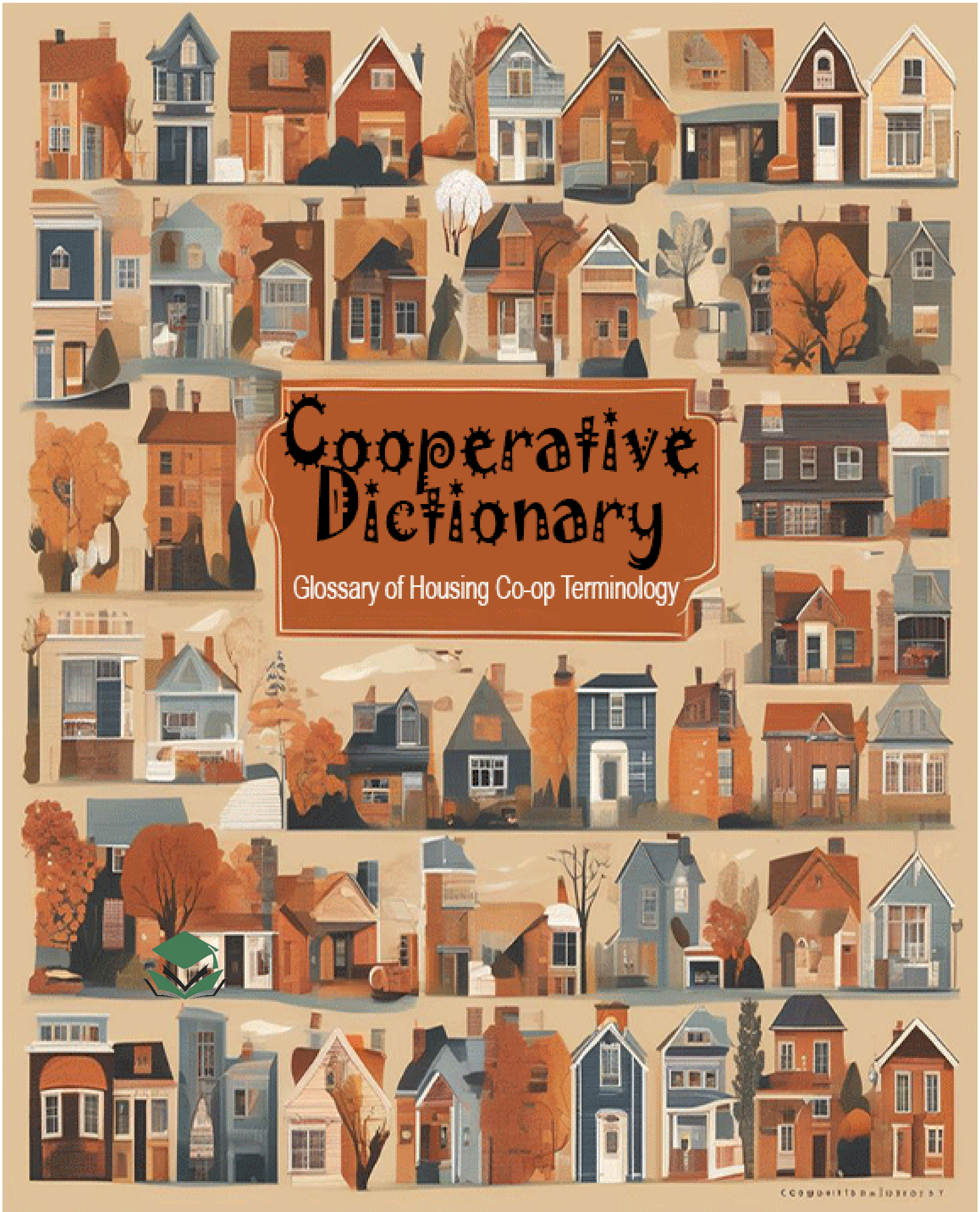

NEW 2025 -RICHARD BERENDSON

THE 2025 VERSION OF THE COOPERATIVE DICTIONARY - GLOSSARY OF HOUSING COOP TERMINOLOGY REPRESENTS A SIGNIFICANT UPDATE, FEATURING THE LATEST FINANCIAL AND INSURANCE-RELATED TERMS RELEVANT TO COOPERATIVE HOUSING. THIS COMPREHENSIVE RESOURCE AIMS TO CLARIFY COMPLEX BUSINESS TERMINOLOGY USED WITHIN THE COOPERATIVE SECTOR, WHICH OFTEN INVOLVES NUANCED TERMS THAT CAN BE INTERPRETED DIFFERENTLY DEPENDING ON THE CONTEXT.

Key Features of the Updated Glossary:

1. Expanded Financial Section: The latest edition includes a robust collection of financial terms, aiding members and directors in understanding financial reports more effectively. This is particularly useful for those new to cooperatives who may not be familiar with the specific financial language used in this context.

2. Insurance Terminology: Given the growing importance of insurance in managing cooperative risks, this edition highlights key insurance terms. It explains concepts related to liability, property insurance, and risk management strategies in a cooperative setting.

3. Concise Definitions: Each entry provides clear, concise definitions designed to demystify complex terms. The glossary ensures that all members, regardless of their financial or business background, can confidently participate in discussions and make informed decisions.

4. Cross-Referencing Terms: The glossary is organized for easy navigation with cross-references that connect related terms, helping users to build a comprehensive understanding of cooperative operations smoothly.

5. User-Friendly Format: The design of the glossary emphasizes accessibility and utility, making it a handy reference for meetings, workshops, and training sessions.

Overall, the 2025 Cooperative Dictionary serves as an essential tool for promoting transparency and enhancing the financial literacy of everyone involved in a housing cooperative, fostering an environment of informed and engaged participation.

A

ACCRUED EXPENSE
Costs for services received by the organization that have ccumulated but are not yet due or payable.

ACCRUED INTEREST
Interest costs that have accumulated but are not yet due or payable.

ACTION STEPS –
Action steps are very specific to achieve the strategies. Action steps take into account deadlines, quantifiable specifics, persons committed to doing the work, outsourcing, resources, etc. Plans often fail that do not include action steps set by the planners or the staff.

AD HOC COMMITTEE.
A temporary committee with a narrow focus; disbanding upon completion of tasks. (See Task Force, Standing Committee.)

AD VALOREM.
Refers to a tax levied in proportion to value.

ADVOCACY –
The process of influencing a decision making body on issues important to the organization. Related terminology includes Lobbying and Grassroots Advocacy.

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.

AGENDA –
An agenda guides board meetings. If you want to add an item to the agenda, find out the preferred methods and deadlines for adding issues. There may be deadlines or protocols to follow. The committee must, review many issues before reaching the board table.

ALLOCATION
A method of accounting that divides expenses among different program, administrative, and fundraising categories based on a formula that recognizes the use of resources such as use of the facility or staff time.

ALTERATION/IMPROVEMENT AGREEMENT
The alteration agreement describes the terms under which the cooperative gives permission to a shareholder before making any changes or improvements to the unit the member occupies.

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, the 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 is carried out once a year to determine if the co-op units are safe, sanitary and in good repair.

ANNUAL MEMBERSHIP MEETING.
The annual membership meeting is a yearly meeting at which all the members of the co-op are invited. At the annual meeting, members elect the co-op's board of directors, bylaw revisions can be voted on, and other important matters can be brought before the entire membership. The financial status and overall health of the cooperative is usually reported on. Most cooperatives, as corporations, are legally required through their bylaws to hold an annual member/shareholder meeting. The bylaws state when, where, and the agenda.

ANTITRUST –
When two or more people in the same industry or profession get together to discuss business practices, there is possibility of violating antitrust laws. Penalties can exceed millions of dollars.

APPRAISAL.
An official estimation of the real or market value of property upon which taxes and insurance are based.

APPARENT AUTHORITY-
A Supreme Court case cautions board members to be mindful of how they represent themselves as leaders. Follow the lines of authority to speak for the organization. The safest response to the press, "I can't speak for the organization but I can give you my personal opinion.

APPURTENANT TO.
Relating to an object, place, or thing

ARTICLES OF INCORPORATION.
The articles of incorporation are the legal document that establishes the existence and purpose of the cooperative corporation. The articles of incorporation must be filed with the appropriate state government agency, usually the Secretary of State, under applicable provisions of state law. Some states have specific laws that pertain to cooperative and/or cooperative housing corporations.

ARTISTS COOPERATIVE
An artist's housing cooperative is shared living/workspace-owned on a cooperative basis-for local artists. Artists' cooperatives are generally set up as limited-equity cooperatives in order to keep the housing permanently affordable for artists.

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.

ATTENDANCE-
Make time to attend the to be meetings. Honor your commitment to be a good board member. Protect the time and dates to attend every meeting in accordance with expectations and the law requirement

AUDIT –
A financial report that has been tested and verified for accuracy by a Certified Public Accountant (CPA) and prepared in accordance with Generally Accepted Accounting Principles. The most rigorous level of external financial statement preparation. An essential component of the audit is the Opinion Letter.

AUDIT COMMITTEE –
An audit committee is an operating committee of the board of directors charged with oversight of financial reporting and disclosure.

AUTHORITY
Authority for the board's actions come from the Bylaws. Avoid overstepping the limits of a director's authority

B

BALANCE SHEET
A financial "snapshot" of a corporation showing what it owns and what it does.

BALLOON PAYMENT
The final payment of a loan when the amortization is longer than the maturity of the underlying note. This payment is usually larger than the regular periodic payment.

BANKRUPTCY.
Inability of persons or corporations to pay their debts.

BLANKET MORTGAGE
A blanket mortgage is a single loan covering an entire building or the entire property that the cooperative owns.

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

BMIR ("BEEMER")
BMIR is an FHA abbreviation for Below Market Interest Rate. This term applies to certain FHA mortgage insurance programs where the mortgage carries with it a subsidized interest rate that is below the market. This reduces monthly cost and makes it possible for low- to moderate-income families to benefit from the cooperative form of home ownership.

BOARD OF DIRECTORS
A co-op's board of directors is elected by the members /shareholders to govern the cooperative including setting policy, making rules and regulations and other decisions which govern the operations and the welfare of its members.

BOARD-DESIGNATED FUNDS
A condition stipulated by an organization's board of directors on how an amount of money is to be used. A common type of board designation is for Operating Reserves. For accounting purposes, these funds are considered unrestricted because the condition was not specified by a donor

BOARD DEVELOPMENT –
A planned approach to attract and develop volunteer leaders to govern and guide an organization. Identifying future leaders is a responsibility of a board.

BOARD LIAISONS –
Directors may be assigned to a committee to serve as a resource and communications conduit between board and the committee.

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.

BRIDGE LOAN
A short-term loan with a specific repayment source.

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.

BUILDING RESERVE

Funds set aside to pay for facility upkeep, upgrades, unexpected repairs that exceed money available through the regular budget, and replacement of fixtures and facility systems. Also known as a replacement reserve. Typically, these are unrestricted, but board-designated funds.

BUSINESS PLAN –

While the strategic plan guides the board of directors, a business plan describes the action steps and accountability for staff and committees. The business plan supports the longer-term strategic plan.

BYLAWS

The bylaws are a written set of provisions and directions that the cooperative corporation follows in governing operations. Usually, any changes to the bylaws require a vote by the entire membership at a duly called meeting upon proper notice. Bylaws typically cover topics such as how the board of directors is elected, when membership meetings shall be held, and other issues related to the governance of the cooperative.

C

CAPITAL

Assets which will be put to long-term use. Major improvements or maintenance, buying property, and major appliance purchases are called capital expenses. Borrowed money for these expenses is called capital loans.

CARRYING CHARGES.

A carrying charge is the monthly payment that each member makes to the co-op that covers all the co-op’s fixed and variable expenses, such as debt service, utilities, insurance, legal fees, and so on.

CAPITALIZATION

the amount and source of money needed to start and operate the cooperative.

CAPITAL CAMPAIGN

A fundraising effort with a specific purpose and goals that is above and beyond the ongoing fundraising to support programs and operations for an organization. The purpose of the campaign is usually for a building project, special program, endowment, or reserves.

CAPITAL EXPENDITURE

Payment of money to acquire fixed assets, such as a building or equipment

CAPITAL IMPROVEMENT

A facility or equipment upgrade or enhancement that will have a life of more than one year, and that increases the value of an Asset. The cost of the improvement increases the value of an Asset rather than recognized as an expense. See Capitalizing an asset.

CAPITALIZING AN ASSET

Recording the cost of land, a building or equipment as fixed assets rather than as an expense when purchased.

CASH EQUIVALENTS

Funds which can be quickly and easily converted to cash, such as bank accounts, money market funds or other investments which mature within 90 days.

CASH FLOW.

Reports showing the continuing financial status of 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.

CASH FLOW PROJECTION

A management tool used to predict incoming and outgoing cash during a specified period of time. Used to anticipate and plan for times of low and high cash balances.

CASH-BASIS ACCOUNTING

A system of financial recordkeeping in which transactions are recorded when cash is received or spent. The advantage over accrual-basis accounting is its simplicity.

CERTIFICATE

Sometimes called a share, a certificate represents an individual's right to occupy a specific space in the housing co-op.

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.

CHANGE IN NET ASSETS
The net results of total income minus total expenses for a period of time, which may be Positive or Negative. Also referred to as surplus or Deficit. Commonly called profit or loss in the for-profit sector.

CHART OF ACCOUNTS
A list of all accounts used in the accounting system, including assets, liabilities, income and expenses.

CHARTER.
See ARTICLES OF INCORPORATION.

CHATTEL MORTGAGE.
A mortgage on personal property.

CLASS
memberships that are identified in the articles or bylaws as being a different type of membership or that have the same rights with respect to voting, dissolution, redemption, distribution and transfer.

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

CODE OF ETHICS –
Appropriate behaviors defined by a culture; expressed in the form of a code of ethics or standards. Ethics generally apply to the membership while “guiding principles” or a Values Statement applies to the board of directors and staff.

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.

COLLABORATION –
Organizations partner with entities having mutual interests. Directors should be aware of allied and competitive organizations, and how partnerships might evolve. Avoid creating silo or isolation. Many organizations align with a cause to better position themselves.

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 people who are responsible for paying but perhaps not actually occupying units.

CLOSING
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.

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.

COMMITTED GRANT
A contribution for which the organization has received a formal notification from the donor that an award will be made at a future date.

COMMITTEE ADVISOR.
See BOARD ADVISOR.

COMMITTEES –
The board uses committees to achieve results. Be sure charges to committees are precise; and respect their efforts. The board should avoid conducting committee work at the board table.

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.

COMPILATION
A financial report that has been prepared by, but not reviewed or audited, by a Certified Public Accountant (CPA). The financial reports have not been tested or verified, and the CPA states no opinion about the accuracy of the statements. See audit and review.

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.

CONDITIONAL PROMISE TO GIVE

A commitment by a donor to make a contribution to the organization if a specific requirement is met. The agreement becomes binding once the requirement is met.

CONDOMINIUM

A condominium is a form of homeownership that combines individual ownership of one's unit with shared ownership of common facilities. Each owner has a separate mortgage for his or her individual unit and is individually responsible for making the payments on it and real estate taxes. The elected board of directors is responsible for operations and management of all common facilities.

CONFLICTS OF INTEREST-

Directors must avoid real or perceived conflicts of interest. For example, if the board is voting on buying insurance, and a director's spouse is an insurance agent, the potential conflict should be disclosed before or during the discussion and vote.

CONSENT AGENDA –

Non-controversial and non-action items are organized apart from the main agenda items and approved by a single motion to expedite topics and discuss more substantive topics.

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.

CONTRIBUTION

A donation, gift or transfer of cash or other assets.

CONVERSION

The process of converting a building from rental housing to co-op housing.

CONVENTIONAL LOAN

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

COOPERATIVE

A cooperative is any type of organization that is owned and controlled by its member-users for a common purpose and that follows the cooperative principles. A cooperative operates for the benefit of its members on a not-for-profit basis in order to provide the goods and services members need at the lowest practical cost. Members/shareholders own the cooperative and participate equally in the governance of the cooperative.

CONFIDENTIALITY-

Most of the work of the board should be treated with confidentiality. Do not assume that it is OK to disclose board actions and discussions without knowing the proper channels and carefully crafted messages.

COOPERATIVE INTEREST

The cooperative interest is the combination of cooperative ownership (share or membership) and occupancy rights (occupancy agreement or proprietary lease). The two interests cannot be divided

COOPERATIVE PRINCIPLES

Cooperative principles are a set of seven principles that cooperatives worldwide follow. They are based upon principles developed by the Rochdale Pioneers in England during the1800s, generally considered to be the founders of the modern cooperative movement. The International Cooperative Alliance revised the principles in 1995.

CORPORATE DOCUMENTS.

See ARTICLES OF INCORPORATION, BYLAWS,

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 people, 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.

CULTURE –

Cultural expectations develop over time in every organization. If the board doesn't communicate expectations, ask about them, for example, do meetings stan and end of time? Is the board expected to wear multiple hats such as fundraising and publicity, in addition to director's duties? Who has the authority to speak for the organization? Are their dress code expectations? Turn to the experienced directors for guidance.

CURRENT ASSETS

Cash, investments, receivables, and other assets that can be expected to be available as cash within twelve months.

CURRENT LIABILITIES

Those liabilities due to be paid now or within the next twelve months.

CURRENT PORTION OF LONG-TERM DEBT

The amount of the principal payments due and payable on loans within the next twelve months, if the original term of the loan is longer than one year.

D

DIRECTORS AND OFFICERS LIABILITY COVERAGE

The key distinction with directors' and officers' liability is that it is intended to cover wrongful acts that are "intentional" as opposed to "negligent." This is because directors' and officers' insurance is designed to cover the actions and decisions of the board of directors. These actions may be in error and wrong, but they are, nonetheless, "intentional" acts. Most other types of insurance do not cover "intentional" acts. Among the items a good director and officers policy should include is broad coverage for all types of employment-related actions, including wrongful termination, harassment, discrimination, failure to hire, etc. It should also pay defense costs as they are incurred, not on a reimbursement basis.

DEBT

An amount owed to a person or organization for money borrowed. Common types are Loans, Promissory Notes, Bonds, or borrowed funds.

DEBT SERVICE.

The amount of money paid to a lender for a loan, including both interest and repayment of the loan itself.

DEBT FINANCING

obtaining money for a business by borrowing from a bank or other lender. While some collateral may be required to obtain the loan, the lender does not have any ownership or direct control of the business affairs, except in certain instances of default.

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, bargain, or contract, usually conveys the title to real property from one party to another. There are two types of dealings: Quitclaim and Warranty. Quitclaim – The seller conveys property the purchaser, with 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 own title is concerned. Warranty – The seller 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 on 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.

DEFAULT.

Not honoring a legal commitment is known as a default. One common type of default is not paying back a loan.

DEFERRED REVENUE

Income for which payment has been received before it has been earned. It is reflected as a liability on the Balance Sheet until it is earned and can be recognized as income in a future accounting period.

DEFICIT

Expenses in excess of income; an operating loss or a negative Change in Net Assets.

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

The amount of “wear and tear” on a piece of equipment or a building, reflected in the reduction in dollar value of that equipment or building. Usually, this amount is spread out over a period of time. The IRS lets you deduct depreciation each year from the co-op’s earned income. (Note: Land does not depreciate.)

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.

DIRECT COSTS

Those expenses which are used for a program area or cost center. Costs may be exclusively for that purpose or may be allocated between several uses.

DISCOUNT.

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

DISHONESTY BOND –

An insurance policy that covers losses caused by dishonest employees.

DIVIDEND

amount paid to business owners based on their investment. Typically, dividends represent a portion of the profits paid to members proportionate to the shares held. In a worker cooperative, patronage "dividends" are also distributed on the basis of patronage with the cooperative, usually determined by wages earned or hours worked.

DOCUMENTS

A number of documents set down the parameters under which a housing cooperative operates. Certain documents such as the bylaws and the articles of incorporation relate to the cooperative corporation itself. Other documents such as the occupancy agreement/proprietary lease, subscription agreement, and house rules spell out the relationship between the cooperative and each member-shareholder. Yet other documents, such as recognition agreements and regulatory agreements, describe the relationship between the cooperative and other entities, such has government agencies or financial institutions.

DISSOLUTION

When a company decides or is forced to go out of business.

DIVIDEND

That portion of a corporation’s profit or surplus that is paid to shareholders in a corporation.

DUE DILIGENCE –
The expectation that a board member exercises reasonable care and follows the business judgment rule when making decisions.

DUTIES –
Legal obligations applicable to directors, including the Duty of Care, Obedience and Loyalty.

DUTY OF CARE –
The expectation that a board member exercises reasonable care when making decisions. Similar to Due Diligence.

DUTY OF LOYALTY –
The expectation that a board members remain faithful and loyal to the organization. Loyalty is sometimes misunderstood in the case where directors are selected from a federated or affiliated organization but must be loyal to the parent corporation.

DUTY OF OBEDIENCE –
The expectation that a board members remain obedient to the governing documents of the organization as well as its mission and goals.

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.

EFFECTIVE LEADERSHIP –
Commit to being an effective leader at the onset Envision achievements that will create a legacy of leadership for the board of directors. Don't miss the opportunity to work as a team and become a highly effective board.

ELIGIBILITY.
Referring 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).

EMPLOYEE DISHONESTY – FIDELITY BOND
This covers loss resulting directly from one or more fraudulent or dishonest acts committed by an employee whether acting alone or in collusion with others. Losses due to employee dishonesty are different from other losses, making it difficult to determine the amount of insurance to carry. Loss of unrecorded assets could result from the following activities: theft from a cash register; pocketing money for which a receipt has not been given; padding of expense accounts; overcharging of fees for services; and walking off with assets.

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

ENCUMBRANCE.
A claim or lien upon an estate.

ENDOWMENT
An amount of Assets owned by an organization that is invested with the intention to be held in perpetuity. The income and increases in value of the investments are available as income for program use and organizational purposes. Endowment funds received from a donor are Funds with Donor Restrictions and cannot be re-directed for other purposes. Endowment funds that are created by internal policy are Board-designated, or Quasi-Endowment. Endowments are subject to multiple accounting and legal rules.

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 the cooperative property and the total amount of all debt against the property. It reflects the book value of the member/shareholder interest in the co-op.

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.
An FHA/HUD term that refers to income paid by residents who, at certification or recertification, have income over the prescribed limits, thus requiring the payment of a monthly charge above the basic rate. This term is most commonly used in relation to Section 236 development.

EQUITY CAPITAL-
money supplied by the owners of a business, which is used towards financing the various needs of the business.

EVALUATION –
Assessment should be a continuous process. Identify benchmarks and performance measures for evaluation. The role of the board is to conduct the performance review of the chief paid officer. Some boards conduct evaluations of the Board effectiveness as well.

EXECUTIVE DIRECTOR
The chief paid staff position. The title has evolved from executive director to executive vice president or president and CEO (chief executive officer.) The position has ultimate responsibility for management, administration and personnel. Chambers of commerce prefer the title of president to describe the executive director.

EXECUTIVE COMMITTEE –
A subgroup of the board of directors with authority for making decisions in the interim between board meetings. Often made up of the board chair, vice chair, secretary, treasurer and past chair. Sometimes an executive director serves in an ex officio capacity.

EXECUTIVE SESSION –
A closed-door session of the board without staff or guests presents

EXPENSES
The costs of operating the co-op, which usually fall into five main areas: loan payments, taxes, insurance, utilities, and maintenance.

F

FAIR HOUSING.
Housing is 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 people related by blood, marriage, or operation of law, who occupy the same unit. In special cases, single people over 62 years old and singe handicapped persons living together may be considered a family.

FANNIE MAE
Seeing Federal National Mortgage Association

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).
The sub-governmental unit within HUD that insures mortgages and provides subsidies. The FHA insures many housing loans, including cooperative loans.

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 NATIONAL MORTGAGE ASSOCIATION (FANNIE MAE OR FNMA)

Fannie Mae is a private corporation, created by the National Housing Act to establish a secondary market facility for home mortgages by buying and selling such mortgages and returning cash to lenders so that they can lend again.

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 enterprises, 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.

Fee simple ownership refers to the private ownership of real estate in which the owner has the right to control, use, and transfer the property at will. In 9 states, cooperative shares are or can be considered real estate. In other states) cooperative housing ownership is not considered fee simple because shareholders do not own actual real estate, but rather a share in a cooperative corporation, which in turns owns the real estate. The share is considered personal property.

FHA.

See FEDERAL HOUSING ADMINISTRATION.

FIDELITY BOND.

An insurance bond purchased by a firm to protect against loss of money because of misappropriation by people handling the funds. Such bonds are often purchased by management companies who employ staff to manage property, and by cooperatives whose officers or employees have access to cooperate funds.

FIDUCIARY DUTIES

A legal obligation to act in the best interest of another entity or person. In the nonprofit sector, members of the board of directors have a fiduciary duty to act in the best interest of the organization, including in activities related to the funds and other assets owned by the nonprofit.

FIDUCIARY RESPONSIBILITY –

It is the duty of the board members to ensure that financial resources of an organization are sufficient and handled properly. Describes a legal or ethical relationship of confidence or trust regarding the oversight of money and property of the organization.

FIDUCIARY

A person or entity to whom property or power is entrusted for the benefit of another person or entity.

FLIP TAX

A flip tax is a fee that is levied by the cooperative in return for waving the co-ops right to purchase when a cooperative shareholder sells his or her share.

FINANCIAL STATEMENT –

A comprehensive report on the income and expenses of the organization, as well as assets and liabilities. Presented in a structured, consistent manner for easy review and acceptance by the board.

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.

FINANCIAL ACCOUNTING STANDARDS BOARD (FASB)

The national governing board which sets the accounting standards known as Generally Accepted Accounting Principles (GAAP).

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 SPONSOR

The relationship is created when a nonprofit, tax-exempt organization accepts grants and other contributions on behalf of a project or group that does not have its own tax-exempt status and accepts the responsibility to oversee the use of funds.

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.

FIXED ASSETS

An asset that has a relatively long useful life, usually several years or more, such as equipment, furniture, buildings and land.

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.

FUNCTIONAL EXPENSES

Categories of expense delineated by the type of expense: program services, management & general, and fundraising. Required for IRS form 990 and audited financial statements. Often reflect the use of allocations.

FUND ACCOUNTING

A system of accounting based on separating information into groups which reflect organizational divisions or donor-imposed restrictions.

FUNDS WITH DONOR RESTRICTIONS (FORMERLY PERMANENTLY OR TEMPORARILY RESTRICTED FUNDS)

Funds with donor-imposed restrictions that can be satisfied by the passage of a defined period of time or by performing defined activities. These funds may be invested to produce a stream of income that can be spent. See Endowment.

FUNDS WITHOUT DONOR RESTRICTIONS (FORMERLY UNRESTRICTED FUNDS)

Contributions given without the donor placing any restrictions or limitations as to their use.

G

GAAP (GENERAL ACCEPTED ACCOUNTING PRINCIPLES) –

The accounting principles set forth by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) that guide the work of accountants in reporting financial information and preparing audited financial statements.

GENERAL LEDGER

Accounting system tool for recording all transactions

GENERAL LIABILITY COVERAGE

This is typically the "core" coverage for a nonprofit. The most common occurrence covered by the policy is "slip and fall." Depending on the extent of the general liability coverage purchased, commercial general liability insurance may provide coverage for a wide range of negligent acts, which result in bodily injury, personal injury, advertising injury or property damage to a third party. It does not cover damage to property under your control.

(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.

GOVRNANCE –

The authority of a board to act for and establish policies that will affect the wellbeing and future of the organization. (Management is the responsibility of staff and not the role of the board.) Governance has its roots from the word "steering."

GOVERNANCE REVIEW –

An evaluation of the effectiveness of items related to governance, i.e. board of directors, meetings, committees, governing documents, organization, structure, etc.

GOVERNING BODY –

The body authorized by the articles and responsible for financial oversight, policy development and strategic direction.

GOVERNING DOCUMENTS –

The documents that grant authority and limitations for governance and management, the bylaws, articles of incorporation and policies.

GOALS –

The board must advance the mission and strategic goals. It's not about the current year theme. Most organizations set 3 to 7 goals or competencies, identified in the strategic plan.

GOALS AND OBJECTIVES –

The terms are synonymous. Goals are the major thrusts for the organization. The planning process should result in three to seven goals. They should be SMART: Specific, Measurable, Attainable, Realistic, and Timed.

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.

HAVE FUN –

Volunteers have various reasons for serving on committees or the board. Some want to give back to the industry through the organization while others would like to promote their business or career. Whatever the reason, try to incorporate memorable activities among the work.

HIERARCHY OF GOVERNING DOCUMENTS –

Each document represents a level of authority: (1) mission statement – relation to national government; (2) articles of incorporation – state government; (3) bylaws – relation to members; (4) policies – an interpretation of the governing documents; (5) strategic plan – long term vision for the organization; (6) budget – annual forecast.

HIGH-RISE.

A tall apartment house, office building, etc.

HOUSE RULES

House rules are rules of conduct developed by a co-op to ensure harmonious cooperative living. House rules typically cover issues such as noise levels, parking, pets and garbage disposal.

HOUSING & URBAN DEVELOPMENT

(HUD) An administrative agency of the federal government which sponsors a variety of programs, including rental assistance, loans for rehabilitation, and loans for the construction of cooperatives.

HONESTY-

One of the most important values is that it should characterize the board and its action.

HOUSEHOLD.

An individual or family that occupies a dwelling unit.

HOUSING CHARGES.

See MONTHLY HOUSING CHARGES.

HOUSING COOPERATIVE.

Housing cooperatives are a form of homeownership where individuals own shares or memberships in a corporation that owns or controls the land and buildings that provide housing. The ownership of a share entitles one to occupy a unit within the cooperative.

HOUSING FINANCE AGENCY (HFA)
Housing finance agencies are public agencies established by statute in certain states. They are empowered to raise money and make direct 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).
HUD is an agency within the U.S. government with chief administrative responsibility for providing a wide range of assistance for public and private housing and development of the nation's cities.

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

I

IMPROVEMENTS
(1) Any renovations, additions, or physical improvements to an existing building. (2) Accountants sometimes refer to buildings themselves as "improvements" to a piece of land. (3) From the tax point of view, an improvement must be a new feature, or add a use or extend the life of an existing feature.

INCOME
Cash, services, or other transfers of assets to a corporation.

INCOME, LOW.
Refers to the income of people 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 At 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.

Income limits are found in many types of affordable housing. The co-op or sponsor sets certain eligibility requirements for admission or continued occupancy in housing developments designed for low-income people. Certain housing cooperatives, primarily those that have been developed through government subsidy programs for the purpose of providing affordable housing, have income limits on incoming members. However, unlike most rental or public housing with income limits, in a cooperative, if an individual or family's income goes over the limit once they have moved in, they do not have to move out.

INCOME STATEMENT

A statement showing all income received and expenditures made over a period of time. Often includes comparisons of the past and projected income and expenses.

INCORPORATION

The process of receiving recognition from the secretary of state that the co-op corporation exists as a legal entity.

INDEMNIFICATION

To agree not to blame or sue someone for official actions taken on behalf of the co-op, and to protect someone from related lawsuits.

INITIAL OCCUPANCY.

Referring 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.

INSURANCE-

Board insurance coverage is referred to as "D & O" - directors' and officers' liability. Common insurance coverages for nonprofit organizations include D & O, general liability, meeting cancellation and a fiduciary bond to cover fraud or acts of dishonesty.

IRS INFORMATION RETURN –
The Internal Revenue Service requires nearly all associations, chambers and charities to file an annual information return also known as form 990. The document is a public record.

INTERNAL CONTROLS
The system of practices, procedures and policies intended to safeguard the assets of the organization from fraud or error and ensure accurate record keeping.

INTEGRATION-ALIGNMENT –
The organization’s budget and committees may need to be re-aligned with the goals of the strategic plan. Many organizations appoint only committees that support the goals, i.e. seven goals, seven committees.

INTERNAL REVENUE CODE SECTION 216
Section 216 is a section of the U.S. federal tax law that permits individual cooperative members to deduct mortgage interest and property tax on their income tax returns just like other homeowners do. Section 216 allows cooperative housing corporations to pass through the mortgage interest and real property tax deductions to their stockholders on a pro rata basis.

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.

INVENTORY
The cost of finished goods is held for sale by an organization, or the raw materials and works-in-process that will become finished goods. Recorded as an asset until the item is sold.

INVESTMENT
A general term to describe financial Assets owned by an organization. The category is broad and may include stocks, bonds, and other financial instruments. Investments are subject to numerous accounting rules and standards.

IRS 990
The standard federal reporting requirement for nonprofit organizations and private foundations. The majority of nonprofits are required to submit an annual information in return to the Internal Revenue Service. The specific version is determined by the type of nonprofit, organization size, and activities.

J

JOB DESCRIPTIONS –
The roles and responsibilities for board members, officers, committees and staff set in writing and clearly understood.

K

KNOWLEDGE –
The concept of knowledge-based governance suggests that directors make decisions based on data and evidence, not gut reactions of the moment. Access to organizational data, trends and documents is key to effective board service. Many boards agree upon metrics or performance measures to monitor and evaluate programs.

L

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

LAND-ONLY COOPERATIVE
In a land-only cooperative, only the land beneath the building(s) is owned on a cooperative basis. The individual homes are owned subject to lease on the land. Mobile home park cooperatives or manufactured housing park cooperatives are almost always land-only cooperatives. Other than mobile home park or campground cooperatives, land-only cooperatives are quite rare.

LATE CHARGE.
Penalty for any payment not made by a specific date

LATENT DEFECTS.
A building's physical or mechanical flaws are 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.

LEADERSHIP DEVELOPMENT –
The responsibility of the board is to continually develop new leaders to ascend to board and officer positions. The board should develop leadership development programs, effective orientation and encourage volunteers to move up the leadership ladder.

LEADERSHIP MANUAL –
Information is essential to board service. Many boards are provided with an extensive leadership manual or book.

LEASEHOLD COOPERATIVE

The cooperative corporation owns the building(s) but leases the land. Leasehold cooperatives are found in urban renewal areas, tribal lands, Hawaii, land fill waterfronts, and similar areas.

LEASING COOPERATIVE

In a leasing cooperative, the cooperative corporation does not own the property in which members reside but rather lease it from another entity.

LEASEHOLD IMPROVEMENTS

Remodeling, renovation, and upgrades to leased space to suit the tenants' needs. The cost of improvements may be paid for by the landlord or by the tenant. When paid by the nonprofit tenant, the cost of improvements becomes an asset and is depreciated over the term of the lease

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.

LIABILITIES

a financial obligation that arises out of a prior transaction.

LIEN.

A claim on real estate, equipment or other possessions for payment of some debt or court order obligation. Liens are recorded in a city or town's land records to inform everyone that the property or possession cannot be sold until the lien is paid off.

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 housing will be available for moderate-income families.

LIMITED-EQUITY HOUSING COOPERATIVE

A limited equity cooperative is a cooperative where the bylaws limit the resale price of membership /shares for the purpose of keeping the housing permanently affordable to incoming members. The resale value of shares is not determined by whatever the market will bear as in market rate co-ops, but rather it follows a pre-determined formula in the bylaws that limits that maximum resale value over time. Limited equity cooperatives also usually restrict the purchase of memberships to people below a certain annual income level. This also serves to preserve the property for low and moderate income families.

LIMITED EQUITY FORMULA
The formula describes how member equity may be appreciated, and which affects the price at which the member may attempt to sell their co-op unit.

LIMITED LIABILITY ENTITY
his refers to a type of business that provides extra protection to its owners if it is sued. The owners of a limited liability business, if sued, may lose the business, but in most cases, will not lose their personal assets.

LIQUID NET ASSETS
The amount of unrestricted net assets that is not invested in property and equipment. This amount is the true amount of unrestricted net assets available as a cushion for unexpected problems or opportunities and to support operations. See net assets.

LIQUIDITY
A measure of how much cash and assets that can be easily converted to cash (such as short-term investments) an organization has available for use in the immediate or near future.

LONG-TERM DEBT/LIABILITIES
An obligation to pay a loan or other obligation with maturity or due date of more than one year.

LIQUIDATION
The process of dissolving a corporation and selling off all its assets; usually this process is imposed on a corporation by a court.

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.

LONG-TERM DEBT/LIABILITIES
An obligation to pay a loan or other obligation with maturity or due date of more than one year.

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 FEE

See Monthly Maintenance Fee

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 –

The responsibility for supervising and implementing administration, operations, risks, personnel, etc. Overseen by an executive director and responsibility of the staff team - not the board of directors.

MANAGEMENT AND GENERAL EXPENSES

that are used for the purpose of planning and managing the organization as a whole rather than for programs or fundraising. Expenses may include all or part of the cost of executive staff, finance, human resources, board of directors, and general promotion and communications. A type of functional expense that frequently reflects the use of allocations.

MANAGEMENT AGENT (OR MANAGEMENT COMPANY)

A management agent is a firm or entity hired by the cooperative to manage the development. The relationship between the cooperative and the management agent is usually governed by a specific contract, called a management agreement. Not all cooperatives use a management agent. Some larger cooperatives hire a General Manager as an employee of the co-op, others are managed by the members themselves. However, most large co-ops use a management company.

MANAGEMENT AGREEMENT.

The management agreement is a contractual arrangement between the cooperative corporation and the firm hired to manage the cooperative's property. These contracts outline the firm's responsibilities and compensation. While there are standard forms of such contracts, they are usually adapted to the specific needs of the particular cooperative.

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 operations provided by a management agent to the cooperative, in substantially greater detail than that provided in the management agreement. The plan may be attached to the management agreement as a rider.

MANAGEMENT REPORTS.
Reports, usually in writing, prepared for the board of directors by their manager.

MANUFACTURED HOUSING COOPERATIVE
A manufactured housing park cooperative is a manufactured housing park that is owned on a cooperative basis. Typically, the cooperative owns the land, and residents own their individual manufactured homes. Cooperative ownership provides residents with a much higher level of economic security since they do not have to live with the constant threat of higher rents or sale and closure of the park.

MARKET-RATE HOUSING COOPERATIVE
A market rate cooperative is a cooperative (1) financed with interest rates considered market rates and (2) with no restrictions on membership/share resale prices.

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.

MARGINS
in cooperative terminology, net income is often referred to as "margins."

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.

MEETING CANCELLATION COVERAGE

Covers the loss of revenue or expenses due to a cancellation, curtailment, postponement or abandonment of an event due to civil disturbance, strike, weather or fire, for example. It may cover moving to alternative premises, postponing or abandoning an event. Policy may cover the extra expense of the normal costs to conduct the event in order to continue the normal operations of the show or meeting.

MEMBER/SHAREHOLDER

An individual who owns a share or membership in a cooperative. Depending on the type of cooperative, members are also referred to as shareholders.

MEMBER EQUITY

(see "Equity")

MEMBER

A person who has (a) been recommended for membership by the Membership Committee and approved by the Board of Directors; (b) executed a Subscription Agreement and an Occupancy Agreement; and (c) paid all fees required to be paid by such person under said Agreements.

MEMBERSHIP

Membership can either refer to all the members of a cooperative, or an individual share in a cooperative.

MEMBERSHIP CERTIFICATE.

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

MEMBERSHIP COMMITTEE

Many cooperatives have a membership committee that reviews incoming members and approves or rejects their application based upon specific criteria set forth by the Board of Directors. (See "Right of Approval".) Often incoming members will need to have an interview with the membership committee before they will be approved for membership. In some co-ops, the board of directors will screen incoming members. In other cooperatives, management performs this function.

MEMBERSHIP MEETING

See the Annual Membership Meeting.

MICROMANAGEMENT –

A reference to volunteer leaders who pay more attention to management than they do to governance and visionary efforts.

MILL.

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

MITCHELL-LAMA COOPERATIVES
New York State established the Mitchell-Lama Housing Program in 1955 for the purpose of building affordable housing for middle-income residents. The housing developed under this program is more commonly known as "Mitchell-Lama" housing, derived from the last names of the state legislators MacNeil Mitchell and Alfred Lama, who sponsored the legislation. Mitchell-Lama co-ops are limited equity co-ops, supervised by local government. 60,000 cooperative apartments were developed through this legislation.

MISSION STATEMENT –
The mission statement is the foundation of the organization's existence and operations. It identifies the organization, the members or audiences, and the services, in one to three precisely worded sentences; also serves a public relations need. Mission statements are frequent found in or adapted from the bylaws or articles of incorporation.

MODERATE-INCOME FAMILY.
A family whose income is near the national average.

MONTHLY CARRYING CHARGES OR MONTHLY MAINTENANCE FEE
The monthly carrying charges or monthly maintenance fee is the member/shareholders' proportionate share of the cooperative's operating expenses, reserve funding, and mortgage payments.

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.
Mortgage insurance is insurance with a guarantee that if an owner defaults on mortgage payments, the insurer (FHA/HUD/VA) will pay the lender the owed balance. The FHA charges a "mortgage insurance premium" for the insurance it provides against default on the mortgage. It is generally at a rate of 1/2% of the original mortgage balance

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 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.

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.

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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.

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.

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N

NATIONAL COOPERATIVE LAW CENTER

Serving the boards of housing cooperatives nationwide by providing legal educational resources. The information provided herein seeks to assist directors with general information and should not be relied on for specific legal issues nor replaces the need to seek competent legal advice. This website is sponsored by the law firm Pentiuk, Couvreur & Kobiljak, P.C. as a free service.

NATIONAL ASSOCIATION OF HOUSING COOPERATIVES (NAHC)

The national association of cooperatives in the United States.

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 ASSETS

The difference between the organization's total assets and its total liabilities on the balance sheet indicating the net financial worth for the organization. Net assets is the accumulation of the difference between cumulative income and less cumulative expenses over the life of the organization. Divided into net assets with donor restrictions and net assets without donor restrictions.

NET ASSETS RELEASED FROM RESTRICTIONS

The accounting transaction for the transfer of funds from net assets with donor restrictions to net assets without donor restrictions after satisfying donor-imposed stipulations for the use of the funds.

NET FIXED ASSETS

The value of land, buildings, equipment and other fixed assets owned by the organization after the deduction of the accumulated depreciation of those assets.

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 form 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 from the 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.

NON-PROFIT –

A designation by a state government agency, usually the Division of Corporations. The legal reference is "not-for-profit." Nonprofit does not mean the organization cannot make a profit. An organization must produce streams of revenue to support its mission and programs.

NOTES PAYABLE

The amount an organization owes to others for loans.

NOTES RECEIVABLE

The amount an organization is owed for loans made to others.

O

OCCUPANCY AGREEMENT.

The occupancy agreement or proprietary lease is the contract between the cooperative corporation and the member that sets the conditions for the right to occupy a particular unit. FHA co-ops and some other co-ops call this contract an occupancy agreement; others refer to it as a proprietary lease. It sets forth the rights and obligations of the members and cooperation to each other. Legally, it is viewed as a lease by the member with the housing cooperative.

OCCUPANCY CHARGES.

See MONTHLY HOUSING CHARGES.

OCCUPANCY EXPENSE

All costs relating to the rent, utilities, insurance, assessments, and maintenance of the organization's locations for programs and offices.

OFFICERS

In addition to the board of directors, all cooperative corporations have office positions held by members of the board. The bylaws of a cooperative usually describe these positions and explain how they are elected. President, Vice President, Secretary, and Treasurer are typical officer positions.

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 INCOME/EXPENSE
Expenses and income are associated with the day-to-day operation of the co-op.

OPERATING AGREEMENT
the document that regulates the internal affairs and governance of an LLC.

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.

OPERATING EXPENSE
General term for expenses incurred for all the activities of the organization.

OPERATING RESERVE
An unrestricted fund balance set aside by the organization’s board to stabilize an organization’s finances by providing cash as a cushion for planned or unplanned future expenses or losses.

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

0RGANIZATION DOCUMENTS-
Directors must be aware of the organization's primary governing documents, including the statement of purpose, articles of incorporation, bylaws, and policies

ORIENTATION.
A process to inform volunteer leaders about the organization, roles, responsibilities, resources, culture, expectations and strategic direction; recommended to occur annually.

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.

OVERHEAD
The costs cannot be identified with a program activity but are needed for the general administration of the organization. This expense is often distributed among programs based on a formula.

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 includes certain items which are technically chancels, such as stoves, refrigerators, washing machines, and garbage disposal units.

PARTIAL PAYMENT.
Incomplete payment.

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

PASS-THROUGH FUNDS
Funds received by an organization that must be spent on behalf of, or passed through to, a secondary recipient. Examples include re-granted funds and direct payments to beneficiaries.

PATRONAGE-
the volume or value (or both) of a patron's purchases from, and use of services furnished by, the cooperative, and products and services provided by the patron to the corporation for marketing. In a worker cooperative, a patron is a worker member, and patronage is measured by work performed.

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.

PAR VALUE
The starting value for shares in a cooperative. (This value is meaningless except at the creation of a cooperative.)

PERFORMANCE REVIEWS –
Reviews monitor and enhance areas of performance, i.e. board, committees, programs, executive director, etc.

PERPETUAL EXISTENCE
Corporations must tell the state how long they plan to be in business. Corporations which do not anticipate going out of business declare their existence to be perpetual.

PERSONAL PROPERTY.
Personal property is property which is not real property (real estate), consisting of temporary or movable-refrigerators, stoves, or air conditioners.

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

PLAN CHAMPION –
A person appointed to be responsible to report on and keep the plan in the forefront of meeting agendas and budgets.

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

PLEDGE
A formal commitment, generally in writing, to make a contribution of a specific amount.

PITI
PITI is an abbreviation for the costs that make up the mortgage payments-Principal, Interest, Taxes, and Insurance.

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.

POLICIES-
Policies are the wisdom of the board adopted to guide future leaders and to interpret the bylaws and articles. Policy changes and adoption are normally done at board meetings by a motion of the directors, while changes to the bylaws often involve a member vote. Policies are maintained in a policy manual

POTENTIAL INCOME.
Total monthly housing charges that can possibly be made for all of the units in 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.

PREPAID EXPENSE
An expense that is paid before use of the goods or service, such as insurance paid in advance.

PREMIUM.
See MORTGAGE INSURANCE PREMIUM.

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

PRINCIPAL.
(1) The amount remaining to be paid on an outstanding loan.
(2) Payments which reduce the amount of an outstanding loan.

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

PREFERRED SHARES-
an investment class of shares that typically have priority over member shares with respect to dividends and liquidation distributions and are nonvoting.

PROFITS
in the context of California cooperative corporations, this is defined as the excess of revenues over expenses for a fiscal year attributable to non-Member labor.

PROFIT AND LOSS STATEMENT
See Income Statement or Statement of Activities.

PRO FORMA
A "best guess" for various kinds of financial information. Types of pro Formas: pro forma balance sheets, pro forma financial statements, pro forma development budgets.

PROGRAM SERVICE REVENUE
Income earned from providing one or more program services. It may be paid for by the direct user of the service or through a contract with a third party such as an insurance company or government agency.

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 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 facilitates 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 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.

PROPERTY AND EQUIPMENT
The Asset value of the physical items an organization owns such as buildings and improvements, equipment, and furniture that will be used for more than one year. Often called fixed assets.

PROPRIETARY LEASE
The lease is signed by a cooperative and a co-op member, which gives the member the right to occupy a specific unit within the co-op building.

PROXY (PROXY VOTE).
A proxy is an authorization of one person to act on behalf of another for voting purposes. Some cooperatives allow "instructed" proxy voting, others do not. Usually, the co-op's bylaws state whether or not proxy voting is allowed.

PUBLIC AGENCY.
Any agency of the federal, state, or local government

PUBLIC HOUSING.

Housing is 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.

PUBLIC RECORDS-

Nonprofit organizations have specific records that must be made available upon request to the public; mostly IRS documents that include Form 990, the application for exemption and the letter of determination. Fines may apply for denial of requests for public records.

PUBLIC RELATIONS –

The final process of strategic planning will include telling constituents, allies and others the results of the strategic plan. An important aspect of the strategic plan is often neglected.

Q

QUORUM.

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

QUIT CLAIM DEED

See Deed.

R

RATIOS

A tool to analyze and assess the financial condition of an organization by converting financial information into standard ratios. By using standard calculations, financial information can be compared more easily to historical or industry information.

RCM

RCM stands for Registered Cooperative Manager. It is a professional designation for cooperative site managers who have successfully completed NAHC's Registered Cooperative Manager Program.

REAL PROPERTY.

Real property denotes land and generally whatever is erected on it, growing upon it, or affixed to it. It is also known as real estate. In most states, co-op members do not own real property, but rather share in a corporation, which in turn owns the real property.

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.

RECEIVABLES

See accounts receivable or notes receivable.

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.

RECITALS

Statements of various facts for the record.

RECOGNITION AGREEMENT

A recognition agreement is an understanding between a cooperative and a financial institution that provides share loans to the cooperative's members or shareholders. The recognition outlines the responsibilities between the co-op and the bank and the courses of action that must be taken by each party if a shareholder/member defaults on the loan.

RECORD RETENTION

The policy guide for retaining and destroying organization records.

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.

Co-ops that have mortgage insurance through HUD or the FHA have certain obligations that are outlined in a document called a regulatory agreement. Co-ops financed by state and local housing authorities often have similar contracts, which are often modeled on the standard HUD agreement. Basically, the regulatory agreement requires the co-op to abide by the regulations of HUD (or FHA), which ensured the mortgage in order to induce a lender to finance the development. This document binds the mortgagor (the cooperative) and mortgagee (the financial institution that holds the mortgage until the amount borrowed, plus interest, is paid) with the Secretary of HUD.

REPRESENTATIVE BOARD

a Board of Directors is elected by the members, distinguished from a Collective Board which is composed of all the members.

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.

RELEASE FROM RESTRICTIONS
The accounting transaction used to transfer funds with donor restrictions into an organization's unrestricted accounts when the restriction has been satisfied (such as when a special project is initiated).

RELOCATION.
The process of finding substitute housing for people 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.
The term resale describes the process of transferring a share from an outgoing co-op member to a new member.

RESALE VALUE.
See TRANSFER VALUE.

RESERVES
An amount set aside by the Board to be used for needs that are outside of the regular annual budget. Reserves may be designated for operating, building, opportunity, or other purposes.

RESTRICTED FUNDS

Contributions which are designated by the donor for specific use. See also funds with donor restrictions.

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.

REVENUE-

income that a business receives from normal business activities.

RESERVES-

Money set aside from net income to meet expected or unexpected expenses; usually kept in a form (like a savings account) that is easily converted to cash. Reserves are commonly set up in housing cooperatives to cover vacancies, maintenance, and operating expenses.

REVIEW

A financial report that has been prepared by a Certified Public Accountant (CPA) that has been subject to some testing and verification. A Review is not prepared with the same rigor and standards as an Audit and does not include an opinion letter. See audit and compilation.

REVOLVING FUNDS-

funds made available for cooperative and business investment purposes by some public agencies or nonprofit organizations. These may be borrowed and then repaid on specified terms so that others may borrow the money at a later time.

REQUEST FOR PROPOSAL (R-F-P) –

A document defining expected terms of vendors; circulated to compare prices and services for the purpose of selecting a vendor.

RETREAT –

An annual or periodic meeting of the board of directors to focus on the future of the organization and its overall well-being. Often resulting in a strategic plan.

REVENUE –

A variety of revenue sources generate income. Organizations increasingly rely on non-dues revenue. Directors monitor revenue through the budget and may be asked to assist with fundraising.

RIGHT OF FIRST APPROVAL

Most co-ops have a process to review and approve new members /shareholders. Your purchase of a membership/share is conditioned on the co-op’s review and approval of your application and abilities to meet your obligations under the occupancy agreement. Co-ops may not discriminate against any protected class under local, state, and federal law.

RIGHT OF THE FIRST REFUSAL.
A right of first refusal is often stipulated in a co-op's bylaws. If a co-op's bylaws contain a right of first refusal clause, the co-op has the first option to purchase or refuse to purchase the outgoing member's share at an agreed upon price.

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

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

RISK MANAGEMENT
The processes and safeguards in place to protect against potential risks, i.e. antitrust violations, discrimination, crisis, etc.

RULES OF ORDER-
The written rules of parliamentary procedure detail the processes used by the board to make decisions. Often referenced in the bylaws as Roberts Rules of Order. Directors should familiarize themselves with the procedures and protocols regarding meeting conduct.

RULES OF ENGAGEMENT –
The expectations of directors above and beyond the governing documents. For example, arriving on time, serving as an ambassador at events, contributing to fund raising or chairing a committee.

RULES OF ORDER –
The rules of parliamentary procedure detail the processes used by the board to make decisions and advance the agenda. Often referenced in the bylaws as Roberts Rules of Order. Directors should familiarize themselves with the procedures and protocols of meeting conduct.

ROCHDALE (OR COOPERATIVE)
A set of seven principles, developed by the international cooperative community, which define how cooperatives ought to behave. Briefly, they are open membership, democratic control, limited return on member equity, one member one vote, continuous education, cooperation with other cooperatives, and sustainable community development.

ROYALTY
A payment made to an organization by another party for the use of an asset, often an Intellectual Property Asset such as creative or scientific work. A form of Income for the owner of the asset, and an expense for the user.

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 a 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.

Section 8

Section 8 is a federal assistance program that subsidizes the monthly rents of low-income individuals. Individuals who receive Section 8 assistance must fall under certain income requirements. Individuals benefiting from Section 8 pay only a certain percentage of their monthly income in rent, the government pays the rest directly to the landlord or co-op.

Section 202

Section 202 is a HUD program that provides financing for housing developed for the elderly and disabled. A number of senior housing cooperatives have been developed using this program.

Section 203(n)

HUD's Section 203(n) single-family cooperative mortgage insurance program insures loans for persons buying a share/membership in a housing cooperative. The loan is made by a lending institution, such as a mortgage company, bank, or savings and loan association, and is insured by HUD's Federal Housing Administration (FHA). (See "Share Loan")

Section 213

Section 213 is a HUD program that insures mortgages only on cooperative housing projects on a market rate basis. Section 213 has been used to insure over 500 cooperative housing projects, totaling over 70,000 units.

Section 216

See "Internal Revenue Code Section 216"

Section 221(d)(3)

Section 221(d)(3) is a HUD/FHA program that insures mortgages for the new construction or substantial rehabilitation of multifamily cooperatives and nonprofit rental housing. Under 221(d)(3), a nonprofit sponsor may receive an insured mortgage for up to 100% of the HUD/FHA estimated replacement cost of the project.

Section 221(d)(3) BMIR

Previously, the Section 221(d)(3) Below Market Interest Rate (BMIR) program provided below market interest rate financing for sponsors of low-income housing projects. Many cooperatives that were developed during the 1960s and 70s used this program. BMIR projects were replaced by the Section 236 Mortgage Subsidy Program under authority of the Housing Development Act of 1968. Presently no new mortgages are insured under the BMIR or the Section 236 programs.

Section 236

Section 236, a HUD program enacted in 1968, provides a subsidy to reduce mortgage interest payments down to as low as 1%.

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.

SECURED LOAN

SECURITY AGREEMENT

A legal document executed by a borrower granting a lender the right to take a specified asset in case the borrower defaults on a loan.

SEED MONEY.

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

SELF-MANAGEMENT

In a self-managed cooperative, cooperative members perform the function of maintenance and administration themselves, or contract to various vendors.

SENIOR HOUSING COOPERATIVE

A senior housing cooperative is cooperatively owned or controlled housing designed especially for seniors.

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.

SHARE
Sometimes called a certificate, a share represents an individual's right to occupy a specific space in the housing co-op.

SHAREHOLDER-
in a cooperative corporation, anyone who has the right to vote for the Board of Directors or who has a proprietary interest in the cooperative. "Shareholder" has the same meaning as "member" under the statute.

SHARE LOAN
A loan taken out by a member to buy shares (representing a unit) in a housing cooperative.

SHELTER CHARGES.
See MONTHLY HOUSING CHARGES.

SHELTER RENT.
Rental or carrying charges not including the cost of utilities.

SHORT TERM DEBT/LIABILITY
A loan which is issued with a final payment date of one year or less.

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.

SPEAKING FOR THE ORGANIZATION –
Lines of authority and governing documents indicate who may speak for the organization. Directors should not assume their position allows them to represent themselves as a spokesperson for the organization.

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, is determined by dividing the cost of the improvements by the number of square feet of floor therein.

STAFF LIAISONS –
Committees may be assigned a staff member to serve as a resource and communications conduit. See also Board Liaisons.

STANDING COMMITTEE –
A permanent committee of the organization, often identified in the bylaws and serving the entire length of the board's term (as opposed to an ad hoc committee or task force.)

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

STATEMENT OF ACTIVITIES

One of the primary financial reports for an organization, reporting the income, expenses, and change in net assets for a period of time. See income statement.

STATEMENT OF CASH FLOWS

A financial report summarizing the sources and uses of cash for a period of time. The Statement of Cash Flows is a historical report and is different in form and use from cash flow projections. See cash flow.

STATEMENT OF FINANCIAL POSITION

One of the primary financial reports for an organization, reporting the assets, liabilities, and net assets as of a specific date. See Balance Sheet.

STRATEGIES –

Strategies fall under goals. While the goals indicate direction for the organization, the strategies more specifically identify directives for achieving the goals. From a PR perspective, the strategies will be judged as to what actions the organization will be undertaking to benefit the members.

STRATEGIC PLAN –

A process to identify, discuss and set outcomes for the organization. Participants should be visionary in understanding and setting a realistic course to best position the organization. The timeframe may cover a year to 10 years, though two-to-three-year plan duration is common.

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.

A written agreement between a person and the cooperative (in a form approved by the Board of Directors, and as specified in the co-op's bylaws) in which such a person agrees to execute an Occupancy Agreement, make the required down payment, assume monthly carrying charges, and become a member of the cooperative.

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

SUBSCRIPTION FUNDS/PURCHASE PRICE
Subscription funds are a fee or price paid along with the subscription agreement or purchase agreement.

SUBSIDIZED HOUSING COOPERATIVE
A subsidized housing co-op receives a subsidy of some kind from the federal, state, or local government or other sources in order to lower the overall costs of the housing.

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.

SUCCESSION PLAN –
A document that describes the board’s options should the chief paid officer (executive director) depart in a planned or unexpected manner.

SUNSET –
A planned review and phase out or update of a policy or process.

SUPPORT
Income from voluntary contributions and grants (as distinct from revenue or earned income).

SURPLUS
Income in excess of expenses; an operating profit or a positive Change in Net Assets.

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.

SURPLUS-
in the context of California cooperative corporations, this is the net income that is attributable to member labor.

SWEAT EQUITY
Sweat equity is the act of providing personal labor in building or rehabilitation a property by a resident-owner in order to reduce the price and/or as a part of a purchase agreement, especially as used in subsidized or self-help housing.

SWOT PROCESS –

An analysis of the organization's strengths and weaknesses (internal) and opportunities and threats
(External.)

T

TASK FORCE-

A temporary committee to accomplish a narrowly defined task for activities. Also known. As known as an ad hoc committee, both are different from a standing committee.

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 EXEMPT STATUS –

Organizations receive tax exempt status (exemption from paying federal income tax) by applying to the IRS. Chambers of commerce and associations are generally assigned 501(c)(6) status. Foundations are designated as 501(c)(3) organizations.

TAX DEED.

A dead 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.

TERM LIMITS-

A limit on the number of years or terms a director can serve as prescribed in the bylaws. Often 2 three-year terms or 3 two-year terms.

TENANT

A resident leasing property from a property-owner.

TIME –

Volunteers' contribution of time is a valuable gift. Show respect for each person's time by only holding meetings that have significant business. Starting and ending meetings on time and thanking volunteers.

TIME COMMITMENT –
Volunteer leaders' time is a valuable contribution to an organization. Directors should allocate adequate time to properly govern. Respect time by starting meetings on time, ensuring that meetings have substantive discussions, and showing appreciation to volunteers.

TITLE
A legal document which represents current ownership of a piece of property (sometimes called a Deed.)

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

TITLE SEARCH.
Check documents on files at a registry to ensure that property is free from encumbrance.

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 transfer value is the dollar amount of the membership or share in a housing cooperative as set by the bylaws in the event the cooperative re-purchases the membership/share. In a limited equity co-op, the transfer value is the maximum amount at which a member's share in the co-op may be sold according to the co-op's limited equity formula.

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

UNCONDITIONAL PROMISE TO GIVE
A pledge to make a contribution of cash or another asset without requiring the organization to meet any condition prior to receiving the contribution.

UNREALIZED GAIN OR LOSS
The increase or decrease in value of an investment asset held by an organization but which has not been received through the sale of the asset.

UNSECURED LOAN
A loan made without collateral.

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

UNRELATED BUSINESS INCOME
Income from a trade or business is not substantially related to a not-for-profit organization's tax-exempt function and that is regularly carried on by the organization. Annuities, interest, dividends, Annuities, interest, dividends, royalties, and rent from certain real and certain personal property are specifically excluded from the definition of unrelated business income. A corporate tax is imposed on UBI in excess of $1,000 in order to place the tax-exempt organization on an equal footing with taxable organizations with respect to their business operations.

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

UNIT IMPROVEMENT.
An improvement was 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

VACANCIES
Any unit in a building that is unoccupied, and not generating revenue for the co-op.

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.

VALUES –
Core values are consistent with MISSION. They inform audiences of the organization's principles. It is better to adopt a value statement than to amend the mission, vision or bylaws.

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.

VENDEE.
Person to whom a thing is sold.

VISION STATEMENT
A lofty statement that answers: "What and where do we want to be in the distant future?" In writing a vision statement, consider that you have unlimited resources and thus you can take the industry or profession in the best direction to meet their needs. For example, "XYZ organization will be the premier organization in the state to serve the needs of all professionals."

W

WAIVER.
An agreement that allows someone to be exempt from a policy or rule that applies to everyone else.

WARRANT.
A covenant whereby the granter 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 granter guaranteeing protection to the grantee against any claimant.

WASTE.
Willful damage to property.

WEBSITE –
The internet site is owned by the organization to communicate its purpose, reach internal and external audiences, facilitate discussions, etc.

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.

Y

YOUNG LEADERS –
A board's succession often relies on attracting young and diverse leaders. The board and a nominating committee must identify and invite future leaders. Many organizations have initiatives directed at "emerging leaders" and "young professionals."

Z

ZONING.

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


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