

## WHAT IS A HOUSING COOPERATIVE?

A housing cooperative is a not-for-profit, member-owned community that provides affordable housing where members only pay the actual operating costs of the cooperative.

Cooperatives are owned and operated by their members through a member-elected Board of Directors. Members own a share in the cooperative, together they own 100 percent of the cooperative; the building, common areas, and the land on which the building sits.

Cooperatives provide all the benefits of homeownership while eliminating interior and exterior home maintenance. They allow for low buy-in prices, stable monthly fees, ease of resale, investment return, tax deductions and a maintenance-free lifestyle.

## WHO CAN LIVE AT SPAULDING PLACE?

At least one owner of each cooperative home must be age 62 or above. All owners must qualify financially for membership by meeting minimum income requirements established by the cooperative.

## HOW DOES THE MASTER MORTGAGE WORK?

The cooperative is financed with a FHA insured master mortgage. It is secured by the cooperative leaving no personal liability to individual members and has a fixed interest rate for 40 years. It is not a goal to payoff. The mortgage as it provides numerous benefits to cooperative members, it allows for affordable share prices, stable monthly fees, ease of resale, and lower market risk.

## WHAT TAX BENEFITS ARE AVAILABLE TO ME?

Tax benefits are similar to what you would see in a single-family home. Members can deduct their pro-rata share of the cooperative's mortgage interest, property taxes, and mortgage insurance premiums which in total equate to approximately 59 percent of the monthly fee.

## HOW DO I FINANCE THE PURCHASE OF MY COOPERATIVE SHARE?

In the development phase, many buyers will fund their share payment from current investments or secure a home equity loan with their local bank. At the time their current home is sold, the home equity loan can then be repaid. Since the initial share payment is typically less than the value of their home, there can be remaining funds from the equity in their home which can be invested, and the interest from that investment used to help pay the monthly fee.

## WHAT DOES IT COST TO PURCHASE A COOPERATIVE HOME?

**Share Payment:** The share payment is a one-time payment that purchases a share in the cooperative. Members become shareholders, represented by a certificate of membership, in the corporation (“the Cooperative”). The share payment is an investment that gets returned at resale.

**Monthly Fee:** The monthly fee covers the cooperative’s operating costs. It is based on the size of the home you choose, so you are only paying for your equal portion of costs. The monthly fee does have the ability to increase but you, the member-owners, determine that. The monthly fee should only increase as variable operating expenses increase (heat/property taxes/etc.), similar to your current home.

### **Items paid for in the monthly fee include:**

- Your portion of the Master Mortgage
- Property Taxes
- Reserves\*
- Property Insurance
- Exterior & Interior Home Maintenance\*\*
- Water, Sewer
- Heat
- Underground Heated Parking
- Snow Removal
- Lawn Care
- Common Area Housekeeping
- Trash Removal
- Recycling
- Cable
- Management/Operations
- Cooperative Van

\*Reserves: There are two reserve accounts that are funded monthly. The replacement reserve, which is used for replacement of cooperative assets, and the operating reserve which is like a cooperative savings account.

\*\*Exterior & Interior Home Maintenance: Having interior home maintenance included is a huge part of costs associated with ownership. Items such as appliances, flooring, window coverings, etc. are all owned, maintained and replaced by the cooperative. Cooperative assets are assigned a “life” and will be replaced at no additional cost to you when that time comes. This can make financial planning much easier not having to worry about unexpected maintenance costs arising.

*Note: The above are brief answers, which will be explained in more detail in the Cooperative’s formal Organizational Documents.*