

QUESTIONS AND ANSWERS ABOUT HOUSING COOPERATIVES

WHAT IS A HOUSING COOPERATIVE?

A housing cooperative is a not-for-profit corporation which is collectively owned and operated by its members. The Cooperative owns the fee simple unit and common areas. Each member household owns a share in the Cooperative and has one vote. These voting rights allow members to determine how their cooperative is run. Cooperative members also get tax breaks, the same as condominium owners.

WHAT IS THE DIFFERENCE BETWEEN A HOUSING COOPERATIVE AND A CONDOMINIUM?



In a condominium, each owner owns a simple fee dwelling unit along with an undivided share of all common elements. A condominium owner makes his own mortgage payments, pays his own taxes and insurance as well as a monthly condo fee which covers maintenance of common areas. In a housing cooperative, the member does not own real property, but owns perpetual use of a particular unit. The member pays a monthly co-op fee which includes basic insurance and most maintenance costs. Condo sales usually require expensive legal and broker fees. In a market rate cooperative such as Greenbelt Homes, Inc. (GHI), the membership resale process is similar to that of a condominium purchase, except there is no change in ownership of the real property. Instead, members sell their occupancy rights and equity interest in their dwelling. Many members obtain a share loan to make this purchase. A settlement is held similar to that in the purchase of real property. A financing statement is filed to record the transaction.

WHAT DO YOU OWN AS A MEMBER OF A COOPERATIVE?

As a member, you purchase the ownership rights to Perpetual Use and Occupancy of one dwelling unit. The value of memberships, which are bought and sold, is a function of the marketplace. Many Cooperatives have limits on the rate of equity growth to insure that membership will remain affordable over a longer period of time. These cooperatives are known as Limited Equity Co-ops. GHI is a market rate co-op and sets no limits on equity growth.

WHO CONTROLS THE COOPERATIVE?

The Cooperative is governed by an elected Board of Directors, usually seven to nine persons, who themselves are members and are elected by Cooperative members. The Board of Directors hires management, sets community policies, approves operating budgets, and accepts or rejects candidates for membership.

WHAT TAX BENEFITS ARE AVAILABLE?

The tax benefits to Cooperative owners are the same as they are for individual homeowners or condo owners. Each member can deduct his prorated share of mortgage interest and taxes.

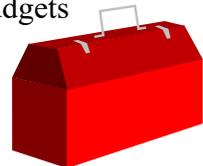


WHAT IS THE DOWN PAYMENT?

Market rate cooperative sales generally require the purchaser to have ten percent of the sales price as a down payment. In addition, there is a one time membership fee set by the Board of Directors.

WHAT ARE THE MONTHLY PAYMENTS?

Each housing cooperative has its own monthly fee structure. Each year the Board of Directors determines the operating budget for the next year. Operating budgets are prepared to cover the cost of administration, reserves, taxes, hazard and liability insurance, maintenance, including structural repairs, and trash collection. Monthly payments may be raised or lowered as needed by the Board of Directors to meet anticipated expenses.



WHAT OTHER PAYMENTS ARE THERE?



None. Once the membership and equity purchase is paid, members only have to pay their pro-rata share of the costs of running the Cooperative. Cooperatives typically do not have special assessments or other fees like condos or homeowner associations.

WHY ARE HOUSING COOPERATIVES BETTER THAN RENTING?

There are three basic reasons why owning a housing cooperative unit is better than renting:



1. **Costs.** The monthly co-op fees are determined yearly by the elected Board of Directors with input from the membership. These increases are based on the expected operating expenses of the Cooperative. Cooperatives are “Not-for-Profit Corporations. In a rental, the Landlord sets the rates to maximize his own profits. Rental properties are operated “for profit.” When you consider the tax benefits which are available to housing cooperative members, it makes good sense to buy a membership into a housing cooperative.
2. **Control.** Housing cooperative members’ own their community. If a problem arises, they can resolve it among themselves. There are no absentee landlords to deal with. The members are the landlord.
3. **Care.** Housing cooperative members know that their neighbors all share a stake in the well being of the neighborhood. Strict rules discourage sub-letting of homes and minimize the risk of damage by negligence or abuse.

WHAT SHOULD I LOOK FOR WHEN BUYING A MEMBERSHIP INTO A HOUSING COOPERATIVE?

We have identified five basic areas which a prospective buyer of a housing cooperative should investigate before deciding where to buy and how much to pay for a membership:

1. Evaluate the condition and physical location of the dwelling unit.
2. Evaluate the quality of management and maintenance services.
3. Evaluate any occupancy restrictions and the house rules.
4. Evaluate the financial condition of the Cooperative.
5. Evaluate the adequacy of the Cooperative’s reserves.

HOW DO I BUY INTO A HOUSING COOPERATIVE?

In a market rate co-op, each member sells his/her own membership rights. Asking prices for a membership are market based and will vary from one unit to another. Prospective purchasers are encouraged to contact all approved lenders from the housing cooperatives to compare rates and terms. The process begins when you make a sales contract and submit your application for membership.

To Potential Future Members – Welcome!

Greenbelt Homes, Inc.'s membership process runs concurrently with the buying process. During this time, GHI's staff is available to answer any questions. The GHI offices are located on Hamilton Place which intersects with Ridge Road. Office hours are 8:30 a.m. to 5:30 p.m., Monday – Friday. Questions can be answered by Contract Processing at (301) 474-4161, extension 146.



What You Should Consider Before Purchasing

Is Cooperative Living for You and Your Family?

◦ Talk with current/former GHI members – Ask questions! Attend a pre-purchase orientation – Ask questions! Check the library for material on cooperative Living.

Become Familiar with the Area.

◦ Explore the area maps available at the GHI Office. Check with local newspapers, such as the Greenbelt News Review available free in many locations. Visit the Greenbelt Museum call 301-474-1936 for hours.

Finding Your Home

◦ Look at all types of homes, brick, block, frame, as well as the size of the homes. A listing of all homes on the market is available at the GHI office or you can call local realtors.

Purchasing Membership into Greenbelt Homes, Inc. (GHI)

Processing – Fill out an application and send to Greenbelt Homes, Inc.'s, contract processing office. An interview will be scheduled to review your application and go over the Membership Handbook.

Board Approval – After this interview meeting and loan approval your application is submitted to the Board of Directors for approval.

Settlement Date - After your application is approved by the Board of Directors, you can schedule the time of settlement with a settlement attorney.



EXAMPLE OF TYPICAL CLOSING COSTS ASSOCIATED WITH PURCHASING A GREENBELT HOME, INC. (GHI) MEMBERSHIP

Greenbelt Homes, Inc. (GHI) requires the prospective member to have ten percent (10%) of the sales price in purchaser's own equity (a gift may be part of the ten percent (10%) – gift letter(s) must be submitted with purchaser's application).

Closing costs are the actual expenses that the lender incurs in the origination of a share loan. Some of the costs are related to your loan applications, such as the expenses of newly updated credit reports on all applicants. Other fees are related to the house itself, such as the appraisal of the property. Others are payments to the lender for processing your applications, such as the loan origination fee. All these costs are lumped into a broad category called "closing costs." Unless the seller offers to pay them for you, this area of expenses is charged to the buyer, and often runs between 2 and 3 percent of the amount being borrowed.

PURCHASERS COSTS:

Membership Fees:

Greenbelt Homes, Inc. Membership Fee	\$595.00
Membership Application Fee	\$50.00
Termite Inspection	\$50.00

Loan Fees:

Points	A point is on percentage of loan amount. Normally two or three points are assessed depending upon the financing.
Appraisal Fee	\$300.00 to \$400.00
Credit Application Fee	\$70.00 to \$150.00
Interest Per Day	Loan amount interest per day through the end of the month.
Mortgage Insurance Premium	Escrow two months

Settlement Fees:

\$350.00 to \$700.00 depending upon the lender, type of loan, and settlement attorney fees.

BUYER'S GUIDE & CHECKLIST

Purchasing a membership in Greenbelt Homes, Inc. (GHI) is certainly one of the most important decisions you will ever make. We are pleased that you are considering a GHI home and the cooperative housing lifestyle.

Some principles of good consumerism are recognizing value and watching out for pitfalls. Selling members will usually put their "best foot forward" by cleaning, and sometimes making repairs, in order to present the home in the best possible condition. Your job in viewing the home is to assess its true condition, in order to help weigh its relative value to you. To assist you, we have assembled the following checklist of questions to ask and areas to examine in evaluating any home. You may copy these sheets and use them for each GHI home you visit. We also encourage you to have an independent inspection done to help you identify any defects or problem areas.

Address											
Square Feet	Addition (yes) (no)										
Yard Area	Shed										
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		Rust (yes) (no)									
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		Door Operation									
	Gardens (yes) (no)										
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		Condition									
	Rust										
	Rot										
	Color Finish										
	Loose Posts										
Check Condition Of:											
Stove/Range Hood											
Refrigerator											
Dishwasher											
Disposal											
Range Hood											
Clothes Washer											
Clothes Dryer											
Exhaust Fan											
Ceiling Fans											
Cabinets											
Kitchen											

All light Fixtures	
Doors	Serviceside
	Screen Door
	Exterior Door
	Gardenside
	Screen Door
	Exterior Door
Walls/Ceiling Look for building damage	
	Loose or peeling paint
	Paneling
	Wallpaper
	Trim
Floors	
	Hardwood
	Tile
	Carpet
	Do not assume condition of hardwood
	Floors beneath carpet
Bathroom	
	Sink
	Tub
	Tile
Utility Bills Compare same winter/summer months	
	Electric (PEPCO)
	WSSC (Water and Sewer)

Comments:

Maintenance Responsibilities

Property maintenance at Greenbelt Homes, Inc. (GHI) is divided between the member (resident) and the Cooperative. While you will receive a specific list of member's maintenance responsibilities when you purchase, the following list represents many typical items which the member must maintain. Many replacement and upgraded items such as plumbing hardware and light fixtures are a shared responsibility, in which GHI provides the labor, if the member buys the repair part. Questions concerning these responsibilities can be answered by Technical Services Department at (301) 474-4161, extension 143.

Typical Member Responsibilities

- Doors:** Combination storm and screen doors, not-original serviceside/gardenside entrance doors, also sliding, bi-fold, louvered, accordion type and screen doors.
- Kitchen:** Counter top, all appliances (refrigerator, stove, exhaust fan or hood, dishwasher, washer/dryer, etc.)
- Walls and Ceiling:** Swirled or textured finish, ceiling tile, metal track suspended ceilings, paneling, wallpaper, marlite panels, and ceramic tile.
- Bathroom:** Vanity, tub surrounds, or marlite, tiled or plastic/fiberglass kits. NOTE: If a GHI plumber is required to make repairs within these walls, it is the member's responsibility to remove and replace the tub surround, tile, paper, or marlite panels.
- Floors:** Ceramic tile, vinyl type floor covering (except original black 9" x 9" tile), wall to wall carpet, parquet, and hardwood flooring. NOTE: The member's responsibility is to maintain finish to all hardwood floors, and GHI is responsibility is to maintain the floor itself, unless damage was done by member. GHI cannot be responsible for the condition of flooring beneath carpeting.
- Other:** Fences, storage sheds, window shutters, awnings, air conditioners, ceiling fans, smoke detectors, trash can cabinet/screen, attic stairs, attic floor, lawn areas, and all shrubs.

GREENBELT HOMES, INC.

Membership Selection Process

Description of Membership Criteria

- ✓ *Complete a membership application and pay a non-refundable membership application fee.*
- ✓ *Provide verifiable continuous residency for at least three (3) years immediately preceding application request for each proposed household member over 18 years old.*
- ✓ *Demonstrate a history free of payment problems or behavior complaints against themselves or other members of the household during the past three (3) years for each adult over 18 years old.*
- ✓ *Show a credit history for each adult over 18 years old with no evictions from residential premises or bad debt losses to creditors during the past three (3) years.*
- ✓ *Demonstrate a steady source of household income such that not more than 33% of monthly income is required and is available to pay monthly housing charges and 42% for total monthly debt payment.*
- ✓ *Demonstrate a history of willingness to contribute positively to the community through participation in community events, volunteering in social, political or religious activities.*
- ✓ *Demonstrate a willingness and ability to learn and abide by the Cooperative's House Rules and terms of the Mutual Ownership Contract.*
- ✓ *Criminal backgrounds of applicants will be examined in order to minimize the risk of a negative impact on the Cooperative community.*
- ✓ *The applicant for membership in Greenbelt Homes, Inc. will be required to attend a pre-purchase orientation.*
- ✓ *Applicants are required to meet with a staff member of Greenbelt Homes, Inc. for a personal interview as a part of consideration of the application.*