

GLOSSARY OF TERMS

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.

Annual Membership Meetings

The annual membership meeting is a yearly meeting to 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.

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 cooperatives and/or cooperative housing corporations.

Blanket Mortgage

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

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/shareholders.

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.

Carrying Charges

See Monthly Carrying Charges.

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. An elected board of directors is responsible for operations and management of all common facilities.

Conventional Loan

A conventional loan is a mortgage loan 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.

Cooperative Interest

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

Cooperative Principles

The 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 the 1800s, generally considered to be the founders of the modern cooperative movement. The International Cooperative Alliance revised the principles in 1995.

Documents

Several 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 as government agencies or financial institutions.

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.

General Operating Reserve (GOR)

HUD-related cooperatives are required to maintain a reserve fund at a level specified in the regulatory agreement for the purpose of providing funds in emergency or crisis situations. Many non-HUD related co-ops also maintain these reserves.

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 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.

Limited-Equity Housing Cooperative

A limited equity cooperative is a cooperative where the bylaws limit the resale price of a 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 purchase of memberships to persons below a certain annual income level. This also serves to preserve the property for low- and moderate-income families.

Member/Shareholder

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

Member Equity

(see “Equity”)

Membership

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

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 Annual Membership Meeting.

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.

Occupancy Agreement (or Proprietary Lease)

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 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 member and the cooperative to each other. Legally, it is viewed as a lease by the member with the housing cooperative.

Officers

In addition to the board of directors, all cooperative corporations have officer 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.

Personal Property

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

Proxy or 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 proxy voting is allowed.

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 a share in a corporation, which in turn owns the real property.

Replacement Reserve

A replacement reserve is a reserve fund to provide savings for the timely replacement of major appliances, building components, and structures.

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.

Reserve

See Replacement Reserve and General Operating Reserve

Right of 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.

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.

Share

A share is the proportion of the cooperative that each member owns, and it represents the proportionate amount that each member invested in the co-op when the co-op was started. A certificate, often called a stock or membership certificate, documents the purchase price and membership in the cooperative.

Shareholder

A shareholder, also called a member, is the owner of a share in a housing cooperative.

Share Loan

A share loan is a loan obtained to purchase a share in a housing co-op secured by the shares and occupancy rights (cooperative interest). A member can get an individual loan for that amount from a bank or other lending institution (just as when an individual is buying a house).

Site Manager

A site manager is the individual who is employed by the cooperative or the cooperative's management agent to perform the necessary on-site management functions. The site manager may or may not reside on-site and may or may not be employed full time.

Stock Certificate (or Membership Certificate or Shares)

A stock certificate is a documentation of ownership of share(s) in a cooperative. It indicates the number of shares registered in the name of the owner. Stock shares are issued by stock issuing corporations.

Sublease

A sublease is a lease between a current co-op shareholder and another person. Most co-ops restrict subleasing and require subleases to be approved by the board.

Subscription Agreement/Purchase Agreement

A subscription agreement documents the purchase of shares in the housing cooperative.

Subscription Funds/Purchase Price

Subscription funds are a fee or price paid along with the subscription agreement or purchase agreement.

Transfer Value

The transfer value is the dollar amount of the membership or share in a housing cooperative as set by the bylaws in 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.

Resources from: NAHC

<https://coophousing.org/resources/general-cooperative-information/cooperative-principles-and-values/glossary-of-terms/>