITTEE ADVISOR.

See BOARD ADVISOR.

COMMITTEE COORDINATOR.

A person chosen or appointed to act as a committee

organizer and/or to coordinate the work of the Committees in cases of overlapping activities.

CONDEMNATION.

A process by which the government disallows the current use of a piece of property, either because it Presents a danger to public safety or is needed for some public use. See EMINENT DOMAIN.

CONDITIONAL SALE CONTRACT.

A contract for the sale of property to be delivered to the buyer whereby the seller retains title until the Conditions of the contract have been fulfilled.

CONDOMINIUM.

A form of real estate ownership that combines individual ownership of the dwelling or dwelling unit itself with common ownership of those facilities or parts of the property that are shared by occupants of two or more dwellings or dwelling units.

CONSTRUCTION COST.

Cost of building a development, including both labor and material, but not land.

CONSTRUCTION LOANS.

Loan made to finance actual construction or improvement of land, usually divided into four or five equal parts, or disbursements, which are paid as the construction progresses.

CONTRACT.

A legal and binding agreement between two or more parties.

CONVENTIONAL LOAN.

A mortgage loan, obtained from a private lender, that has a market interest rate and is not insured by FHA or guaranteed by VA.

COOPERATIVE HOUSING.

A corporation marketing housing units to persons or families who have purchased shares (membership) in the development; a form of home ownership by which a corporation or association made up of the occupants owns the property and leases individual units back to the member-cooperators.

CORPORATE DOCUMENTS.

See ARTICLES OF INCORPORATION, BYLAWS,

REGULATORY AGREEMENT.

COST CERTIFICATION.

A requirement under most federal programs that, upon completion of the project, the mortgagor certify the actual costs incurred. Under the federal provisions, contractors or suppliers related to the mortgagor are similarly required to certify their costs.

COURT CAPTAINS, HOSTESSES.

Co-op members who may represent their section of the co-op in various ways--reporting for the newsletter, welcoming new members, etc.

COURT COUNCIL.

A group of people with duties similar to those of COURT CAPTAINS or HOSTESSES.

COVENANT.

An agreement between two or more persons, entered into by deed, to do or keep from doing some specified thing.

CPA.

(CERTIFIED PUBLIC ACCOUNTANTS) An accountant who has passed a state exam that certifies his or her ability to perform certain tasks.

CREDIT.

The ability to borrow, based on the lender's opinion that the loan will be repaid.

D

DEBT SERVICE.

See SERVICING.

DECORATING POLICY.

A policy that states who is responsible for interior (and occasionally exterior) decoration of units.

DEED OF TRUST.

An instrument used instead of a mortgage in some states. The deed is held by a third party, not the Mortgage lender, until paid or defaulted.

DEED RESTRICTIONS.

Limitations placed in a deed limiting or restricting the use of the land.

DEED.

A document under seal that states a transfer, a bargain, or contract, usually conveying the title to real Property from one party to another. There are two general types of deeds, the QUITCLAIM and the WARRANTY. Under the quitclaim deed the seller conveys property to the purchaser, the title being only as good as the title held by the seller, who conveys all claim, interest, or right to the property as far as his/her own title is concerned. Under a warranty deed the seller also conveys all claim, right, and title to the property, but also warrants the title to be clear subject only to such matters as may be shown in the deed. The warranty is recognized by law as the subject for future Restitution of loss to the purchaser if any defects in the title are conveyed by the seller. A seal is required in some states. (The term GRANT DEED is used in place of warranty deed in some states.)

DEFAULT.

Failure to fulfill an agreement, contract, duty, or obligation.

DELINQUENT.

A firm, entity, or person who has not kept the terms of an agreement. In a housing co-op, this usually refers to a person who has not paid monthly housing charges or other charges as agreed. It may also refer to a development that has not paid its various contractors, suppliers, or mortgage holder as agreed.

DEPRECIATION.

Loss of value through ordinary wear and tear.

DETERIORATION.

Decline in quality (physical, economic, social) of buildings and areas.

DEVELOPER.

A person or company that organizes and carries out the construction of commercial or housing developments.

DISCOUNT.

A deduction from the original price, allowed for paying promptly or in cash.

E

EASEMENT.

A right or interest in the land of another that entitles the holder to some use, privilege, or benefit, such as placing pole lines, pipelines, or roads on, or traveling over, the land.

ELIGIBILITY.

Refers to the requirements and standards a person must meet in order to qualify for various governmental programs.

EMINENT DOMAIN.

Right of the government to take private property for public use (the government must pay the property Owners the fair market value of the property).

ENCROACHMENT.

An unlawful extension of one's right upon the land of another.

ENCUMBRANCE.

A claim or lien upon an estate.

EQUAL OPPORTUNITY.

Equal treatment of all persons, regardless of race, sex, marital status, religion, national origin, or physical handicap.

EQUITY.

The difference between the value of real property and the total amount of all mortgages or liens against the property (reflects the dollar value of the owner's interest).

ESCROW.

Placing property (either real or cash) in the hands of a second party for delivery to a third party according to terms previously agreed upon.

EVICTION.

Termination of a coop membership for non-payment or cause and removal of the member from the Property. Eviction always requires court action.

EXCESS INCOME.

FHA/HUD term that refers to income generated for the development by residents who, at certification

or recertification, have income above the prescribed limits and are thus required to pay a monthly rate above the basic rate. This term is most commonly used in relation to Section 235 developments.

F

FAIR HOUSING.

Housing available on equal terms to all applicants without regard to race, color, marital status, national origin, or religion; also called OPEN HOUSING.

FAMILY.

Refers, In HUD regulations, to two or more persons related by blood, marriage, or operation of law, who occupy the same unit. In special cases, single persons over 62 years old and single handicapped persons living together may be considered a family.

FEASIBILITY.

A determination that a housing project can be completed successfully within economic limitations. Usually the feasibility of a housing project depends on such factors as the cost of the land and construction, the mortgage loan limits, the minimum income needed to amortize the mortgage, and the desire and ability of prospective residents to pay the minimum charge.

FEDERAL HOUSING ADMINISTRATION (FHA).

Agency within the U.S. Department of Housing and Urban Development (HUD) that insures mortgages and provides subsidies making financing available to buyers, owners, and sponsors of housing developments.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA).

Formerly a private corporation but now regulated by a federal commission, created by the National Housing Act to establish a secondary market facility for home mortgages by buying and selling such mortgages and providing liquidity for mortgage investments. Also acts as agent for Government National Mortgage Association (GNMA) in some localities.

FEDERAL PROGRAMS.

213_ developments are those insured under Section 213 of the National Housing Act, designed to insure mortgages of private lenders for the purpose of

developing housing 221(d)(3) BMIR developments are those insured under Section 221 (d)(3) of the National Housing Act, designed to assist private industry in providing housing at below market interest rates (BMIR) for low-and moderate-income families as well as displaced families. 236 developments are those insured under Section 236 of the National Housing Act, designed to encourage private Enterprise to develop housing for low- income families by providing interest reduction subsidies to the owners so that at the effective rate of the mortgage is one percent. The rent supplement Program makes it possible for private enterprise, through direct federal payments to project owners, to provide housing for low-income families and individuals who qualify under the statutory limits. (See also RENT SUPPLEMENT.)

FEE.

A payment asked or given for performance of professional services, such as those of a management agent or attorney.

FEE FLAT.

A management fee that is a fixed amount each month, irrespective of collections made.

FEE PERCENTAGE.

A management fee based on a fixed percentage of gross collections.

FEE SIMPLE.

An absolute fee; a fee without limitation as to any restrictions or any particular class of heirs.

FHA.

See FEDERAL HOUSING ADMINISTRATION.

FIDELITY BOND.

An insurance bond purchased by a firm to protect against loss of money because of misappropriation by persons handling funds. Such bonds are often purchased by management agents who employ staff for each development managed, and by cooperatives for those employees and/ or officers with access to co-op funds.

FIDUCIARY.

One who holds a thing in trust for another, a trustee.

FINANCING.

All the arrangements required to raise and repay the money necessary to carry out a project. This involves arranging for a mortgage loan or deed of trust, consideration of the interest rate, and conditions for repayment.

FIRE INSURANCE.

A contract whereby, for an agreed premium, one party undertakes to compensate the other for loss due to fire.

FIRST MORTGAGE.

A mortgage that is the first lien on the property pledged as security.

FISCAL YEAR.

A financial or tax year, which is often different from a calendar year. A fiscal year might, for example, begin on June 1 and end on May 31 of the following year.

FNMA.

See FEDERAL NATIONAL MORTGAGE ASSOCIATION.

FORECLOSURE.

A mandatory transfer of property ownership for an unpaid debt.

FRONT MONEY.

See SEED MONEY.

FULL OCCUPANCY.

Situation that exists when no units are vacant.

G

GENERAL OPERATING RESERVE (GOR).

A reserve required by HUD to be funded at a level specified in a co-op's regulatory agreement for the Purpose of providing funds in emergency situation. The funding of the GOR decreases and then stops when a specific funding level is reached. The rate of funding and size of the required reserves are stated in the regulatory agreement.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA).

A corporation within the federal government that purchases FHA- and VA-insured mortgages (especially below market-interest-rate mortgages) from banks that made the mortgage loans. GNMA absorbs mortgages unattractive to private enterprise.

GRANT.

A sum of money given by an authority or foundation to individuals and groups for specific purposes and Objectives.

GROSS COLLECTIONS.

In co-ops, this refers to all occupancy charges collected, plus, in some programs, surcharges.

H**HAZARD INSURANCE.**

A contract whereby, for an agreed premium, one party undertakes to compensate the other for loss due to specified hazards.

HIGH-RISE.

A tall apartment house, office building, etc.

HOUSEHOLD.

An individual or family that occupies a dwelling unit.

HOUSING CHARGES.

See MONTHLY HOUSING CHARGES.

HOUSING COOPERATIVE.

See COOPERATIVE HOUSING.

HOUSING FINANCE AGENCY.

A public agency established by statute in certain states that is empowered raise money and make loans to sponsors of low- and moderate-income housing under conditions more favorable than those available in the open market.

HOUSING STANDARDS.

Standards used to determine whether a dwelling unit is structurally safe, sanitary, and suitable for the size family living in it.

HUD (U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT).

An executive department of the federal government with chief administrative responsibility for providing a wide range of assistance for housing and for community development throughout the nation.

HUD HANDBOOK.

The basic publication of the Department describing its operations and its programs. Handbooks are prepared to give detailed information for the various programs.

INCOME, LOW.

Refers to the income of persons or families eligible for public housing or rent supplement. Limits are set locally, subject to the approval of HUD.

INCOME, LOWER.

Lower-income housing is a term used in the Housing and Urban Development Act of 1961; refers to persons and families whose income for the most part does not exceed 135 percent of the limits established for admission to public housing and, for a limited part of the appropriation, not more than 90 percent of the limits established for occupants of projects insured under FHA Section 221(d)(3).

INCOME, MODERATE.

A term not expressly defined in federal legislation, but found in Section 221. As noted above, FHA establishes income limits for various districts throughout the country for FHA 221(d)(3) programs.

INCOME LIMITS.

Requirements for eligibility for admission or continued occupancy in housing developments. The term is used both in public housing, where the local housing authority sets the limits, and in housing involving federal subsidies or below market-interest-rate financing, in which case the limits are either set by HUD/FHA or are related to public housing income limits.

INITIAL OCCUPANCY.

Refers to the time an applicant is admitted and first assumes possession of or occupies a unit.

INITIAL RENT-UPS.

Process of obtaining commitments for membership in a new coop.

IN-LIEU PAYMENTS.

Payments in lieu of taxes. See TAX ABATEMENT.

INSTALLATION/ALTERATION PERMIT.

A written request or permit to alter or improve a specific unit, or to install an improvement in a specific unit.

INSTITUTIONAL LENDER.

A mortgage lender that invests its own funds in mortgages and carries a majority of such loans in its own portfolio, i.e., a mutual savings bank, life insurance company, commercial bank, savings and loan association. Although individuals hold mortgage loans and service them, they are not generally classified as institutional lenders.

INTERESTS.

The price of borrowed money. Interest is expressed as a percentage; it is paid over and above the actual loan.

INVESTOR-SPONSOR.

Refers to private, profit-making organizations that undertake the development of housing projects for sale at a profit to a nonprofit cooperative corporation.

L**LAND USE.**

Refers to the type of activity (commercial, residential, recreational, etc.) Carried out on the land

LATE CHARGE.

Penalty for any payment not made by a specific date

LATENT DEFECTS.

A building's physical or mechanical flaws not discovered during construction or inspection but revealed in actual use Normally, a percentage of the builder's fee is withheld to ensure repair of latent defects reported within a specified period.

LEASED HOUSING.

As used in the public housing program, refers to the leasing of housing units for occupancy by low-income

families in privately owned residential structures.

LEGAL DESCRIPTION.

A description of a parcel of land sufficient to identify the property.

LEVEL ANNUITY PLAN.

One of the four most commonly used amortization plans for paying off an FHA mortgage. It provides for payments of principal, interest, and mortgage insurance premiums (if applicable) whose total is maintained at a constant level throughout the mortgage term.

LIEN.

A hold or claim one holds upon the property of another as a security for some debt or charge.

LIMITED-DIVIDEND CORPORATION.

As used by FHA, a housing corporation formed under federal or state laws, or regulations of a state banking or insurance department, which is restricted as to rents, charges, capital structure, rate of return, or methods of operation. Generally, state laws provide certain property tax benefits for such in exchange for limitations on dividends and assurance that the housing will be available for moderate-income families.

LOAN.

The letting out, or renting, of a certain sum of money by a lender to a borrower, the money to be repaid with or without interest.

LOAN-VALUE RATIO.

The relationship between the amount of the loan and the appraised value of the property, usually expressed as percentage.

LOCAL HOUSING AUTHORITY

Also known as the LHA. Refers to the agency designated to own and manage public housing for low-income families.

LOW-COST HOUSING.

A misnomer, usually referring to housing for low-income people.

M

MAINTENANCE, DEFERRED.

Maintenance that needs to be performed but has been postponed for some reason, such as lack of Money.

MAINTENANCE, EMERGENCY.

Maintenance work to relieve an immediate problem. For example, in winter, a nonoperative furnace would require emergency maintenance.

MAINTENANCE, PREVENTIVE.

Maintenance work performed to prevent future problems, done on a scheduled, regular basis, such as regular oiling and cleaning of furnaces.

MAINTENANCE SUPERINTENDENT.

A person who supervises the maintenance work of the cooperative.

MANAGEMENT AGENT.

Refers to the firm or entity hired by the owners to manage the development on their behalf.

MANAGEMENT AGREEMENT.

A contractual agreement between the owner (s) of a development and a firm or entity (management agent) outlining responsibilities and rewards for performance.

MANAGEMENT COOPERATIVE.

A form of cooperative housing development in which a central body owns and operates the development for the occupant members on a nonprofit basis. It is generally distinguished from a sales cooperative, in which the units are built through a cooperative body and sold to Individual buyers.

MANAGEMENT PLAN.

A specific plan of operation provided by a management agent to the owner (s) of a development, in substantially greater detail than that provided in the management agreement. In federal-or state assisted developments, the management plan is often incorporated into the management agreement by reference so that it becomes binding on the parties.

MANAGEMENT REPORTS.

Reports, usually in writing, prepared for the board of

directors by their manager.

MANAGER.

See MANAGEMENT AGENT, ON-SITE MANAGER, PROPERTY MANAGER, RESIDENT MANAGER.

MARKETING.

The sale or resale of co-op memberships.

MARKET RATE INTEREST.

The interest rate a bank or other lending institution normally charges for lending money.

MARKET VALUE.

The highest price a buyer would pay the lowest offer the seller would accept.

MATURITY.

The time at which a loan becomes due.

MAXIMUM MORTGAGE AMOUNT.

The largest real estate loans that can be insured under specific government programs.

MECHANIC'S LIEN.

A claim, recognized by statutory law in most states, that protects the rights of mechanics or others who have performed work in or furnished materials for the erection or repair of a building. A mechanic's lien attaches to the land as well as to the building.

MEMBER.

A resident of a cooperative who has executed a subscription agreement and purchased a membership in the co-op.

MEMBERSHIP CERTIFICATE.

A document showing evidence of a membership in a cooperative development; such certificates indicate the value of the membership and normally will be numbered consecutively as they are issued and/or transferred.

MILL.

Measure used to state property tax rate, 1/10 of one cent.

MODERATE-INCOME FAMILY.

A family whose income is near the national average.

MONTHLY HOUSING CHARGES.

The amount determined by a co-op's board of directors to be sufficient to meet the financial and operating costs of the cooperative, proportionate to the various unit sizes within the development; sometimes Referred to as CARRYING CHARGES. There are several different types of monthly housing charges, Depending on the type of cooperative.

Basic. Used in Section 236 developments; charges based solely on operating the project with payments of Principal and interest on a one-percent-interest-rate mortgage.

BMIR. In 221(d)(3) cooperatives, the amount necessary to operate the development based on the below-market-Interest-rate mortgage and absence of the mortgage insurance premium.

Market Rate. Used in 236 developments; charges determined on the basis of operating the development with payment of principal, interest, and mortgage insurance premium on a market interest- rate mortgage, i.e., without benefit of the interest reduction subsidy. (In general commercial real estate, this term is commonly taken to mean the highest rate obtainable on the open market. However, since under the subsidy programs such rates are HUD-controlled and are based on debt service, approved expenses, and distribution only, this definition should not be used in discussing the subsidy programs.)

Adjusted Market Rate. In 221(d)(3) BMIR cooperatives, any amount charged in excess of the BMIR unit rate; computed by adding to the BMIR rate 20 percent of the BMW rate.

Economic Rate. In Section 221 cooperatives, the HUD-approved dwelling unit rate in a development with a market-interest-rate mortgage that pays its own mortgage insurance premium.

MORATORIUM.

A period during which one has a legal right to delay meeting an obligation.

MORTGAGE.

A loan secured by real property. One obtains a mortgage loan by giving (temporarily) the ownership of the property to the lender as a security that the loan will be repaid. If the loan is not repaid, the lender can take real and permanent possession of the property.

MORTGAGE DISCOUNT POINTS.

An amount paid over and above the price of real estate in order to receive a low-interest government-insured Mortgage.

MORTGAGEE.

The institution (usually a bank) or individual that loans money used to buy, build, or rehabilitate a building or other property.

MORTGAGE INSURANCE PREMIUM.

The annual charge made by FHA as a premium for the insurance it provides against default on the mortgage, generally at a rate of one-half of one percent. It has been waived for the BMIR mortgage insurance program.

MORTGAGE NOTE.

A negotiable promissory note secured by a mortgage on certain specified real estate.

MORTGAGOR.

The technical term for the individual or group that borrows money to buy some property.

MOTION.

A formal proposal putting a decision to a vote in a meeting or an assembly, such as a meeting of a cooperative board of directors. See RESOLUTION.

MULTIFAMILY DEVELOPMENTS.

Housing developments for four or more families without limit on the number of units, as distinguished from the FHA's home loan program, which generally deals with small homes and other dwelling structures containing not more than eleven units.

MUTUAL MORTGAGE INSURANCE FUND.

A fund established under the National Housing Act into which all mortgage insurance premiums and other specified revenue of the FHA are paid, and with which losses are met.

N

NEGOTIABLE NOTE.

A note that may be transferred from one person to another in the course of business, and that entitles the last holder to collect the sums due.

NEGOTIATION.

Conferring, discussing, or bargaining to reach an agreement.

NET INCOME.

That part of the gross income that remains after the deduction of all charges or costs.

NET WORTH.

The equity of the owners in the business, i.e., the net assets determined by subtracting all liabilities from the value of the assets.

NEWSLETTER.

A publication of the co-op's board of directors; a means of communicating with the members.

NONPROFIT CORPORATION.

A corporation whose objective is not to make money for its members. Any money or profits above operating expenses are usually used for facilities and services for the members.

NONPROFIT SPONSOR.

A group, organized for reasons other than making profit, which undertakes a housing project. The sponsor may rent housing units on a nonprofit basis to create individual, cooperative, or condominium ownership. The FHA can insure mortgage loans for up to 100 percent for such sponsors.

O

OCCUPANCY AGREEMENT.

An agreement that allows occupancy of a specific unit in a cooperative development by a member of the Cooperative. In many regards, the occupancy agreement is similar to a lease in a rental development.

OCCUPANCY CHARGES.

See MONTHLY HOUSING CHARGES.

ON-SITE OFFICE.

Office set up within the co-op itself.

ON-SITE MANAGER.

Manager who works on the property; may or may not be a RESIDENT MANAGER.

OPEN-END MORTGAGE.

Mortgage or deed of trust written so as to secure and permit additional advances on the original loan.

OPEN HOUSING.

See FAIR HOUSING.

OPERATING COST.

The expenses involved in operating a housing development or apartment; includes maintenance, mortgage payments, insurance, utilities, and the loss of revenues from vacant units.

OPTION.

An agreement that permits a person to buy or sell something within a certain time.

ORIENTATION.

In a co-op, familiarizing members or potential members with the co-op structure, environment, rules and Regulations.

OVER-INCOME.

The status of an applicant or resident whose income exceeds the income limitations imposed by HUD on given programs. See also EXCESS INCOME and SURCHARGE.

OWNER.

In the case of a cooperative, the owner is the membership, represented by the board of directors.

P

PACKAGE MORTGAGE.

A mortgage or deed of trust including certain items which are technically chancels, such as stoves,

refrigerators, washing machines, and garbage disposal units.

PARTIAL PAYMENT.

An incomplete payment.

PARTY WALL.

A wall built along a lot line, in which adjoining owners have a mutual interest.

PATRONAGE REFUND.

Money that may be returned to co-op members at the end of any fiscal year because of excess income collections, or because of extraordinary savings.

PERSONAL PROPERTY.

Property considering of things temporary or movable (chancels).

PERSONNEL POLICY.

A policy establishing requirements for hiring and terminating employees, which outlines the terms of their employment and sets up a grievance procedure.

PLAT.

A map showing dimensions of a piece of real estate based upon its legal description.

POINTS.

Percentage points relative to the amount of a mortgage loan. One point equals one percent of the loan. On FHA insured loans, the home purchaser must pay one point while the seller pays several points as a service charge for closing the deal.

POTENTIAL INCOME.

Total monthly housing charges that can possibly be made for all of the units in a development; may be stated as monthly or annual. If each unit is producing income and each resident pays the full amounts due, collections will equal potential.

POWER OF ATTORNEY.

An instrument, in writing, whereby one person, the principal, authorizes another, the attorney in fact, to act on his or her behalf.

PREMIUM.

See MORTGAGE INSURANCE PREMIUM.

PREPAYMENT PENALTY.

Penalty for the payment of a debt before it actually becomes due.

PRINCIPAL.

The principal is the amount of the loan itself; loan payments consist of two parts: principal and interest. See AMORTIZATION.

PRINCIPAL NOTE.

Written promise to repay a loan, secured by the mortgage.

PROJECT COST.

The total cost of a building project whether new construction or rehabilitation; may include purchase of property, construction cost, interest or loans, professional fees, and administrative expenses.

PROJECT MORTGAGE.

The loan obtained by the developer that covers an entire project (more than one housing unit). Where the sale of housing is involved, the project mortgage is the sum of the mortgages on individual units. For cooperative housing, the project mortgage refers to the mortgage covering all of the units (one or more apartment buildings). The project mortgage also covers any facilities that accompany a housing project.

PROMISSORY NOTE.

A note bearing evidence of debt, transferable by endorsement.

PROPERTY MANAGER.

Usually a member of a management team who supervises the RESIDENT MANAGER. This term is used variously in different parts of the country; in a small management operation, the property manager may also perform the functions of resident manager.

PROXY (PROXY VOTE).

The authorization of one person to act on behalf of another; an individual acting as proxy for a second person. The proxy is entirely free to act as he/she sees fit, and is not bound by any directive from the person authorizing the proxy.

PUBLIC AGENCY.

Any agency of the federal, state, or local government

PUBLIC HOUSING.

Housing created by a public agency to house low-income families. Typically publicly owned and operated, but under recent innovations it can be privately constructed, privately owned, and privately managed. Under such circumstances, occupancy is controlled by a lease or agreement specifying the terms under which the low-income family is housed.

Q**QUORUM.**

The minimum number of officers and/or members of an organization or assembly that must be present for the valid transaction of business. The requirements for a quorum are usually set in the by-laws.

R**REAL PROPERTY.**

Land and generally whatever is erected on, or growing upon, or affixed to it.

REBATE.

Return of part of an amount already paid. Some co-ops have received rebates on their taxes.

RECALL.

The process of removing, or the right to remove, a member of the board of directors from office by a vote of the cooperative membership.

RECERTIFICATION.

Regular redetermination of occupants' eligibility according to the regulations governing income and family composition. Recertification is to be done annually in a Section 236 development, and every two years in a 221(d)(3) development.

REFINANCING.

Obtaining a new mortgage loan. The new, or second, mortgage is used to repay the first mortgage or to pay for repairs, etc. The purpose of refinancing is to get a more favorable loan (in terms of lower interest rates, lower monthly payments, longer maturity, or federal insurance) than the original.

REGULATORY AGREEMENT.

A contractual agreement between the agency insuring the mortgage (often HUD, the mortgagor, and the mortgagee. Stating mutual obligations and responsibilities.

REHABILITATION.

Substantial upgrading or improvement of property, generally done as part of an area-wide program to arrest deterioration of neighborhoods. Special mortgage insurance provisions are available under FHA to encourage rehabilitation. Applies both to residential and Nonresidential property.

RELEASE.

Withdrawal of a right or benefit to a party with some interest in the property.

RELOCATION.

The process of finding substitute housing for persons displaced by governmental action.

RELOCATION ASSISTANCE.

Services and assistance provided by a public agency to compensate displaced people for the inconvenience and expense of moving.

RENTAL VALUE.

The estimated amount of rent that could be obtained for the use and occupancy of a property.

REPLACEMENT RESERVE.

The reserve required by HUD to be funded at a regular monthly rate for the life of the mortgage for the purpose of timely replacement of major appliances and structures.

RENT SUPPLEMENT.

A federal program under which direct payments are made to the owner of a development to make up the difference between the monthly charges for a unit and 25 percent of a low-income family's total income. The resident must qualify by being either (1) physically handicapped, (2) sixty-two years or older, (3) displaced by governmental action, (4) presently in substandard housing, (5) a disaster victim, or (6) in military service on active duty. The amount of federal assistance to any specific resident at the time of initial occupancy cannot be less than 10 percent of the basic

rate, nor at any time may the amount of supplement exceed 70 percent of the market rate established for the unit.

RESALE.

Sale of an outgoing resident's membership in a co-op to a new member.

RESALE VALUE.

See TRANSFER VALUE.

RESERVE.

Money set aside for specific purposes by the owners of a development, cooperatives are required to fund a General Operating Reserve (GOR) and a Replacement Reserve; Equipment Reserves, Painting Reserves, etc., are option.

RESIDENT MANAGER.

Manager who resides in the co-op. See also ON-SITE MANAGER.

RESOLUTION.

A formal statement of a decision or expression of opinion put before or adopted by an assembly such as a cooperative board of directors.

RIGHT OF FIRST REFUSAL.

The right given by the By-laws to the coop's board of directors to refuse the option to purchase the membership of an outgoing member.

RIGHT OF REDEMPTION.

The right of the owner to reclaim title to his/her property upon payment of the debt to the mortgagee within a stipulated period of time after foreclosure.

RIGHT OF WAY.

Privilege to travel over another's property.ROOMS.
Room count is one of the bases under which maximum mortgage and average costs are determined under FHA regulations

S

SALES AGENT.

The person handling the sale or resale of units of the cooperative.

SALES AGREEMENTS.

An agreement by which one of two contracting parties, called the seller, gives a thing and passes the title to it, in exchange for a certain price, to the other party, called the buyer, or purchaser, who agrees to pay such price.

SATISFACTION.

Settlement of a claim or demand, payment.

SECONDARY FINANCING.

A loan secured by a second mortgage or deed of trust on real estate.

SECURITY.

Something given, deposited, or pledged to secure the fulfillment of an obligation or the payment of a debt.

SECURITY DEPOSIT,

A deposit required in addition to rent as security against subsequent damages.

SEED MONEY.

Funds needed to pay initial expenses in organizing project or formulating a proposal, including such things as the cost of an option, preliminary architectural drawings, legal expenses, etc. Also called FRONT MONEY

SENIOR CITIZEN HOUSING.

Housing for persons of families whose heads of household are 62 years of age or older.

SERVICING.

Collection of payments of interest and principal, and trust fund items such as fire insurance and taxes in accord with the terms of the note. Servicing by the lender also consists of such procedures as accounting, bookkeeping, insurance, tax records, loan payment follow-up, delinquent loan follow-up, and loan analysis.

SETBACK.

The distance from a lot line which, by law, regulation, or restriction in the deed, must be left open; the linear distance between the lot line and the buildings or building line.

SHELTER CHARGES.

See MONTHLY HOUSING CHARGES.

SHELTER RENT.

Rental or carrying charges not including the cost of utilities.

SOCIAL SERVICES.

Various state and local organizations whose function is to assist people with social problems, such as location of housing and emergency rent assistance.

SPECIAL ASSESSMENT.

A special charge against real estate for public improvements that upgrade the property, such as a paving or sewer construction.

SPONSOR.

Individual or group that proposes the construction of a development. The sponsor may continue with either the ownership or management of the development or may transfer one or both at final endorsement or later.

SQUARE-FOOT COST.

The cost, in dollars, determined by dividing the cost of the improvements by the number of square feet of floor therein.

STANDARD HOUSING.

Housing that meets the minimum property standards for safety, structural soundness and sanitation.

SUBCOMMITTEE.

A committee subordinate and responsible to another committee; there may be subcommittee members who are not members of the main committee.

SUBLEASE.

An agreement between a co-op member and another person who wishes to lease the member's unit without purchasing the membership. Sublease agreements must always be approved by the board of directors; persons executing sublease agreements must also be approved, meeting the same eligibility requirements as co-op members.

SUBORDINATION.

The act of a creditor acknowledging in writing that the debt due him/her from a debtor shall be inferior to the debt due another creditor from the same debtor.

SUBORDINATION CLAUSE.

A statement in the lease, mortgage, or occupancy agreement that the rights of holders are secondary to subsequent encumbrances.

SUBSCRIPTION AGREEMENT.

An agreement whereby an applicant promises to purchase a membership in the cooperative in return for consideration and promise of residency if qualified and approved.

SUBSCRIPTION PRICE.

The purchase price of a subscription agreement for co-op membership.

SUBSIDY.

Monetary assistance given by a government to a person or a private commercial enterprise, rent supplement, interest reduction subsidy, etc.

SUBSTANDARD HOUSING.

Housing that is below standards of the housing code.

SURCHARGE INCOME.

Income generated for the development by residents who, at recertification, have income higher than prescribed limits and thus must pay a monthly rate above the BMIR rate if they are to stay in the co-op. This term is most commonly used in relation to developments insured under Section 221(03). For Section 236 co-ops, excess income is sometimes referred to as surcharges, but the surcharges must be returned to the federal government.

SURETY.

One legally liable in the case of another's default.

T

TAX ABATEMENT.

Refers to exempting a project from, or reducing, its property taxes. Abatement can be partial, in which improvements are assessed at 50 percent of their value, or total, usually involving "payment in lieu of taxes."

TAX DEED.

A deed for property that has been sold because of nonpayment of taxes.

TERM.

The period or duration of a note, acceptance, time draft, bill of exchange, or bond.

TERMINATION CLAUSE.

A clause in a contract which details how the contract may be canceled or terminated.

TITLE.

Evidence constituting proof of ownership.

TERMINATION OF MEMBERSHIP.

Invalidation of a membership according to provision of the cooperative by-laws. Such action may be taken by a resident-member to terminate his/her own membership and effect a transfer to another member, or may be taken by the board of directors to deal with a problem member.

TITLE INSURANCE.

Protection for property owners against unforeseen legal problems that may put ownership in jeopardy.

TITLE SEARCH.

Checking documents on file at a registry to ensure that property is free from encumbrances.

TRANSFER OF MEMBERSHIP.

Termination of a co-op member's agreement with the cooperative, transferring rights and obligations to another person who is qualified and acceptable to the cooperative.

TRANSFER VALUE.

The amount an outgoing co-op member may ask for transferring his/her membership.

TRUST DEED.

An agreement in writing conveying property from the owner to a trustee for the accomplishment of the Objectives set forth in the agreement; used in many states rather than mortgages to secure loans on real property.

TRUSTEE.

One who holds property in trust.

UNENCUMBERED PROPERTY.

Property that is free and clear of any assessments, liens, easements, or encumbrances.

U**UNIT.**

That part of a housing cooperative designed for occupancy by one family.

UNIT IMPROVEMENT.

An improvement made in a unit by the member living there.

URBAN RENEWAL.

Coordinated and concentrated effort, with the aid of public funds and powers, to eliminate or prevent slum and blight conditions in an area or areas designated for that purpose by the local community.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.

See HUD.

V**VACANCY LOSS.**

Monetary loss to a development resulting from vacant units that are not producing income.

VACANCY RATE.

The percentage of unoccupied dwelling units within an area at any given moment. A very low vacancy rate (below 4 percent) indicates that available housing is scarce.

VENDEE.

Person to whom a thing is sold.

VALUATION.

The act of establishing the value of real property. See also APPRAISAL. Or, "estimated value", the lower and most conservative of the three prime methods for establishing value, capitalization of income, replacement cost, and market price. FHA generally uses estimated value for its regular programs. In insuring mortgages in urban renewal areas, the replacement cost most often determines the maximum mortgage amount.

VENDOR.

Seller.

W

WAIVER.

The surrender of claims, rights, privileges, etc.

WARRANT.

A covenant whereby the grantor of an estate and his/heirs are bound to warrant and defend the title. See also DEED.

WARRANTY DEED.

A statement in writing by the grantor guaranteeing protection to the grantee against any claimant.

WASTE.

Willful damage to property.

WITHOUT RECOURSE.

When a person endorses a note in a manner that does not guarantee its payment to future holders, his/her Endorses the note without recourse.

WORKING CAPITAL.

The funds a developer needs to begin a project- to buy the land, net a construction loan, or begin development on a property.

Z

ZONING.

A legislative process by which restrictions are placed upon the allowed use of real property.

7 Cooperative Principles

-  **1 VOLUNTARY AND OPEN MEMBERSHIP**
- DEMOCRATIC MEMBER CONTROL**  **2**
-  **3 MEMBERS' ECONOMIC PARTICIPATION**
- AUTONOMY AND INDEPENDENCE**  **4**
-  **5 EDUCATION, TRAINING AND INFORMATION**
- COOPERATION AMONG COOPERATIVES**  **6**
-  **7 CONCERN FOR COMMUNITY**

Standards of conduct applicable to cooperative directors include:

1. Duty of Obedience. Directors must ensure that they or the cooperative do not engage in illegal or improper actions.
2. Duty of Care. Directors are expected to act in good faith at all times, exercise prudence, and apply their best judgments for the benefit of the cooperative.
3. Duty of Loyalty. Directors have a position of highest trust and must avoid conflicts of interest, self-dealing, act in any other than the best interests of the cooperative or divulging confidential information.