LEARNING YOUR LEGAL COOPERATIVE DOCUMENTS

Prepared By
Richard Berendson

Cooperative Documents

Directors owe it to themselves and their members to review co-op by-laws and agreements as often as necessary to be sure they understand them. Though the documents do not necessarily address themselves to every question that might arise, they do spell out the rights of the board and the membership. Patience and careful study of the articles of incorporation, by-laws, regulatory, occupancy, and subscription agreements give the board a clear understanding of what it can and cannot legally do. The co-op's reading matter-- they do contain a fair amount of "legalese"-- but their wording is relatively straightforward, and they hold a great deal of important information. If, despite its efforts, the board does not feel secure in its understanding of every aspect of the documents, it can and should ask for help from its co-op attorney. The board must understand these documents, for they are the basis of its authority.

The principal corporate documents of a co-op are the articles of incorporation and by-laws. The co-op is party to important contracts, such as the occupancy agreements between member and co-op. These detail the rights and duties of members and list the services the co-op, operating through the board, is obliged to provide. Some of the documents govern how the corporation will operate throughout its existence.

While it is not necessary that the documents be "memorized", it is necessary that the members, board members, and staff members are thoroughly familiar with their content.

There are generally three categories of legal documents:

1. Those that establish and define the existence and operation of the corporation.
   - Articles of Incorporation
   - By-Laws

2. Those that establish the relationship between the cooperative and the member, or guide the conduct and behavior of the members. These are, in effect, the covenant made between the cooperative and its members.
   - Purchase/Subscription Agreement
   - Membership (Stock) Certificate
   - Occupancy Agreement
   - Rules & Regulations

3. Those that define and describe the relationship between the cooperative and outside services.
   - Mortgage
   - Regulatory Agreement
   - HAP Contract
   - Management Agreement

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Articles of Incorporation

The legal document issued by the state, which establishes the existence of a corporation. The Articles generally contain:

- The legal name of the corporation
- The term of the corporation's existence
- The purpose of the corporation
- The names of the incorporators

The articles constitute the legal document that establishes the cooperative as a business organization subject to laws of the state in which it is chartered. They state the name under which the co-op will operate and the purpose of the corporation: to provide housing to its members on a nonprofit basis. Also included are statements to the effect that the co-op will conduct any business necessary to effectuate its purpose, including building, operating, and maintaining the property, borrowing money secured by a mortgage, obtaining mortgage insurance, etc. The articles usually state that the co-op's regulatory agreement with its housing agency shall be binding as long as the mortgage is outstanding.

A number of articles apply to the co-op's board of directors, including provisions for how many shall be on the board, and for their election at annual meetings. Procedures are given for avoiding conflicts of interest when co-op directors are involved with firms that wish to do business with the co-op. Also included are names and addresses of the interim directors, who act as the new co-op's governing body until the resident members hold their first annual meeting to elect their own directors.

ARTICLES OF INCORPORATION

Purpose — establishes the existence of the cooperative. Establishes the corporation.

Effects -

- Makes the cooperative (as opposed to individual members) the operative entity
- Limits the purposes for which the cooperative can act
- Defines the basic structure of the cooperative.

Elements

- Official name of corporation
- Laws under which incorporated
- Authorized duration (usually perpetual)
- Business purpose (authorized activities)
- Name and address of incorporator(s)
- Names and addresses of original Board members at time of filing.

How does it regulate cooperative operations?

The corporate charter, often called the Articles of Incorporation, is the most basic document of corporate existence. It is issued by the State to create the legal entity of the corporation. It is the charter that gives birth to the corporation. Although there may be variations from one state to another, the charter generally defines basic characteristics of the corporation, as listed above.

For cooperatives initially financed under a HUD program and depending on the state of incorporation, the Articles may also fix the number of Board members.

By-Laws

The by-laws are the written rules and regulations governing the operation of the co-op. Besides stating the name, location, and purpose of the cooperative, they deal with membership, meetings of members, the board of directors, officers of the corporation, rights of the regulatory agency, how by-laws shall be amended, and fiscal management of the co-op.

These are the written rules and regulations which govern the operation of the cooperative. The By-Laws will define:

- Membership:
  1. Eligibility
  2. Certificates
  3. Transfer of membership
  4. Transfer value
  5. Membership termination

6. Equity limits

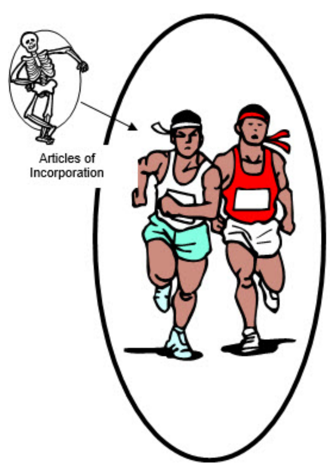
- Membership Meetings:
    1. Date and place
    2. Voting rights
    3. Notice requirements
    4. Quorum
    5. Special meetings

- Directors:
    1. Number and duties
    2. Powers and Duties
    3. Election and term of office
    4. Removal of directors
    5. Board meetings
    6. Special meetings
    7. Officers

By-Laws

- Amendments:
    1. Who can propose amendments?
    2. How amendments may be proposed

- Fiscal Management:
    1. Books and accounts
    2. Annual Audit
    3. Inspection of financial records by members
    4. Authorization for board to execute notes and contracts.



By-Laws

BY-LAWS

Purpose — Details how the co-op will be governed, and spells out the rights of members.

Effects —

- Defines membership (eligibility and rights)
- Delineates powers, operations, and officers of the Board of Directors
- Discusses and defines the annual meeting of members and elections of Directors
- May establish maximum transfer value and usually provides a schedule of calculation for the determination of the transfer value.
- Subordinates all of the above to the Regulatory Agreement

Elements —

- Number of Directors, their terms of office, and how they are elected
- Powers, privileges, and any restrictions upon the Board of Directors
- Resignation and removal of current Board members
- Appointment of replacement Board members
- Selection of corporate officers
- Meeting requirements
- Voting procedures
- Restrictions on membership or stock sales and transfers.

How does it regulate cooperative operations?

The bylaws are defined in a document created by the incorporator or members to define how the corporation will function. It usually contains provisions for amendments by the members as needs and expectations change. This single document serves to protect individual members by limiting the powers of the Board of Directors and specifying how certain basic functions of the corporation are carried out.

Membership.

These provisions discuss such matters as eligibility for membership, applications, deposit of subscription funds, content of the membership certificate, and replacement of lost certificates. An important section deals with transfer of membership should a member die or desire to leave the co-op. The co-op's option to purchase a retiring member's share is described in detail, as is the procedure to be followed if the co-op chooses not to exercise this option and allows the member to sell the membership to a purchaser approved by the board of directors.

The method to be used by the board for determining "transfer value," in the event it exercises its option to purchase a membership, is set forth here. The by-laws also include procedures for terminating membership and for limiting the sales price.

Membership Meetings.

By-laws set the date and place of the co-op's annual meetings and specify when and how special meetings are to be called. Procedure for notification of members, determining a quorum (the percent of members of record required to be present in order for business to be conducted), and adjournment of meetings when a quorum has not attended are also set forth.

Voting rights and procedures are described in detail, as are methods of appointing proxies. Some by-laws provide an order of business to be followed at regularly scheduled meetings of the membership.

Directors.

Also stated in the by-laws are the number of directors to serve on the board, their qualifications, their powers and duties, and provisions for their election and term of office. This section describes how vacancies shall be filled, how directors may be removed by a vote of the co-ops members, and how a successor may be chosen. Included, generally, is a provision for automatic termination of a director more than thirty days' delinquent in payment of housing charges. This section forbids the co-op either to pay compensation to or employ its directors.

By-laws set the time of a new board's first organizational meeting and the minimum number of board meetings to be held each year; they describe how special meetings of the board may be called and what constitutes a quorum for board meetings.

Also included is a requirement that all co-op officers and employees handling or responsible for co-op trust funds provide adequate fidelity bonds, with the premiums to be paid by the co-op.

Officers.

By-laws name the cooperative's principal corporate officers (president, one or more vice presidents, secretary, and treasurer) and they state that officers are to be elected by directors from among those serving on the board.

The officers' powers and duties are also stated: generally, the president is named executive officer, with all powers and duties usually vested in the president of a corporation, the vice president is authorized to act when the president is disabled or absent, the secretary is required to keep minutes of board and membership meetings and perform other duties usually belonging to a secretary, and the treasurer is made responsible for co-op funds, securities, receipts, disbursements, and the keeping of full and accurate accounts.

Regulatory Agreement.

By-laws of government-insured co-ops require that management and operation of the development shall be subject to the "rights, powers, and privileges" of the regulatory agency, in accordance with the regulatory agreement (to be discussed separately in the next section of this chapter).

Amendments.

An important article in the by-laws specifies how they may be amended by the membership, and how amendments may be proposed. Note that the approval of the regulating agency is required for government- insured co-ops.

Fiscal Management.

By-laws establish the co-op's fiscal year, prescribe how its books and accounts shall be kept, require an annual audit, and state that financial records must be kept at the co-op office for inspection by any member.

This section provides for the signing of checks by a specified number of officers and for authorization by the board to execute notes and contracts on behalf of the co-op.

Cooperative Associations.

A final section authorizes the co-op to belong to an association of cooperatives whose members join for purposes of mutual aid and for advancing the interests of housing cooperatives.

The Regulatory Agreement

Federally insured co-ops are party to a regulatory agreement with the Department of Housing and Urban Development (or FHA, Federal Housing Administration). Co-ops financed by state and local housing authorities have similar contracts, which are likely to be modeled on the standard HUD agreement. Basically, the regulatory agreement requires the co-op to abide by the regulations of HUD (or FHA), which insured the mortgage in order to induce a money lender to finance the development. This document binds mortgagor (the owners, who pledged co-op property as security in borrowing to finance the development) and mortgagee (institution that holds the mortgage until the amount borrowed, plus interest, is paid) with the Secretary of HUD.

The regulatory agreement, by-laws, and articles of incorporation list legal constraints imposed upon the co-op by government-- the state in which the development is incorporated as a business, and, for insured co-ops, the regulating authority. Boards of directors must know and understand these documents, for they spell out the "rules of the game" for administering the cooperative.

Its stipulations require the cooperative to:

- Make payments due under the terms of the mortgage,
- Establish and maintain a General Operating Reserve fund and a Replacement Reserve fund
- Set up funds for residual receipts, surcharges, or collections over basic rates.
- Establish and collect adequate housing charges to meet all cooperative expenses, but not to charge rates in excess of a HUD approved schedule.
- Limit membership to low to moderate-income families (if insured under Section 221(d)(3) or 236)
- Certify and periodically recertify members' family income to determine whether they must pay additional charges.
- Maintain the cooperative adequately.

The Regulatory Agreement also constrains owners in a number of ways, requiring that they not, without prior approval of HUD:

1. Sell the property.
2. Remodel or demolish any part of the property.
3. Merge with another corporation
4. Incur liabilities beyond a maximum amount.
5. Enter any supervisory or managerial contract.
6. Withhold any information requested.

The Regulatory Agreement requires owners to make periodic reports to HUD. Among these are regular operating reports as requested, annual financial reports prepared by a certified public accountant, copies of minutes of all membership meetings, and other reports HUD may request.

Purpose — Controls the operations of the cooperative so that they meet the purposes of the federal government program under which the cooperative was financed/ insured/ subsidized.

Effects —

- Restricts the (initial) membership of the cooperative to members of the target population.
- Regulates the resale of memberships as to both price and membership in the target population.
- Regulates the financial operations of the cooperative (occupancy charges, reserves, contracts, borrowing, investments).
- Regulates the maintenance and repair of the structures and grounds!
- Provides means for enforcement.

Elements —

- Describes reserve requirements.
- May require mortgagee (regulatory agency's) consent of budget changes.
- Prohibits additional encumbrances on the property without mortgagee (regulatory agency's) consent.
- Prohibits commingling of funds with another cooperative or entity.
- Prohibits payment of compensation to Directors and officers without mortgagee (regulatory agency's) consent.
- May require annual financial statements prepared by an independent certified public accountant.
- May require periodic certification of member household and income for subsidized households.
- May require the cooperative to comply with published HUD policies and regulations, if HUD insured.

How does it regulate cooperative operations?

A regulatory agreement is an agreement between the cooperative and a government entity that requires the cooperative to comply with government regulations that pertain to the program. In exchange, the cooperative receives government-sponsored mortgage insurance and/or government subsidies.

A mortgage based regulatory agreement normally runs for the term of the mortgage or until the mortgage is paid in full. A subsidy-based regulatory agreement runs for the length of the subsidy agreement.

Although HUD or another regulator may be influential over the cooperative, unless specifically contracted to HUD, the obligation to ensure the proper operations of the cooperative rests with its Board of Directors and the Management Agent it has employed.

The regulatory agreement places certain obligations upon the cooperative and also some limitations upon the powers of the Board. These obligations and limitations are not onerous; indeed, they constitute prudent business practice that a wise Board would observe even if it had not contracted to do so.

Obligations of the cooperative under the regulatory agreement:

1. Make mortgage payments
2. Maintain replacement reserve
3. Maintain general operating reserve.
4. Collect carrying charges from members in accordance with budget approved by FHA
5. Maintain buildings, grounds, and equipment in good repair
6. Make all property and records available for FHA inspection
7. Keep the books according to generally accepted accounting principles (GAAP). and the FHA uniform system of accounting; render reports to FHA; answer FHA's questions concerning operations and conditions of the property; send minutes of members' meetings to the appropriate party
8. Permit no contract that would restrict membership on account of race, color, or creed
9. Schedule inspections upon request
10. Observe provisions of the mortgage
11. Make no petition for bankruptcy, insolvency
12. Comply fully with federal, state, and local laws, and FHA regulations prohibiting discrimination on the basis of race, color, creed, or national origin.

Limitations

Under the regulatory agreement, the Board is forbidden to perform the following without approval:

- Sell the property or part of it
- Remodel, reconstruct or demolish the property
- Make any exceptions to the approved schedule of carrying charges
- Permit non-members to live in the cooperative

- Merge with another corporation, liquidate the cooperative, re-organize the corporation, change the capital structure, alter the articles of incorporation or amend the bylaws
- Change the reserve for replacement and general operating reserve requirements
- Incur liabilities greater than the dollar amount specified in the agreement pertaining to your cooperative
- Enter into a contract with a Management Agent
- Invest funds of the corporation in any property except government bonds
- Use mortgage proceeds for anything except paying construction costs or reducing the amount of the mortgage
- Sue anyone for more than a modest specified amount.

If the cooperative violates any of these provisions in a regulatory agreement mandated due to HUD mortgage insurance, FHA has the right to demand correction. If correction is not made within fifteen days, FHA may declare a default. If a default is declared, FHA has the power to take possession of the cooperative's project, and operate it until FHA is satisfied that the cooperative can handle its own affairs properly without help. FHA also has the option to institute proceedings and seek foreclosure of the cooperative's project and thus take away the cooperative's title to the project; or, FHA may seek an injunction and appointment of a receiver to operate the cooperative's project; or such other relief as may be deemed appropriate by the Court.

These obligations and limitations are intended to protect the cooperative when unusual situations might jeopardize it and, therefore, might damage FHA's interest as insurer of the mortgage of the cooperative. The prudent Board will find that the regulatory agreement does not require anything contrary to the best interests of the cooperative. FHA's supervision is highly beneficial to the cooperatives and has contributed to the excellent record of housing cooperatives. Indeed, the high standard of housing in our country --cooperative and otherwise -- owes much to the good work of this effective federal agency.

The Management Agreement that you have signed with your Management Agent delegates much of the responsibility for observing the provisions of the regulatory agreement to the Management Agent. The Management Agent you choose must be approved by the FHA.

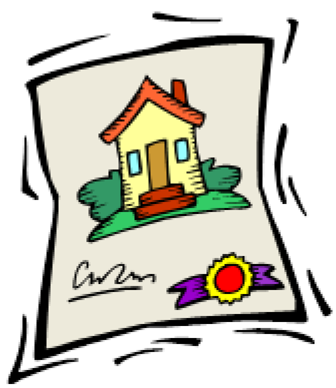
Subscription Agreement

By signing a subscription agreement, prospective members demonstrate their intent to join the co-op, having accepted all its rules and regulations. Subscribers pay a subscription fee, which amounts to a deposit on the total down payment they will be required to make if they are approved for membership and move in. The agreement states that the subscriber, if approved, will be entitled to occupy a unit according to terms of the occupancy agreement and will make the required down payment and assume the monthly housing charges for that unit. The co-op retains the right to cancel the agreement at any time before notifying subscribers whether it has approved their membership, and subscribers likewise have the right to withdraw within a certain period after having signed the agreement; in either case the subscription fee must be returned. Should the subscriber default on the agreement, however, the co-op may retain all or part of the subscription fee as liquidated damages.

Some older co-ops discontinue use of the subscription agreement and simply require a deposit from perspective members. Others find it prudent to continue use of the agreement beyond the original sales period, to ensure the legality of the co-op's retaining the subscription fee. The subscription agreement is regarded by some as a sort of screening device for applicants: It's one more way of calling their attention to the fact that they're not just renting an apartment.

The major contract between the co-op and its members is the occupancy agreement. This document gives the member the exclusive right to occupy a particular unit and to use the entire cooperative's community property as long as the member abides by the terms of the agreement, which spells out the rights and obligations of the member of the co-op.

Use of a Purchase Agreement must be done carefully to avoid misleading the prospective member. A membership is being purchased, not a unit. It is also advisable to have the document reviewed by an Attorney to make sure the agreement complies with the cooperatives practice/method of selling memberships (e.g. is the "seller" the outgoing member or the cooperative?).



Purpose — In the case of newly formed cooperatives, a subscription agreement will be available to state the requirements of the future member as they have put a deposit down on a membership share and are in the process of purchasing that share. The subscription agreement will state the rights of the future member and the rights of the cooperative.

Effects —

- Identifies the specific rules that must be followed by all members that have executed an occupancy agreement.
- The rules and regulations will allow for all members to live in peace and be able to be involved in the quiet enjoyment of their home
- Identifies the roles of responsibilities of the new members once they have purchased a membership share as their rights and responsibilities will be stated in the membership agreement or

the subscription agreement, if they are reserving a cooperative membership share to be purchased once the cooperative's mortgage has been approved and their articles of incorporation have been filed and approved.

- Provides means for enforcement.

***Elements* —**

- Describes specific rules and responsibilities of the member as a shareholder
- Describes specific rules in regards to the quiet enjoyment of the home
- Describes specific rules in regards to the maintenance of the home
- Describes specific rules in regards to the people, pet and parking issues associated with living in cooperative
- Describes other rules and regulations that protect the member and his/her investment

How does it regulate cooperative operations?

The rules and regulations, as a section of the occupancy agreement, assists the member in understanding the requirements of being a member of and occupying a specific home in the cooperative

Occupancy Agreement.

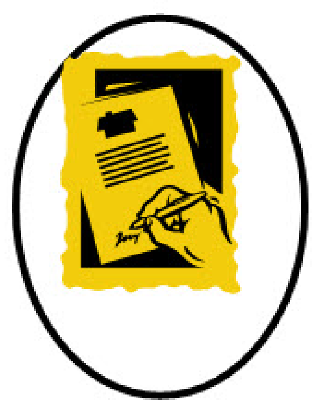
By signing the occupancy agreement, the member agrees to pay monthly housing charges (one-twelfth the member's share of the co-op's annual expenses) on or before the first of each month, and, if charges are in arrears, to pay late charges as determined by the board. Some HUD-financed or HUD-insured co-ops require members to pay additional surcharges should their family income exceed HUD limits for occupancy.

Directors must know the terms of these agreements by which they are bound to abide. These documents the articles of incorporation, by-laws, regulatory, subscription, and occupancy agreements provide the legal basis for all board activity.

This is the lease between the cooperative (as the owner of the property) and the member (a shareholder in the corporation). The occupancy agreement describes the member's rights and duties, the cooperative's rights and duties, and the rules which provide for satisfactory community living.

MEMBERS RIGHTS:

- Occupancy of a specific unit
- Peaceful possession
- Timely maintenance
- Use of the cooperative's community property



MEMBERS OBLIGATIONS:

- To pay monthly housing charges on or before the first of each month.
- To comply with the cooperative's rules and policies.
- To use the premises for residential purposes only.
- To take personal responsibility for repairs and maintenance at their expense for repairs to their units made necessary by their own neglect or misuse, for interior decoration, and for repair or replacement of items not furnished by the cooperative. The agreement also allows the cooperative to make such repairs if the member fails to do so, and to add the costs to the member's housing charges.
- Not to make any structural alterations without written permission of the board.

COOPERATIVE'S OBLIGATIONS:

- To furnish necessary management for the cooperative.
- To provide and pay for all maintenance required except that due to members' negligence or misuse.
- To obtain and maintain in force all necessary insurance for the cooperative, but not for the members personal property.
- To pay all taxes and assessments levied against the cooperative.
- To provide utility service (may be limited to common areas)
- To determine whether compensation is to be paid to members in case of loss or damage of a unit due to fire or other casualty.

The Occupancy Agreement lists procedures for giving notice of an intended termination or transfer, and describes the circumstances under which a member will be considered in default, as well as what remedies the cooperative may seek.

Purpose — defines the rights and duties of the member as occupant of the specific home and of the cooperative as landlord. Grants the member permission to live in a specific unit in return for the member abiding by the rules and meeting all of the member's obligations.

Effects —

The occupancy agreement is usually presented in a similar manner as a residential lease, except that the term is, essentially, perpetual.

Elements —

1. Describes the home (unit) to be occupied
2. Describes who the approved occupants of the unit will be
3. Discloses limitations on the use of the home (unit)
4. Describes how monthly fees will be calculated
5. Discloses any restrictions on the occupancy of the unit
6. Discloses restrictions on the transferability of the agreement
7. Describes broadly the maintenance responsibilities of the parties

8. Describes how alterations and additions may be made
9. Describes the conditions of default and remedies thereof
10. Describes the cooperative's right to impose house rules and policies
11. Discloses a lender's rights to foreclose upon the property
12. Describes acceptance of late payments and results thereof.

How does it regulate cooperative operations?

An occupancy agreement, also called a proprietary lease, is the evidence of cooperative possession. It is an agreement where the member is required to make a capital purchase of stock in the cooperative and receives a leasehold interest in and right to occupy a dwelling unit.

The occupancy agreement or proprietary lease creates a legal relationship between the cooperative and the member. It is the document that describes the rights of a member as well as those of the cooperative.

Occupancy agreements or proprietary leases differ significantly from normal lease agreements. They presuppose that the member has made an equity investment in the cooperative by first purchasing a membership or share(s) in the cooperative. The investment is not treated as a security deposit, although some cooperatives may require an additional security deposit to cover damage the member may cause to the common areas of the cooperative.

The occupancy agreement often has longer terms than residential leases and often offers the member the right to automatic renewal upon expiration of any term. Longer terms and the member's right to automatic renewal are features that enhance the value of a cooperative occupancy agreement.

The member further agrees to preserve and promote the principles of cooperative ownership and abide by the co-op’s rules and policies. The member agrees also to use the premises for residential purposes only, preventing any activity that would increase the building’s insurance rates or interfere with the rights of other occupants, or any immoral or illegal activity on the premises. The member agrees not to sublet the unit without written permission of the board.

Members are required to take personal responsibility for repairs and maintenance at their expense for repairs to their units made necessary by their own neglect or misuse, for interior decoration, and for repair or replacement of items not furnished by the co-op. The agreement allows the co-op to make such repairs if the members fail to do so, and to add the costs (parts and labor) to the member’s housing charges. Members usually are forbidden to make any structural alterations or to install heavy appliances (air conditioners, washers and driers, water heaters, power tools, etc.) without written permission of the board.

The occupancy agreement also states powers and duties of the board. Under the Agreement, the board agrees to:

Prepare an annual budget and determine all housing charges

Refund as credit to the members their share of any money collected in excess of the co-op's needs

Furnish necessary management for the co-op

Procure all necessary insurance for the development

Pay all taxes and assessments levied against the co-op

Provide utility service

Provide and pay for all maintenance required except that caused by members' negligence or misuse

Determine whether compensation is to be paid to members in case of loss or damage of a unit due to fire or other casualty

The term of the typical occupancy agreement is three years, with automatic renewals every term thereafter. The agreement discusses the member's option to renew and the co-op's right to terminate a membership, lists procedures for giving notice of an intended termination or transfer, and describes the circumstances under which a member will be considered in default, as well as what remedies the co-op may seek in the event default occurs.

The occupancy agreement is a rather comprehensive document stating what a co-op member can expect from the co-op as well as what the co-op can expect from the member. Members should, in their own self-interest, know the terms of the occupancy agreement well.

Recognition Agreements

The agreement acknowledges that the shareholder is the owner of the shares and the occupant of the apartment pursuant to the proprietary lease. In the agreement, the co-op corporation consents to the fact that the bank/lender is lending the shareholder money in exchange for a lien on the shareholder's lease and shares as collateral. The agreement prevents the co-op board and cooperation from consenting to any other encumbrances on the co-op without the bank/lender's approval. This means that the co-op cannot consent to any additional loans, termination, or surrendering of the proprietary lease without the lender's consent.

The agreement details what the legal process is if the shareholder stops making his/her monthly maintenance payments and/or mortgage payments.

Purpose — mutually exclusive agreement, which sets forth obligations of share loan lender and the cooperative

Effects —

- Cooperative guarantees the truth of certain statement regarding the status of the cooperative as owners of the real estate and the borrower as a member of the cooperative.

- Cooperative consents to member’s pledge of interest (Membership certificate plus occupancy agreement) as security for the loan.
- Cooperative agrees to notify lender of any threat to the borrower’s status as a member in good standing of the cooperative or of any impairment in the cooperatives financial status.
- Gives lender rights to cure certain defaults by the or the by cooperative.
- Requires cooperative to terminate membership if borrower defaults on share loan obligations.
- Sets out priorities between cooperative, lender, and borrower upon foreclosure and resale of borrower’s cooperative interest.

Use Agreements

Use Agreement: A Use Agreement is a contract between HUD and a property owner that binds the owner to specific requirements, including the following:

- The property must be maintained and operated as an affordable multifamily housing property and comply with the program rules of the section of the National Housing Act under which it was originally developed and financed (such as SECTION 236, SECTION 221 (d)(3) BMIR, SECTION 202, etc.) for a specific time period, as specified by HUD.

- The property must maintain any use restrictions imposed by other federal assistance and comply with all applicable federal guidelines (such as civil rights and fair housing legislation).

- The property must comply with habitability standards, maintenance guidelines, requirements for submitting periodic reports to HUD, and any other applicable requirements.

Some HUD programs require Use Agreements; others require REGULATORY AGREEMENTS with similar provisions.

Purpose — the agreement replaces the Regulatory Agreement for those cooperative that have paid off or refinance their mortgage prior to its expiration. Typically used for Section 236 and Section 221(d)(3) mortgage refinancing.

Effects —

- The cooperative agrees to maintain the occupancy requirements under the program for which the Cooperative was originally financed for a fixed period of time
- Restricts the increase in Carrying Charges with HUD approval
- Restricts the transfer value for the membership
- Maintains HUD oversight in operations, management selection, physical condition and financial reporting.

- It gives legal right to insure compliance

Agreement for Interest Reduction Payments (IRP)

Interest Reduction Payment (IRP) Decoupling: IRP decoupling is a preservation tool to permit owners or purchasers of HUD SECTION 236 properties to retain the remaining monthly INTEREST REDUCTION PAYMENTS (IRPs) after REFINANCING. In return for approving the owner's decoupling request, HUD requires that the existing use restrictions be extended for five years beyond the originally scheduled maturity date of the SECTION 236 loan.

Purpose — This is used for section 236 cooperative that has elected to pay off or refinance its mortgage prior to its expiration and still wishes to receive the benefit of its Interest Reduction Payment (IRP)

Effects —

- Allows the cooperatives new mortgage company to receive the remaining portion of the interest reduction payments (IRP) that was originally allocated to the cooperative.
- Give rights to HUD to terminate such payment if the cooperative fails to certify residents income, keep it in good repair and provide financial reporting in a manner prescribed by HUD
- Adds an additional 5 years of compliance to the initial mortgages maturity date.

Membership Certificate

You are no longer a tenant, but a MEMBER. As a member, you are a part-owner of the building and have a shared responsibilities for managing and maintaining the building. As a members you receive a MEMBERSHIP CERTIFICATE, which proves that you own a share in the cooperative.

As direct stakeholders, members are motivated to act responsibly and become engaged in their community. By working collectively to run their housing, co-op members develop broader forms of interaction and strong communities are created. This involvement very often extends to the wider community as well, where co-op members are known to be engaged citizens.


MEMBERSHIP CERTIFICATE
THE TOGETHER WE CAN DO IT
COOPERATIVE ASSOCIATION INC.

This is to acknowledge that ___Thomas Smith___
Is the owner of one membership share are in:

THE TOGETHER WE CAN DO IT COOPERATIVE ASSOCIATION INC.
And as such is entitled to all of the rights, privileges, and conditions of such membership as set forth in the Article of Incorporation and by-laws respectfully, as amended from time to time. The membership represented by this certificate is subject to the lien rights of the corporation and to the limitations on the transfer and assignment, which are set for in the By-Laws of the corporation.

In witness where of the corporation has caused the certificate to be executed by this duly authorized officers and it's corporate seal to be hereunto affixed as of this __24__ day of __November__, 2020.

THE TOGETHER WE CAN DO IT COOPERATIVE ASSOCIATION INC.

Purpose — Evidence of ownership in the cooperative.

Effects —

- Should be issued to the member and held in their possession as evidence of their ownership
- If share loan is issued it will be held by the share lender.

Mortgage Agreement

A Mortgage Agreement is a pledge by a borrower that they will relinquish their claim to the property if they cannot pay their loan. Contrary to common belief, a Mortgage Agreement isn't the loan itself; it's a lien on the property. ... A Mortgage Agreement is the remedy in case the loan isn't repaid.

Purpose — Makes purchase of the building possible by pledging the land and buildings to the lender as security against the possibility that the co-op fails to make payment on the loan. Pledges the physical assets of the co-op—the land and buildings– to the lender as security for a loan that the co-op promises to pay.

Effects —

- Creates a large debt for the co-op
- Will carry with it a regulatory agreement giving the lender certain rights in co-op affairs.
- Makes it difficult to borrow more until the debt is paid.
- Puts all members' equity at risk if the co-op fails to make timely payments.

Elements —

- Co-op promises to pay
- Co-op is restricted in certain activities without the lender's approval (bylaw amendments, major capital expenditures, changing management)
- Creates an obligation for the co-op to furnish periodic timely financial reports
- Gives the lender the right to take the property if the co-op falls behind in payments, or fails to have insurance, or fails to pay property taxes.

Management Contract

This is the contract between the cooperative and the management company. It broadly defines the services to be performed. The Management Agreement will contain common service contract provisions such as:

- Compensationr5
- Length of contract (expiration date)
- Methods of termination other than expiration
- Description of services to be performed

Many cooperatives have management agreement forms that are based on a form used by HUD a number of years ago when HUD was a party to the contracts. HUD ceased being a party to the management agreements in the 1980's, and implemented instead the "Management Certification". The Management Certification document is the Agent and Cooperative's assurance to HUD that certain provisions are included in the management agreement, and that HUD's requirements are addressed in the agreement.

A few clauses of interest, common to most management agreements are:

- Agent must provide a fidelity bond.
- Cooperative must provide Agent with management office space.
- Agent cannot disperse more than a set dollar amount without the prior approval of the board (except in the case of an emergency).
- Agent is not required to advance funds to pay the cooperatives obligations.
- Regardless of who "employs" the staff, the Agent has the authority to hire, fire, supervise and train the employees. (The cost of all site-staff is the sole responsibility of the cooperative)

Purpose — An agreement that provides for the management of the cooperative.

Effects —

- For a specific period for a specific fee (either fixed rate or a percentage of income)
- Outlines duties and obligations
- For HUD or State agency insured cooperative the agent must be approved.

The Management Agreement is a contractual agreement between the cooperative corporation and the firm hired to manage the cooperative's property. These contacts outline the firm's responsibilities and compensation. While there are standard forms of such contracts, they are usually adopted to the specific needs of the particular cooperative. The Management Agreement authorizes the Agent to implement the management Plan.

The roles of the Management Agent and the Board are separate and distinct, and the Management Agreement or Management Contract and the Management Plan clarify these roles.

To understand the relationship between the Management Agreement and the Management Plan, we must first clarify the parties affected by these documents and the purpose these documents serve. The only party responsible for the management of the cooperative is a management agent (Management Company), General Manager, or designated person(s) in a self- managed cooperative.

You may be asking yourself, if the Management Agent (Management Company) or a General Manager is the only party responsible for the management of the cooperative, what does the Board do and what have we been discussing? Remember, the Board governs.

However, to govern, the Board:

- Exercises continuous authority over the administration of the cooperative on behalf of the membership
- Controls and directs the making and administration of policy affecting cooperative management and operation for the benefit of the membership
- Directs and influences the actions and conduct of cooperative operations on behalf of the membership.

None of the above highlighted verbs reads does or manages. The board does not manage the cooperative. The Board governs the management of the cooperative by holding the management Agent (Management Company) or a general manager accountable for managing the cooperative through the implementation of the Management Plan.

Management Plan

The Management Plan is a specific plan of operations, generally, provided by a Management Agent to the cooperative, in substantially greater detail then that provided in the management agreement. The plan may be attached to the management agreement as a rider.

Both the Management Agent and the Board of Directors should be actively involved in the development of the Management Agreement, as opposed to a boiler plate document the Agent gives to the Board. Both parties should develop, understand, and agree to the plan's substance.

The Management Plan sets forth what the Management Agent (Management Company) or General Manager does. Logically, this clarifies what the Board should hold the Management Agent accountable for. Moreover, it also highlights what the Board should not be doing, that is implementing the Management Plan. The Management Agent implements the Management Plan; the Board holds the Management Agent accountable for implementing the Management Plan. In this regard, the Management Plan helps to establish the difference between management functions and Board functions.

The Management Plan should be a living guide that the Board of Directors and the Management Agent lay out as the foundation for the way the property is managed. This guide includes not only the functions of the Management Agent but also the functions of the Board of Directors. The plan should include the nuts and bolts of all aspects of the workings of the cooperative, such as maintenance functions, marketing functions, etc. It should also clarify the way the Management Agent reports to the Board of Directors, the cooperative management chain of command, and the way cooperative employees follow a chain of command.

Some items that may be included in a Management Plan are:

1. The role and responsibility of the member and the relationship and delegations of authority to the Management Agent.
2. Personnel policy and staffing arrangements
3. Plans and procedures for marketing units, achieving and maintaining full occupancy, and meeting Affirmative Fair Housing marketing plan requirements as from the procedure HUD form 935.2.
4. Procedures for determining tenant eligibility and for certifying and recertifying income
5. Tenant leasing policies
6. Rent collection policies and procedures
7. Procedures for requesting and implementing a rent increase
8. Plans for carrying out an effective maintenance and repair program
9. Supplemental services
10. Plans for accounting and bookkeeping
11. Energy conservation measures and practices
12. Plans for member participation in cooperative operations and members' relationship with management
13. Management and training programs
14. Termination of leases and evictions
15. Security servicing
16. Management Agreement
17. Board of Director relationship
18. Management compensation
19. On-site management.

The Management Plan may address issues beyond roles, responsibilities, and functions. It may also address issues related to the culture of the cooperative. For example, each cooperative may have a certain way they want the Management Agent staff to interact with the cooperative members, such as addressing members as member-owners, members, etc. This may sound unimportant, but clarity around such issues will ensure that the Management Agent, the Board, and the cooperative members are clear on procedure and comfortable with how the cooperative is presented to the members and the public.

In addition to the substance of the Management Plan, the Board has a duty to ensure that the Agent understands and applies the International Cooperative Alliance (ICA) principles to the management of the cooperative.

The Management Plan should not only map out the present workings of the cooperative, but also the future goals of the cooperative and how they affect current operations. The Management Plan should address questions such as When is the mortgage paid off and what will that mean to the operation of the cooperative? How old is the property and do we have a long-range plan to maintain operations and amenities offered to the membership?

Regardless of the size of the cooperative or whether it is self, staff, or Agent-managed, a Management Plan must be a living guide on which past, current, and future Boards of Directors, Agents, and members can rely.

Marketing Plan

A marketing plan is a comprehensive document or blueprint that outlines the advertising and marketing efforts for the coming year. It describes business activities involved in accomplishing specific marketing objectives within a set time frame. A marketing plan also includes a description of the current marketing position of a business, a discussion of the target market and a description of the marketing mix that a business will use to achieve their marketing goals. A marketing plan has a formal structure but can be used as a formal or informal document which makes it very flexible. It contains some historical data, future predictions, and methods or strategies to achieve the marketing objectives. Marketing plans start with the identification of customer needs through a market research and how the business can satisfy these needs while generating an acceptable return. This includes processes such as market situation analysis, action programs, budgets, sales forecasts, strategies and projected financial statements. A marketing plan can also be described as a technique that helps a business to decide on the best use of its resources to achieve corporate objectives. It can also contain a full analysis of the strengths and weaknesses of a company, its organization and its products.

The marketing plan shows the step or actions that will be utilized to achieve the plan goals. Marketing planning segments the markets, identifies the market position, forecast the market size, and plans a viable market share within each market segment.
A marketing plan is a strategic roadmap that businesses use to organize, execute, and track their marketing strategy over a given time. Marketing plans can include separate marketing strategies for the various marketing teams across the company, but all of them work toward the same business goals.

The purpose of a marketing plan is to write down your tactics and strategies in an organized fashion. This will help keep you on track and measure the success of your campaigns. It is the framework from which all your marketing strategies are created, and helps you connect each strategy back to a larger marketing operation and business goal.
An effective marketing plan helps a company understand its target market and competition, the impact, and results of marketing decisions, and it provides direction for future initiatives.

Market research should include the following:

- Monitoring industry and economic trends
- Scouting the competition to determine how you can gain a competitive advantage in pricing and customer service.
- Determining the best ways to reach your target market via traditional advertising, social media, and other channels.

Marketing plans can vary depending on the industry, type of products or services, and goals you want to achieve, but there are certain essential elements that most plans include:

- Executive summary and business description
- Situation analysis
- Marketing goals and business objectives
- Target market and delivery plan
- Unique selling proposition and tactics
- Messaging guidelines
- Budget
- Tracking and evaluation

Cooperative House Rules

House rules guide the everyday operation of the property. They should be developed by members, discussed a membership meeting, formally adopted by the board, and then explained to any new residents as part of their orientation. Because each co-op is unique, there is not a set of house rules that works for every co-op. For example, a senior co-op will want different noise policies than a family or student co-op. Co-ops. with young children will have different policies than a co-op with childless adults.

One of the complaints voiced most frequently by co-op members is that house rules are arbitrary. In order to avoid this perception by your members, and to maintain legal compliance, there are three important factors to consider in relation to house rules:

- The rules must be written.
- The rules must be given to all members. Consider having each member sign a statement indicating that he or she has received, read, and understands the house rules.
- The rules must apply equitably to all members.

When developing or changing house rules, use the “RULE” filter. Make sure each rule is:

(R)easonable
(U)nderstandable
(L)egal
(E)nforceable

Some issues, like pets, may be contentious, but are worth working through. The rules will be easier to enforce if everyone feels that their concerns have been heard. It is especially important that the house rules are fair, enforceable and enforced.

Purpose — To communicate the rules and regulations that the members must follow, once the member signs the occupancy agreement. The rules and regulations were established at time of the incorporation and the establishment of the occupancy agreement. The rules and regulations can be reviewed and can be amended by the current acting Board.

Effects —

- Identifies the specific rules that must be followed by all members that have executed an occupancy agreement.
- The rules and regulations will allow for all members to live in peace and be able to be involved in the quiet enjoyment of their home

- Identifies the roles of responsibilities of the new members once they have purchased a membership share as their rights and responsibilities will be stated in the membership agreement or the subscription agreement, if they are reserving a cooperative membership share to be purchased once the cooperative's mortgage has been approved and their articles of incorporation have been filed and approved.

- Provides means for enforcement.

Elements —

- Describes specific rules and responsibilities of the member as a shareholder
- Describes specific rules in regards to the quiet enjoyment of the home
- Describes specific rules in regards to the maintenance of the home
- Describes specific rules in regards to the people, pet and parking issues associated with living in cooperative
- Describes other rules and regulations that protect the member and his/her investment

How does it regulate cooperative operations?

The rules and regulations, as a section of the occupancy agreement, assists the member in understanding the requirements of being a member of and occupying a specific home in the cooperative

USEFUL TIPS FOR BOARD MEMBERS

1. In addition to the Cooperative Documents there are additional outside influences that might affect the interpretation of these documents. Here are a few that need consideration:
    a. The Nonprofit Corporate Act of your State.
    b. Federal, State and Local laws governing corporations and contracts.
    c. HUD Regulations and Handbook changes.
    d. Federal, State and Local Fair Housing Statutes & Ordinances.
    e. Section 504 & the American with Disabilities Civil Rights Act.
    f. FCC Laws regarding satellite dish installation.

2. There is a hierarchy of Governing Documents:
    a. Federal State & Local Laws.
    b. The HUD Regulatory Agreement and Associated Handbooks.
    c. Covenants and Contracts.
    d. Articles of Incorporation.
    e. Bylaws.
    f. Board Policies

3. Use your Professionals & Other Resources: When posed with a question of interpretation you should proceed as follows:
    a. Make a determination as to what document would contain the information you are requesting.
    b. Read that document.
    c. Request an interpretation from other Board Members and/or Management if you are unsure of the meaning or would like elaboration.
    d. If the issue is of a nature requiring a legal opinion the Board should seek the advice and legal opinion from the Cooperative Attorney.

4. Documents Should be safeguarded:
    a. Safeguard Documents in a fireproof safe.
    b. Discard any version of documents that were not adopted to avoid confusion.
    c. Place notation of approved documents that tie back to the minutes as a result of a motion or other Board Action.

Corporate Minutes

Meeting minutes are some of the most important documents for co-operative businesses. Collectively, they contain the official record for decisions made by the board of directors and the membership. This is important for good governance, strategic direction, and the overall operation of the co-op. Despite this, minutes are often viewed as a chore. This tool serves as a guide to meeting minutes, and provides some tips to help make sure your minutes meet legal requirements and provide a solid record for your co-op.

Purpose — the record of a meeting of the Board of Directors and/or the cooperative Membership.

Effects —

- Minutes should be completed timely and adopted at the next board meeting.
- Minutes should limit the recording of discussion and instead should concentrate on the decisions being made by the cooperative.
- After adoption all minutes should be signed by the secretary to attest their authenticity.

A Director's Code of Ethics

This Code is intended to focus each director on conflicts of interest and other ethical issues, provide mechanisms to report potential conflicts or unethical conduct and help foster a culture of openness, accountability and integrity. The principles set forth in this document describe how directors should conduct themselves. The Code does not address every expectation regarding proper and ethical business conduct. Each director is expected to comply with the letter and spirit of this Code.

No code or policy can anticipate every situation that may arise. Accordingly, this Code is intended to serve as a source of guiding principles. Directors are encouraged to bring questions about particular circumstances that may be relevant to one or more provisions of this Code.

Article I

A Director has a duty of good faith and loyalty to the cooperative.

a) A Director owes allegiance to the cooperative and must act in the best interests of the cooperative while acting in his or her official capacity.
b) A Director should be diligent to ensure that the cooperative's interests are pursued during the meetings of the Board of Directors.
c) A Director may not use the position for personal profit, gain, or other personal advantage over other members of the cooperative.
d) A Director is accountable to the members of the cooperative for his or her official actions and can be held personally liable for fraud or breach of fiduciary duty in the conduct of the cooperative's affairs.

e) A Director shall conduct his or her private life in a manner that befits the dignity of a corporate Director.

This means:

1. A Director should not discuss personal business during a meeting of the Board of Directors nor advance his or her personal interests while in official session at the expense of the cooperative.
2. A Director should not make personal attacks on other Directors, staff, or members while performing official duties. Disagreements should be directed to the disagreement, not the person who raises an opposing point of view.
3. A Director may not accept commissions or rebates that belong to the cooperative for his or her personal gain.
4. A Director who exercises honest and reasoned judgment and acts reasonably and in good faith for the best interests of the cooperative will be protected by the business judgment rule governing his or her actions or omission and will be fulfilling his or her fiduciary obligation of loyalty to the cooperative.

Article II

A Director has a duty to use care, skill, and diligence when carrying out official acts.

a) A Director is required to act honestly and in good faith, in a manner reasonably believed to be in the best interests of the cooperative, and with the care that a prudent person in a similar position would use under similar circumstances.
b) A Director should use his or her best efforts to keep apprised of legislation or regulations that affect the cooperative.
c) A Director should seek the advice of experts when making decisions on behalf of the cooperative in areas of competence in which the Director has not been trained.
d) A Director must serve the interests of all members impartially and without bias.
e) e. A Director must advocate that the cooperative comply with applicable laws, codes, contacts, and agreements to which the cooperative is bound.

This means:

1. A Director is expected to make a diligent effort to become trained and skilled in the business of cooperative housing in such areas as finance, membership sales values, house rules, governance and oversight.
2. A Director is expected to obtain a working knowledge of laws that regulate the cooperative such as fair housing and minimum code restrictions that affect the cooperative and its operations.
3. A Director is entitled to rely upon information and reports presented by officers or other employees of the cooperative whom the Director reasonably believes to be reliable and competent.
4. A Director is entitled to rely upon legal opinions, financial statements, and other information relating to matters that the Director reasonably believes to be within the expertise of the person preparing the information.

Article III

A Director has a duty to act within the boundaries of his or her authority.

a) The authority of a Board of Directors is defined in the charter and bylaws of the cooperative.

b) A Director's authority is limited to those acts that are transacted during the course of a duly called meeting of the Board of Directors with a quorum present.
c) A Director may not act in an official capacity except in the context of a meeting or the Board of Directors unless specifically empowered to act by a majority of Directors present and voting in the affirmative at a duly called meeting.
d) A Director serving in official capacity may not violate government laws that regulate the operations of the cooperative.
e) A Director serving in official capacity may not violate the cooperative's charter.
f) A Director serving in official capacity may not violate the cooperative's bylaws.

This means:

1. The Corporate Charter received from the State defines the business that the corporation can conduct. Its bylaws describe how the cooperative will be operated.
2. A Director of a housing cooperative has a duty to provide oversight that leads to compliance with government laws.
3. The Board of Directors is obligated to comply with the bylaws of the cooperative. Members who may have been wronged by the failure of the Board of Directors to comply with the bylaws may have a case of personal liability against the Directors who violate the bylaws.

Article IV

A Director has a duty to disclose every personal conflict of interest to the cooperative.

a) A Director is required to make a prompt and full disclosure of any material personal interest, either direct or indirect, he or she may have in a transaction to which the cooperative is a party.
b) A Director shall not vote on or participate in discussions or deliberations on matters when a conflict is deemed to exist other than to present factual information or to respond to questions presented.
c) c. A Director shall assure that the minutes properly record his or her abstention on any votes on matters for which a conflict may exist.

This means:

1. A Director who has disclosed a conflict should request that the disclosure be recorded in the official minutes of the meeting.
2. A Director may vote on an issue that benefits the Director if the issue is one that is decided for the general good of the cooperative and the members.
3. A Director should refrain from voting on a matter when a real or potential conflict of interest might exist.

Article V

A Director may not divulge or profit from the confidential information learned while performing official duties.

a) A Director may not divulge or otherwise use for personal gain any personal information learned during the performance of official duties as a Director.
b) A Director must hold confidential all matters involving the cooperative until such time as there has been general disclosure of that information.
c) c. A Director shall not have access to the files and records of a member without the consent of that member.

This means:

1. A Director must use reasonable care to protect reports and other personal information from being read by unauthorized persons.
2. A Director may not use information learned about a member during an official meeting as a topic of conversation with other members.
3. A Director does not have authority to peruse files that contain private information about individual members.
4. A Director has a duty to protect the confidentiality of information learned in the applicant screening process.
5. A Director must have a member's consent to receive confidential information about that member.

Article VI

A Director has a duty to participate in the operations of the cooperative only as authorized by the full Board of Directors.

a) A Director's primary obligation is to participate in the governance and policymaking process of a cooperative, and not its operations.
b) A Director should not interfere with the enforcement of the occupancy agreement or house rules outside of a meeting of the Board of Directors.
c) c. A Director should not interfere with the enforcement of policies except during a meeting of the Board of Directors.

This means:

1. An individual Director is not empowered to provide day-to- day work instructions to staff unless clearly authorized to do so during a meeting of the Board of Directors.
2. An individual Director does not have authority to waive compliance with any policy of the entire Board of Directors.

Overview of Cooperative Documents

An Overview of Cooperative Documents

DOCUMENT	PURPOSE	EFFECTS
Articles of Incorporation	Establish the existence of the cooperative.	1. Filed with the State in which the Cooperative is located. 2. It is a Public Document. 3. Limits the purposes for which the organization can act. 4. Defines the basic structure of the cooperative including the number of shares authorized. 5. Can be only amended by its shareholders.
Bylaws	Regulate the internal workings of the cooperative.	1. Defines membership (eligibility and rights). 2. Delineates powers, operations, and roles of officers of the Board of Directors. 3. Provides for Annual Meeting and Special Meetings of Members and the Elections of Directors. 4. Establishes maximum transfer value (If Limited Equity) 5. Subordinates all of the above to the Regulatory Agreement (If HUD Insured).
Subscription Agreement	Create a conditional agreement to purchase and sell a membership.	1. Gives prospective members a limited right to buy a membership from the cooperative in exchange for a down payment.
Occupancy Agreement	Define the rights and duties of the member as tenant and the cooperative as landlord.	1. Establishes Member's right to occupancy. 2. Establishes the Cooperative's right to increase monthly housing charges and establish policies. 3. Automatically renewable. 4. Links occupancy to the Membership in the Cooperative.
Regulatory Agreement	Control the operations of the cooperative so that they meet the purposes of the (federal or State) government program under which the cooperative was financed, insured, and/or subsidized.	1. Restricts the (initial) membership of the cooperative to members of the target population. 2. Regulates the resale of memberships as to both price and membership in the target population. 3. Regulates the financial operations of the cooperative (occupancy charges, reserves, contracts, borrowing, investments). 4. Regulates the maintenance and repair of the structures and grounds. 5. Provides means for enforcement.
Recognition Agreement	Mutually exclusive agreement, which sets forth obligations of share loan lender and cooperative.	1. Cooperative guarantees the truth of certain statements regarding the status of the cooperative as owners of the real estate and the borrower as a member of the cooperative. 2. Cooperative consents to member's pledge of cooperative interest (membership certificate plus occupancy agreement) as security for loan. 3. Cooperative agrees to notify lender of any threat to the borrower's status as a member in good standing of the cooperative or of any impairment in the cooperative's financial status. 4. Gives lender rights to cure certain defaults by member or by cooperative. 5. Requires cooperative to terminate membership if borrower defaults on share loan obligations. 6. Sets out priorities between cooperative, lender, and borrower upon foreclosure and resale of borrower's cooperative interest.

DOCUMENT	PURPOSE	EFFECTS
Use Agreement	This Agreement replaces the Regulatory Agreement for those Cooperatives that have elected to payoff or refinance their mortgage prior to its expiration. Typically used for Section 236 & Section 221(d)(3) mortgage refinancing.	1. The Cooperative agrees to maintain the occupancy requirements under the program for which the Cooperative was originally financed for a fixed period of time. 2. Restricts the increase in Carrying Charges with HUD approval. 3. Restricts the Transfer Value for the Memberships. 4. Maintains HUD oversight in operations, management selection, physical condition and financial reporting. 5. Its give a legal right to insure compliance.
Agreement for Interest Reduction Payments (IRP)	This is Used for a Section 236 Cooperative that has elected to payoff or refinance its mortgage prior to it expiration and still wishes to receive the benefit of its Interest Reduction Payments (IRP).	1. Allows the Cooperative's new mortgage Company to receive the remaining portion of the Interest Reduction Payments (IRP) that was originally allocated to the Cooperative. 2. Give rights to HUD to terminate such payment if the Cooperative fails to certify resident's income, keep it in good repair, and provide financial reporting in a manner prescribed the HUD. 3. Adds an additional 5 years of compliance to the initial mortgage's maturity date.
Membership Certificates	Evidence of Ownership in the Cooperative.	1. Should be issued to the Member and held in their possession as evidence of their Ownership. 2. If a share loan is issued it will be held by the Share Lender.
Mortgage & Mortgage Note	Security for Lending to the Housing Cooperative.	1. Establishes the terms for repayment of the original principal including interest rate and payment terms. 2. Restricts those activities of the Cooperative that might hinder the lender security. Usually prohibits the reduction of Carrying Charges. 3. Allows the lender to inspect the units and receive financial information.
Management Contract	An Agreement that provides for the management of the Housing Cooperative.	1. For a specific period for a specific fee (either fixed rate or a percentage of income). 2. Outlines duties and obligations. 3. For HUD or State Agency Insured Cooperative the Agent must be approved.
Cooperative House Rules	Rules that are established by the Board of Directors that outline activities from Pets, Parking, Garbage, Snow Removal, etc.	1. Can be changed by the Board of Directors at any time. 2. Requires a 30-day notice to Members prior to implementation. 3. Cannot conflict with the other documents.
Corporate Minutes	The record of a Meeting of the Board of Directors and/or the Cooperative Membership.	1. Minutes should be completed timely and adopted at the next Board Meeting. 2. Minutes should limit the recording of discussion and instead should concentrate on the decisions being made by the Cooperative. 3. After adoption, all minutes should be signed by the Secretary to attest their authenticity.