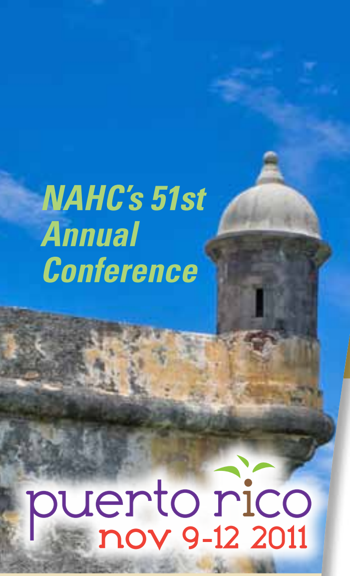

COOPERATIVE HOUSING
BULLETIN

A member service of the National Association of Housing Cooperatives Winter 2011

NAHC

Housing Cooperatives: An opportunity to provide stable homeownership for moderate income families

By Douglas M. Kleine, CAE

HOUSING COOPERATIVES, an affordable homeownership model that has worked in the US for over 100 years, can and should have a renewed role in achieving the national goal of stabilizing homeownership for moderate income families.

The housing cooperative model has been underutilized for the last 30 years as the country has sought to extend the benefits of homeownership for moderate income families. Focus during this period has been mainly on single family homes, whereas co-ops are a blend of single family and multifamily concepts. Co-ops provide the occupant a stake in all the tax, equity, and estate benefits of single family homes, plus all the tax, financing and operating cost saving benefits of multifamily ownership.

> **Co-ops protect buyers from the risks of housing bubbles.**

Co-ops are a successful and proven concept

Co-ops have a superior record in the US, providing homeownership to 1.2 million families.

Co-ops insured under the HUD Section 213 mortgage insurance program have the best loan performance and lowest default rate of any HUD multifamily program. The Section 213 program requires no appropriation, subsidy or assistance. In fact, the 213 program actually returns the majority of the insurance premium back to the borrowers as a dividend every year.

Assisted co-ops have been proven superior to rentals in side by side comparisons. Studies have shown that co-ops with subsidized interest rates have lower default rates and better quality of life ratings than similarly subsidized investor owned and non-profit owned rental properties. A 2010 study by the Urban Institute found that limited equity co-ops do a better job at preserving long term affordability and have a lower default rate than and other programs providing homeownership assistance to low and moderate income families, such as land trusts, inclusionary zoning and deed restrictions on resale prices.

Co-op ownership is recognized by HUD/FHA; by USDA/Rural Housing Service; by Ginnie Mae, Fannie Mae, and Freddie Mac secondary mortgage market programs; by Federal banking laws; and by the IRS. Housing cooperatives can be created under general state business law and non profit corporation law. No special state statute is necessary.

Co-ops provide stable homeownership, insulated from typical economic default threats

The recent housing bubble exposed homeowners to great risks and few options for exit. Co-ops protect buyers from these risks. For example,

▶ **LOWER CLOSING COSTS.** Co-ops have a single mortgage for many families, and the mortgage remains in place for 30-40 years. Transfer of shares (resales of units) is a personal property transaction in all but a few states, and purchasers therefore avoid costs for title insurance, abstract, survey, deed recording, and related local taxes. In a building by building comparison, co-ops have strikingly lower closing costs than a condo building or a tract of fee simple townhouses or single family detached homes.

▶ **EASIER FOR BUYERS TO MEET CREDIT STANDARDS.** The cooperative corporation is the borrower. The initial lender does not depend on the credit of the individual members or shareholders in the co-op. Instead, the co-op does credit screening of potential members of the cooperative. The

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The *Cooperative Housing Bulletin* is devoted to matters of interest to a housing cooperative's member/shareholders. The NAHC Board has agreed that every NAHC Association shall designate someone to provide the Editor with information on Association events for publication in the CHB. Also, all NAHC Associations and Members should advise their memberships on how to get and download CHBs when published.

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NAHC
THE NATIONAL ASSOCIATION OF HOUSING COOPERATIVES

About NAHC

The National Association of Housing Cooperatives is a nonprofit national federation of housing cooperatives, other resident-owned or -controlled housing, professionals, organizations, and individuals interested in promoting cooperative housing communities. Incorporated in 1960, NAHC supports the nation's more than a million families living in cooperative housing by representing co-ops in Washington, DC, and providing education, service, and information to co-ops.

Mission Statement

To represent, inform, perpetuate, serve, and inspire the nation's housing co-ops.

Member Associations

CAHC	California Association of Housing Cooperatives
CHANE	Cooperative Housing Association of New England
CNYC	Council of New York Cooperatives & Condominiums
CSI	CSI Support and Development Services
DVAHC	Delaware Valley Association of Housing Cooperatives
FNYHC	Federation of New York Housing Cooperatives
MAHC	Midwest Association of Housing Cooperatives
NJFHC	New Jersey Federation of Housing Cooperatives
PAHC	Potomac Association of Housing Cooperatives
SEAHC	Southeast Association of Housing Cooperatives

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Executive Committee – Ralph Marcus
Development & Preservation Committee – Vernon Oakes
Finance Committee – Linda Brockway
Governance and Strategic Planning Committee – Ralph Marcus and Mark Shernicoff, Co-Chairs
Government Relations Committee – Mary Ann Rothman
Member Services Committee – Linda Brockway
Mutual Marketing and Advocacy Committee – Paul Solomon
Publications Committee – Roger Willcox
RCM Board of Governors – Gregory J. Carlson
Website Committee – Gregory J. Carlson

See the NAHC website – www.NAHC.coop – for addresses of Associations and Committees.

About Bostrom

Bostrom Corp. is the professional services firm managing the National Association of Housing Cooperatives affairs. Professional staff includes Executive Director Suzanne Egan.

NAHC Board Actions

At the NAHC Board meeting in Washington on January 29 and 30th, the following actions were approved:

- Credit Unions: Because financing for share loans is becoming more difficult to get, the Board agreed to create an Ad Hoc committee to explore getting better lending for share loans through credit unions. Roger Willcox, appointed as its chair will appoint its members. Any interested NAHC members with experience in credit unions should contact him.
- Bostrom Contract Renewal: The Executive Committee approved the Ad Hoc Bostrom Contract Committee report last December. The Board ratified the Executive Committee's approval of continuing Bostrom's management services.
- Reno for 2012: On recommendation of the Member Services Committee, the Board agreed to select Reno NV as the site for the 2010 conference.
- By Law Amendments: On recommendation of the Governance and Strategic Planning Committee, the Board agreed to place a series of amendments on the ballot at the next annual membership meeting.
- Better arrangements for distribution of the Cooperative Housing Bulletin. The Publications Committee recommended and the Board approved NAHC Associations sending the electronic edition of the CHB to their email lists in 2011 to see the effect on readership and membership. Bostrom will try to gather data on the number of emails opened, etc.
- Judy Sullivan, the NAHC Legislative Advocate, was appointed as NAHC's Representative to the NCBA (National Cooperative Business Association) International Year of Cooperatives Committee.

A statement on this international event was distributed to the Board, and is attached. Its Theme is: "Co-operative enterprises build a better world". CHB

2012 International Year of Cooperatives

THEME: Co-operative enterprises build a better world

FOCUS OF THE YEAR: The Year should aim to raise public awareness of co-operatives in their diversity, especially among the young adult population. It is hoped that through this increase public recognition of cooperatives' socioeconomic impact worldwide that cooperatives will grow, new cooperatives will be formed and that policy-makers will ensure enabling policy and legislation for co-operative formation and growth.

OFFICIAL LAUNCH AT UN HEADQUARTERS: The official launch of International Year of Cooperatives at UN headquarters is planned for late October-early November 2011. A resolution sponsored by over 90 countries from all regions of the world sets out the launch events. ICA plans on holding events around the official launch in New York.

INTERNATIONAL CO-OPERATIVE DAY is celebrated on the first Saturday of July every year. Its aim is to increase awareness on co-operatives and promote the movement's successes and ideals of international solidarity, ecomonic efficiency, equality, and world peace. The International Day also aims to strengthen and extend partnerships between the international co-operative movement and other actors, including governments at local and national levels.

SUGGESTED ACTIVITIES: Disseminate information about cooperatives to raise awareness, in particular good practices and successful cooperatives: distribute pamphlets; brochures; e-communications; YouTube, Facebook and other social media;

- Use local media to encourage educational and promotional coverage of cooperative issues;
- Organize meetings, conferences, workshops and special events on priority cooperative issues at the local and national level, e.g. sectoral concerns, regulatory reforms, etc.;
- Coordinate training on capacity building regarding cooperatives;
- Awareness of impact of cooperatives;
- Create programs that educate and inform people about cooperatives;
- IYC encourages Cooperative Organizations to propose activities to be undertaken during the year.

 [continued from page 1]

corporation can be more flexible, take into account valid explanations of past credit difficulties of a potential purchaser, and assume a credit risk that commercial lenders may shy away from, especially in tight credit times. Thus co-ops make it easier for resellers to sell and subsequent buyers to buy.

▶ **PROTECTION FROM CYCLICAL INTEREST RATES.** Because the co-op's financing is long term, resales continue to benefit from a fixed interest rate by virtue of the blanket mortgage remaining in place.

▶ **LONGER MORTGAGE TERM MEANS LOWER PAYMENTS FOR THE LONG TERM.** One method of financing, the FHA Section 213 program, allows for the blanket mortgage to be for 40 years, making the monthly payments lower than with conventional financing, and not exposing buyers to the adjustable rate jumps experienced by single family homebuyers.

▶ **LOWER PAYMENTS DUE TO LOWER TAXES.** Property taxes are assessed on the co-op as a whole, and tax appraisals for a co-op building are usually lower than the sum of appraisals on a similar building of condo units.

Co-ops prevent early term default due to problems often faced by other new homeowners

The cooperative model addresses other problems sometimes associated with new homeowners who might be marginal credit risks. Problems that arise in the early years of ownership are the biggest threat leading to default by single family homeowners. Two studies before the recent crisis revealed that the chances of a low or moderate income first time homebuyer still being a homeowner after 5 years were only about 50%. See *Caroline Reid, "Achieving the American Dream," Center for Social Development, Working Paper 05-02, 2005,* and *C.E.Herbert & E.S. Belsky, "Homeownership Experience of low Income and Minority Households," 10 (2) Cityscape (2008).*

The co-op model handles these problems better. Here are common early year stresses faced by homebuyers and how the co-op model eliminates or ameliorates them:

▶ **SUDDEN BUDGET-BUSTING HOME REPAIRS.** Major repairs are the responsibility of the co-op, not the member. And the co-op's budget and reserves can usually absorb the expense. If the co-op's budget cannot absorb the expense, a co-op is in vastly superior position to a condominium or townhouse association or an overextended single family owner in its ability to borrow in order to finance a repair, and, by borrowing, spread the impact out over several years.

▶ **JUMPS IN REAL ESTATE TAXES FOLLOWING PURCHASE.** Real estate taxes are assessed against the co-op as a whole, and therefore do not jump following each resale within the co-op.

▶ **INTEREST RATE INCREASES IN ADJUSTABLE MORTGAGES.** The co-op's blanket mortgage interest rate can be fixed, and a new purchaser needs little additional financing in the early years of the co-op's life.

▶ **LOSS OF JOB OR OTHER INCOME SOURCE.** Co-ops have a built in sense of community and often initiate workout situations when members face temporary economic adversity. The co-op's ability to act swiftly to evict a delinquent member provides the co-op with an allowance of more waiting time than a single family lender that in most states must act quickly to initiate a lengthy foreclosure proceeding.

Conclusion

Housing cooperatives represent a unique form of homeownership that removes many barriers faced by potential single family and condominium home buyers. Co-ops provide all the benefits of single family ownership, without many of the risks to the lending community or the borrower, thus bringing long term stability to their resident owners. CHB

Doug Kleine, CAE is President of Professional Association Services providing governance training and consulting to co-ops and other nonprofits. He was Executive Director of NAHC from 1999-2007. Previously he served in the Condo and Co-op Branch of the US Department of Housing and Urban Development.

Housing Cooperatives: Co-Ops Without Cooperation?

By Ken Odenheim

In my 45-year involvement with housing co-ops I have often been taken aback by the absence of cooperation at all levels of a co-op's operations; leadership, committees, and member participation following their initial spurts of enthusiasm. Since quite a few thousand units have my stamp on them I juggle pride and shame, satisfaction with revulsion, and consternation with despair. Does this sound too dramatic? Hardly.

Let's be clear from the Get Go; we're not talking about poor people, people of color, the jobless or homeless. We're talking about an array of ordinary Americans, many experiencing their first bouts of home-ownership.

Ken Odenheim has been involved in housing co-ops since 1967. With a bilingual and bi cultural background, he helped develop more than a dozen housing coops for nearly 2,000 families in Puerto Rico in the late 1960s (see his article in the Aug-Sep 2008 CHB). He organized Housing Support, Inc. in l973 and has been on the faculty of New Mexico State University since 1979.

When co-ops are on the drawing board, their planners are awash in positive energy and great expectations. So what goes wrong after the co-ops have been in occupancy for a few years?

Why do some co-ops fail to achieve their inherent values? Here are my thoughts, the observations of a co-op veteran who has seen initial efforts at creating quality of life, including good housing, in communities replaced by heavy-handed, insulated governance that barely delivers the housing for their owner-occupants, while neglecting or subverting other elements of community and cooperation.

Let's be clear from the Get Go; we're not talking about poor people, people of color, the jobless or homeless. We're talking about an array of ordinary Americans, many experiencing their first bouts of home-ownership. Families eager to sacrifice some individuality for the common good, contribute their time and effort, pull together, reason together, plan the future together. How does all this good will morph into neglect and negativity? I'm afraid the answer is an indictment of the human condition when left to its own devices.

Co-ops begin with a clean slate. An interim board of directors of sponsor representatives and co-op members typically constitute the body and interim committees. Either sponsor or interim board selected professional managers will conduct the day-to-day operations of the cooperative. After a year or two, sponsor reps complete their service and are replaced by the co-ops first elected board. The new board most often is enthused about its opportunities to shape the co-op's next few years but often overwhelmed with the breadth of their scope of work. Nevertheless, they forge ahead creating permanent committees and nomination chairs and members to such pivotal ones as budget, planning, maintenance, management, and membership. A member(s) with a journalistic bent will frequently begin writing a newsletter. Such are the early years. This appears to be a successful and time-tested scenario. It is what follows these dedicated, hard-worked early years that is so puzzling.

By "year three," whenever that may be, co-op boards and committees are feeling their oats; they are on top of their respective games. They are confident and knowledgeable, well-versed in options and alternatives. They are given and command member respect. They have the tools to look on prior efforts with a critical eye and learn from past mistakes. And then it happens! Board confidence morphs into overconfidence. Boards begin to feel that the depth of their knowledge and experience is so vast they do not have to engage committee and co-op members for policy guidance anymore or if they do hold such exchanges, they do so with a deaf ear. And they don't see the need to test their own knowledge against that of informed and thinking professionals.

The unraveling of the co-op fabric is practically audible from this juncture. With every slight to their ideas, with each affront to their participation, committee and co-op members withdraw a little from the participatory process, give less, care less, and distance themselves from their member-owned community. Early co-op management entities, apparently without regard to the quality of their performance are often terminated during this time and replaced with a Board selected management company or their own manager, rarely as experienced with and knowledgeable about housing co-ops. The trust that members have had in their management becomes an immediate sacrificial lamb. Replacement management, often from the rental housing world turns a bureaucratic backside to members, already a little resentful, exacerbating the issue. When management imposes this uncaring attitude on co-op maintenance staff, and goes to a non-receptive Board, the battle lines are drawn.

The Board deals with this estrangement by doing more and more on its own and co-op members learn of substantive changes that affect them mightily, after the fact.

The timetable is not set in stone but the results appear to be. A once vibrant and active co-op with heavy member engagement has changed into a SECRETIVE council impenetrable by its member-owners. What follows is self-serving co-op governance, policies that do not benefit their residents, frequent collusion with vendors/ management companies, and sometimes outright theft, hard to uncover because co-op documents are hidden from residents.

This might not happen at all co-ops but it does in enough for us to realize both we, the co-op professionals, and they, the co-op governors, are doing something very wrong indeed. How do we correct this tragedy? Concerned members may realize they need to vote new blood onto the board. Members may need to confer with one another about problems and solutions. Sometimes a respected and knowledgeable person from the outside needs to be put on the board. If conditions have deteriorated severely, a temporary receivership may be needed. Responsible membership is needed in order to meet the crisis. We must conduct on-going and continuous training and education where co-op, business management, leadership development, meetings, problem-solving, member development, goal setting, and budgeting skills are enhanced. How do we pay for it? From carrying charges, probably since it is of primary benefit for ensuring improved cooperative quality of life, financial integrity, member and co-op governor satisfaction. Other sources of funding, including grants, contributions, and pro bono professional guidance are realistic. But even if co-op carrying charges must be modestly increased, they are justified and PREREQUISITE to successful cooperative living.

RESPONSE ▶ Doug Kleine

Doug Kleine, CAE was Executive Director of NAHC from 1999-2007. Previously he served in the Condo and Co-op Branch of the US Department of Housing and Urban Development.

The author makes a good case concerning the problem. The answer of more education, however, is quite weak and seemingly impractical. Why is it in the interest of those in power to change their ways and re-educate the members? Why would not the downtrodden members believe such an effort is just another ruse, an opportunity, when it fails, for the board to say I told you so and rub your nose in it? Why would not a board that rewards itself with nice trips to MAHC and NAHC conferences not claim it is already spending lots of money on education? It seems to me the author's case statement leads us to structural changes in the governance model. Here are four.

1. REVOLUTION. Only by throwing the sneaky rascals out can the spirit of cooperation be restored (and whether that act violates "cooperative" and inclusive principles is another moral dilemma).

2. GIVE UP ON THE PRESENT AND FOCUS ON THE FUTURE. Fix what may be flawed processes. Maybe our fear of revolution and instability pushed us into the concept of staggered board terms, and maybe staggered board terms is what makes change impossible (or at least 3 successive years of elections to carry out). Maybe there should be more referendum and initiative processes in the bylaws. Maybe the bylaw amendment process should be easier to carry out. Maybe bylaws should require quarterly membership meetings. Maybe certain board actions, like hiring a manager or changing rules, should require a 2/3 board vote and a membership information meeting beforehand.

3. RECEIVERSHIP. There should be a way to ask a court to appoint a receiver to re-establish good governance. New South Wales, Australia, has receivership for condos. Virginia has it for condos, co-ops and HOAs. Grounds could be excessive management turnover, financial problems, evidence of deterioration such as REAC scores of below 50 or hundreds of citations by local government, and election problems including failure to hold elections or failure to call special meetings when petitioned. The concept is to let people keep their homes that would otherwise be endangered by demonstrated poor governance.

4. OUTSIDE DIRECTORS. Outside directors can be a source of expertise and technical assistance. Yorkville Co-op in Fairfax, VA has a representative from the local housing authority on the board. Co-ops in Great Britain strive to have 2-3 appointed professionals on the board from outside the co-op. Almost always one is an accountant. Given the age of US stock, I would recommend one be an engineer or design professional.

RESPONSE ▶ Herbert H. Fisher

Herbert H. Fisher is an attorney in Chicago, Illinois, frequent contributor to the CHB, former NAHC President and Chairman of its Board of Directors.

While an education solution is called for, the past cooperative education, and to a large extent today's education efforts, involved reference to the Rochdale principles with a perfunctory mention and history of events and dates without exploring the deeper philosophy of cooperative enterprise and governance.

We need to bring the roots of cooperation to our members. They need to understand it is not just another way of doing business but it is a social-economic philosophy; that is, cooperation vs. competition is an alternate way of life. We have to admit to ourselves, so we can convince others, that it is a challenge to the prevailing and entrenched investment capital system which destructively dominates the world. It is a recognition that social ills and maladjustments cannot be solved by corporate and government charity, but instead by giving people the starting means towards being self sufficient through local social economic unit bounded together into national and international entities. The farmers of the upper Midwest showed the way with Land of Lakes, and in New England with Cabot Creamery, that a cooperative approach is capable of competing with and replacing investment capital firms.

We mislead readers with comments about what a long-gone developer/manager could have done. It may well be that nothing was "lost" as co-ops aged because they never had the knowledge in the first place. And the proof of that is the Rochdale 5th principle on education. If it was delivered well and delivered deeply initially, it would be self perpetuating. CHB

COMMENTS BY Roger Willcox, *the first president of FCH Services, Inc., from 1952 to 1972, when FCH was the operating subsidiary of the Foundation for Cooperative Housing. He was a founder of NAHC in 1960, its president for 12 years and continues as its 'President Emeritus' and an elected member of the NAHC Board of Directors*

Ken Odenheim is one of a few still active members of my staff when FCH Services was commissioned by trustees of the Foundation for Cooperative Housing to demonstrate the potential of cooperative housing for moderate and lower income housing, after financing for housing cooperatives became available beginning in the early 1950s.

The Federal Housing Administration, (FHA), which provided the new financing, explained the program in its Information Bulletins, copies of which were given to each subscriber. But the FHA had no legislative mandate to consider quality of life aspects.

How FCH spread the new cooperative program across the USA and tried to make sure the potentials for a better quality of life and cooperative principles would be achieved is outlined in the following paragraphs.

In the 1950s, when FCH Services, Inc. was getting started, we knew there was an urgent need to provide continuing support for housing co-ops. This urgent need was why we put time and money into creating the NAHC in 1960 – to provide continuing "inspiration, education and service" to housing cooperatives nationwide. FCH staff were the field organizers for regional associations of cooperatives.

In the 1960s, FCH had one key rule: If any of the new co-ops we were creating got in any serious trouble, we would do whatever was necessary to take care of it.

One of the biggest problems we had to deal with was the lack of "co-op friendly" property managers. We had learned that ordinary real estate managers and brokers simply did not understand not for profit housing co-ops . At best they simply ignored Rochdale principles that were inconvenient to their method of doing business. We were forced to get into the co-op management business, something we had hoped to avoid. By 1970 we were managing seventy (70) co-ops with 16,000 dwelling units. Several FCH staff members saw an opportunity and became property managers. At least three are still in the co-op management business.

We also considered additional ways to ensure housing cooperatives would succeed over the years. In 1965, I and two senior Foundation Trustees visited Sweden, a small country where an organization – "HSB" – with a mission somewhat similar to FCH was organizing twice as many housing co-ops per year as we were. We verified that the HSB organization maintained continuing control over all their co-ops, they called it a "mother-daughter" System. It was designed to make sure "daughter" co-ops would continue to be successful in all respects over the years.

But our Foundation Trustees and legal council would not consider any arrangement to back up our dozens of new housing co-ops like HSB does in Sweden. Meanwhile two of my former staff members, Fred and Virginia Thornthwaite, developed Cooperative Services, Inc. which today is a strong organization of housing cooperatives providing senior housing on the Swedish "mother-daughter" plan. CSI is an Association Member of NAHC.

In 1970, four of the Foundation Trustees serving on the seven member FCH Board of Directors adopted a new "FCH Mission" calling for an increase in our annual rate of 8,000 dwelling units of cooperative housing to 80,000 units per year. To do this they ordered FCH to abandon its technical services and continuing support arrangements which essentially guaranteed that all cooperatives FCH organized would succeed, leading to my resignation.

As I predicted at the time, in a few years the failure rate of new FCH organized co-ops went up from zero to unacceptable levels. FHA officials became alarmed. Congressional supporters of cooperative housing lost interest. FCH as the primary organizer of moderate and lower income housing cooperatives outside of New York City, was abandoned and with it went the good reputation of housing cooperatives we had spent years building up.

Since 1980, no not for profit successor to FCH has emerged. What was left of the Foundation changed its name to "Cooperative Housing Foundation", now "CHF", and focused on consultant work overseas.

NAHC continues as a source of education and inspiration for existing housing cooperatives, and continues efforts to provide at least some services to its members. But it has never had a mandate to provide support in time of need to its housing cooperative members, even those whose members and boards lose sight of basic Rochdale cooperative principles. As a result, some housing cooperatives have fallen on hard times, or decided to sell out, or to convert to a condominium form of ownership.

There are examples of housing cooperatives that got in trouble and then recovered. One such co-op is Nassau Gardens, a tenant sponsored conversion in 1979 of a 204 unit garden apartment and townhouse rental property in Norwood, MA. The Nassau Gardens story was written up in an article published in the Spring 2010 CHB.

The bottom line is – while some housing co-ops do fail or decide to convert to condominiums, that does not mean the cooperative form of group home ownership is faulty. Other forms of housing ownership – individually owned houses, private rentals, public rentals and condominiums have even higher failure rates.

There are two main reasons why some housing cooperatives get in trouble after initial years of successful operation:

(a) Failure to continue to follow the Rochdale cooperative principles which include continuing education and inspiration, and (b) Lack of a good source of technical support when confronted by difficulties beyond ordinary housing Board and management experience.

Ken Odenheim's key concern is that some housing cooperatives "lose their moxie." Their original Boards, Committees and Members begin to ignore or forget basic cooperative principles. And in time that can be a road to disaster. Frankly that's not surprising. In our country, cooperatives have to compete with "free" private enterprise. Our elected Government officials are routinely called upon to devise laws and procedures to protect the "general public" from those who put personal profit above the reasonable rights of others.

Housing cooperatives are based on "group" or "community" home ownership. Their members benefit by working together to provide more than just houses and apartments for people to live in. They are in the non-profit sector of our economy. With help provided by NAHC on a legislative level, so long as their members work together in accord with the Rochdale cooperative principles, cooperatives can and do provide "better housing for less money."

And better communities to live in as well. CHB

NAHC Government Relations Agenda

The NAHC Government Relations Committee is our window looking out over our world. Its mission statement is brief: The Committee "provides overall guidance and assistance establishing NAHC public policy and legislative and regulatory matters." Chaired by Mary Ann Rothman, executive director of NAHC's Member Association, the Council of New York Cooperatives, CNYC, it has an experienced legislative advisor, Judy Sullivan, in Washington, D.C. who keeps us up to date on what's going on around us.

The Committee's report to the NAHC winter Board Meeting held on January 29 and 30 in Washington D.C. is seven pages, single spaced. It is a major update of its "Agenda", last published in the CHB for January/February 2006, Here is its full text. A copy of the 2006 Agenda can be supplied by the Publications Committee on email request to w*illcoxr@juno.com.*

Report Of The Government Relations Committee Meeting January/February 2011

I. REGULATORY

A. FHFA - Transfer Tax - On August 16, 2010, the **Federal Housing Finance Agency (FHFA)** published a **Notice of Proposed Guidance (NOPR)** directing Fannie Mae, Freddie Mac and the Federal Home Loan Bank System (the Government Sponsored Entities or GSEs) to stop investing in mortgages on properties encumbered by private or deed-based transfer fees. Housing cooperatives with deed-based transfer fees, submitted comments to the FHFA.

Status: *On February 8, 2010, the Federal Register posted the FHFA's* ***Proposed Rule on Private Transfer Fee Covenants*** *to begin formal rulemaking on private transfer fees. This rulemaking, which addresses comments received on a previously proposed guidance, would limit Fannie Mae, Freddie Mac, and the Federal Home Loan Banks from dealing in mortgages on properties encumbered by certain types of private transfer fee covenants and in certain related securities.*

Transfer fees are contractual arrangements where an owner pays a fixed amount or a percentage of the sales price at the time of transferring the property.

The proposed rule would exclude private transfer fees paid to homeowner associations, condominiums, cooperatives, and certain tax-exempt organizations that use private transfer fee proceeds to benefit the property. *Fees that do not directly benefit the property would be barred.*

With limited exceptions, the rule would apply only prospectively to private transfer fee covenants created on or after the date of publication of the proposed rule. With this formal rulemaking, comments are again being solicited and are due 60 days from publication in the Federal Register. Regulated entities are required to comply with the final rule within 120 days after its publication.

http://www.fhfa.gov/webfiles/19671/Private_transfer_fee_020111.pdf

NAHC thanks all of its members who responded to the call to comment on the proposed Guidance explaining that transfer fees that go back into the cooperative community help preserve affordable housing.

B. HUD

1. National Housing Trust Fund (NHTF): The NHTF will help build and preserve housing for people with the lowest incomes.

Status: *National Housing Trust fund legislation passed Congress in July of 2008 as part of the Housing and Economic Recovery Act of 2008 but the fund has not yet been capitalized. Congress is expected take up housing finance reform this year. Advocates will work to make sure that funding for the NHTF is included in any legislation considered by Congress*

2. Processing Instructions for Refinancing Cooperative Housing Projects Under Section 207 pursuant to Section 223(f). This Notice provides processing instructions and guidance to issue Mortgage Insurance for Refinancing Cooperative Housing Projects under Section 207 pursuant to Section 223(f) of the National Housing Act. HUD is currently in the process of amending 24 CFR §200.24 to allow for Cooperative mortgagors. Until the regulation is amended, it will be necessary to apply for a waiver of 24 CFR §200.24 in its entirety.

***Status**: A Proposed Rule by the Housing and Urban Development Department was released on 02/01/2011*

Summary: HUD proposes to revise its regulations governing the eligibility for FHA insurance of mortgages used for the purchase or refinancing of existing multifamily housing projects. Although the statutory language authorizing such insurance does not distinguish between rental or cooperative multifamily projects, HUD's current regulations limit FHA insurance to existing rental projects. Given the current crisis in the capital markets and the significant downturn in the multifamily market, the Department has determined that this is an appropriate time to reconsider this regulatory imposed limitation with respect to the mortgage insurance for the refinancing of cooperative projects. As mortgage lenders strive to increase capital reserves and tighten underwriting standards, the availability of financing for multifamily housing has been reduced. FHA mortgage insurance could significantly improve the availability of funds and permit more favorable interest rates than would otherwise be likely. Accordingly, this proposed rule would revise HUD's regulations to enable existing multifamily cooperative project owners to obtain FHA insurance for the refinancing of existing indebtedness.

http://www.federalregister.gov/articles/2011/02/01/2011-2170/federal-housing-administration-fha-refinancing-an-existing-cooperative-under-section-207-pursuant-to#p-3

3. Reverse Mortgages- Home Equity Conversion Mortgages (HECM's): Without HUD guidelines the institutions of the secondary market will not purchase reverse mortgages on cooperative units.

***Status:** Senators Schumer (D-NY) and Menendez (D-NJ) sent a letter to HUD (FHA) on April 27, 2010 urging release of Guidelines for HECMs for housing cooperatives. To date, HUD has not released guidelines, and recent conversations indicated that they will continue to be delayed. Judy Sullivan will continue to press for their release.*

4. Important HUD Documents

The following is a list of key HUD documents with links to internet locations.

a. **HUD Strategic Plan 2010 to 2015** http://portal.hud.gov/hudportal/HUD?src=/program_offices/cfo/stratplan
b. **HUD – Integrated Pest Management:** http://www.hud.gov/offices/pih/programs/ph/phecc/pestmang.cfm
c. **HUD Guidelines for Sections 202 and 811** (not yet published)
d. **HUD Handbook 4350.1 Revisions:** http://www.hud.gov/offices/adm/hudclips/handbooks/hsgh/4350.1/index.cfm
e. **HUD Chapter 6 Management and Occupancy Review (MOR)** http://www.mahma.com/index.php?option=com_content&view=article&id=329:hud-handbook-43501-chapter-6-conducting-management-reviews-change-2&catid=37:member-news&Itemid=50
f. **Chapter 14 (November 2010) – Partial Payment of Claims, Loan Modifications, Revises Mortgages:** http://www.hud.gov/offices/adm/hudclips/handbooks/hsgh/4350.1/43501c14HSGH.pdf
g. **HUD Management and Improvement Operating Plan (MIO)** Revised
h. **Section 8 Renewal Guide** – Substantial Changes http://www.hud.gov/offices/hsg/mfh/exp/guide/s8renewpgchg20101209.pdf
i. **Enterprise Income Verification System:** http://www.hud.gov/offices/pih/programs/ph/rhiip/uivsystem.cfm
j. **Section 8 Renewal Guide** – Substantial changes;
k. **Section 223(f) Refinance changes** – harder to obtain;
l. **Real Estate Assessment Center Inspections (REAC) – New Guidelines –** http://www.hud.gov/offices/reac/aboutreac.cfm

More Discretion to be given to **local HUD hub**

PIH-REAC has provided technical review guidelines in the Federal Register at 24 CFR Part 200.857 and 24 CFR Part 902.68.

II. CONGRESSIONAL

Because the new Congress has just begun to meet and the House has new Republican leadership, there was no way to foresee whether any legislation not passed in the previous session will be reintroduced this year. As always, Judy Sullivan will closely track the issues that are important to NAHC and its members and will seek every opportunity to insert housing cooperatives into appropriate legislation.

1. VA Legislation to amend PUBLIC LAW 109-461, and the current VA Guidelines (VA Circular 26-08-6) to:

- include limited equity cooperatives;
- remove the FNMA approval requirement;
- require the VA to provide a simple and clear procedure for veteran's to obtain low interest loans to purchase housing cooperatives; and

- make permanent the opportunity for veterans to purchase coop units with low interest VA share loans.

Because the current legislation sunsets at the end of this year, it is vital that some action be taken in this session.

Status: *On December 21, 2010, Representative Maloney introduced* ***H.R.6567****, a bill "To amend title 38, United States Code, to improve and make permanent the Department of Veterans Affairs loan guarantee for the purchase of residential cooperative housing units, and for other purposes." The bill was referred to the House Committee on Veterans' Affairs.*

Action: *Representative Maloney to reintroduce this bill in the 112th Congress. Seek Senator Schumer's support for a companion Senate bill*

2. H.R 1106–Protect assessments in cram down mortgage legislation:

Status: *H.R. 1106 approved by House on March 5, 2009 and Referred to Senate Committee on Banking, Housing, and Urban Affairs. The bill had 24 cosponsors. Watch for bill to be reintroduced in 112th Congress.*

3. PETRA (HR4868) - The Administration's Proposal to Preserve and Transform Public and Assisted Housing: The Transforming Rental Assistance Initiative.

Background: Since the 1950s, HUD has subsidized about 1.7 million rental units in over 23,000 privately-owned, multi-family properties that are typically affordable to low-income tenants. Many of these units are over forty years old and in need of recapitalization. A 2004 Government Accountability Office (GAO) report found that over 193,000 subsidized units were projected to become market rate housing in the next 10 years when the HUD-subsidized mortgage matures and the mortgage subsidy and low-income affordability restrictions attached to the property terminate. GAO estimated that approximately 200,000 individuals in over 101,000 units with no other subsidy attached to the property would be at risk of paying higher rents because there were no existing tenant protections such as enhanced vouchers to protect the tenants from paying higher rents or being evicted when the mortgage matures. H.R. 4868, the Housing Preservation and Tenant Protection Act of 2010, addresses the issues outlined in the GAO report and a host of other issues related to protecting the significant investment made by the federal government in helping construct and maintain housing for low and moderate income tenants, many of whom are elderly or disabled.

Status*: Representative Barney Frank (D-MA) introduced H.R. 4868, the Housing Preservation and Tenant Protection Act of 2010, which would provide important tools needed to preserve privately owned federal- and state-assisted housing and protect tenants. On July 27, 2010, the House Financial Services Committee reported the measure to the full House. Bill was pending in several other committees.* With Barney Frank no longer chairing this committee, this legislation may not necessarily be reintroduced (see HR 6468 below which is similar and is more likely to be reintroduced in this legislative session).

Action: Seek to insert in the legislation conversion to housing cooperatives in order to preserve affordability eligibility for buildings where owners who want to opt out or for buildings in poor conditions threatened with loss of subsidy. Possibly similar to the LIHRPA program but limited to housing cooperatives.

4. Sections 811 and 202 Legislation

a. S. 1481, the *Frank Melville Supportive Housing Investment Act of 2009,* modifies the Section 811 Supportive Housing for People with Disabilities program. The bill improves the Section 811 program in several ways. It authorizes a demonstration program within the existing Section 811 program to promote community integration for people with disabilities. Under the demonstration, developers can combine rental assistance from Section 811 and other capital subsidy programs, making it easier to provide supportive housing within mainstream developments and increase the number of units provided through Section 811. Second, the bill improves the Section 811 production program by providing states and localities a new infusion of critically needed capital and project-based rental assistance funding.

b. The *Supportive Housing for the Elderly Act* modifies the **Section 202 Supportive Housing for the Elderly program.** It provides the first update to the Section 202 program since its creation more than 50 years ago. It strengthens and modernizes how the program supports the development and preservation of housing for very low income seniors. Specifically, it improves the condition of senior housing, particularly the oldest Section 202 properties, and preserves existing developments, making new construction easier. Changes to the program's service coordination and assisted living components enhance seniors' ability to age in place in Section 202 properties.

Status: *On December 21, 2010, Congress passed this legislation. It has been signed into law by the President.*

5. HR 6468 – Rental Housing Revitalization Act – A bill to authorize the Secretary of Housing and Urban Development to initiate a voluntary multi-year effort to transform properties with rental assistance contracts under various programs into properties with long-term, property-based, sustainable rental assistance contracts that include flexibility to address capital requirements, to enhance resident choice, and to streamline and simplify the administration of rental assistance; to the Committee on Financial Services.

Status: *Introduced 12/1/10, in lame duck session, by Rep. Keith Ellison (D-MN) and referred to House Financial Services Committee.* ***Will need to be reintroduced and will get a new bill number.***

6. Land Only Cooperatives/Revised Section 216 –

Status: *To date, legislation has not been introduced that would enable mobile and modular home cooperatives to have the tax benefits other housing cooperatives have under Section 216*

III. ORGANIZATIONS

NCBA: The National Cooperative Business Association: Coop development in the USA. Current activities include plans (and funding) for a feasibility study of converting rental housing to cooperatives in rural areas.

Action: *An Advisory Committee is being formed, and Vernon Oakes, as chair of the Development & Preservation Committee, has agreed to represent NAHC on this Advisory Committee.*

CAI: NAHC partnered with CAI to combat the FHFA proposal to prohibit Freddie Mac and Fannie Mae from purchasing loans in communities with transfer fees.

NLIHC: Judy Sullivan has worked with the National Low Income Housing Coalition and has frequently shared with NAHC members information from their website.

NAHMA: Greg Carlson is an executive member of the National Affordable Housing Managers Association (and executive director of the New York chapter).

Action*: The Government Relations Committee will continue to build on these valuable relationships.*

IV. OTHER

2012 International Year of Cooperatives (IYC) – NAHC participation

NCBA is leading the national effort to promote the International Year of the Cooperative in 2012. NCBA has formed a Task Force where all the major cooperative sectors are represented. Judy Sullivan represents NAHC on this Task Force. At the January Board Meeting she led a discussion of how NAHC and its members can/will promote the International Year of Cooperatives at home and in the public eye. CHB

Clarifying the Not For Profit /Non Profit Confusions

By Paul Wieland, CPA and Herbert Fisher, Esq.

With the first creation of a housing cooperative using FHA insured financing, confusion arose as to whether housing cooperatives were non profit (in terms of state or federal income tax exemption) or whether they were not for profit (determined by the state statute under which the cooperative was created). This confusion appears to be due to wording in the National Housing Act providing for specific benefits for housing cooperatives and other "non profit entities qualifying for FHA insured mortgages.

Organizations eligible for tax exemption are limited to those engaged in activities such as religious, educational, charitable, scientific, literary, public safety testing, amateur sports competition, and prevention of cruelty to children or animals.

The use of the word "non profit" was inadvertent but reflected the intent that even limited dividends could not be realized by investors or mortgagors under these programs without prior HUD approval. The concept of tax exemption seemed to be the most controlling. However, in reality, the cooperative entities created to be eligible mortgagors under these programs were not even eligible to be tax exempt under either federal or state laws.

To be tax-exempt, an entity must file appropriate applications and be approved by the IRS for tax-exempt status. Organizations eligible for tax exemption are limited to those engaged in activities such as religious, educational, charitable, scientific, literary, public safety testing, amateur sports competition, and prevention of cruelty to children or animals. Thus, HUD's requirement that housing cooperatives may only use funds for the maintenance of its occupants' housing means tax-exempt status is an upfront non starter. For many years this also led to confusion as to whether cooperatives with HUD programs were considered for-profit or not-for-profit entities. The distinction was important because not-for-profit entities are subject to Single Audits under OMB A-133 and for-profit entities follow the Consolidated HUD Audit Guide for their audits. In June 2009 HUD clarified that all cooperatives would be considered not-for-profit entities subject to Single Audits under OMB A-133. This further confused the picture since some housing cooperatives then concluded that they must be tax exempt or tax exempt qualified as a result of being treated as a not-for-profit by HUD.

To clarify, even though cooperatives may be organized under state not-for-profit statutes and HUD considers them to be not-for-profits for audit purposes, they do not qualify as tax-exempt entities. Instead, they are considered taxable entities and file corporate income tax returns (Form 1120-C).

The not for profit concept is also confused by its historical origins. In the 1950s in most states not for profits were equivalent to the tax term "non-profit." State incorporation statutes were amended to expand the sole not for profit purpose of religious, educational and charitable to include business operations on a not for profit basis.

The bottom line today is that housing cooperatives can also be business operations, albeit, not for profit, and cannot….cannot…legally qualify for not for profit tax exemptions. The Rochdale Cooperative pioneers did not envision tax exempt cooperative businesses, nor is there any reason they should be.

It does not matter as to tax liability whether a co-op is exempt or not, since a) housing co-ops generate significant depreciation that offsets any net operating surplus, b) any surplus can be sheltered under Subchapter C and Rev Rul 70-609—applying it to next year's carrying charges.

While there is little potential benefit to being tax exempt, it is still a good idea to operate on a nonprofit basis in accordance with the Rochdale Principles. CHB

Paul Wieland is a CPA with more than 33 years of public accounting experience. He is President of Wieland & Company, Inc., a Chicago area based CPA firm which had its beginnings in 1989. The firm's sole focus is auditing primarily in the affordable housing industry. The firm presently performs about 50 annual audits and has a heavy emphasis in housing cooperatives.

Herbert H. Fisher is an attorney in Chicago, Illinois, frequent contributor to the CHB, former NAHC President and Chairman of its Board of Directors.

Meet the recent additions to NAHC's Board of Directors

TONY BECK

Tony was appointed to the NAHC Board at the New Orleans meeting for a one year term.

Tony Beck enlisted in the marines after high school and served eight years, including three combat tours in Vietnam, achieving the rank of staff sergeant E-6. He then entered the security field, later joining the sheriff's department in San Saba County, Texas as a Deputy. After law enforcement he started driving for a union freight company, and met his future wife Sharon while driving thru Michigan. Tony has four grown step-children and twelve grandchildren.

Mr. Beck currently serves as 1st VP on the Board of Directors at Georgetown Place Co-op in Taylor, MI where he has lived for 23 years. At Georgetown he is a certified First Responder on the CERT team (Community Early Response Team), certified in CPR and American Red Cross First Aid Training. He and his wife help with flower planting and organizing activities for the children.

Mr. Beck is also a very grateful recovery alcoholic and active member of AA. He chairs meetings, leads tables, gives open table talks and has spoken to students at several surrounding middle schools. He also sponsors four members in their recovery and reports that by the grace of god he just celebrated 15 years without a drink.

Mr. Beck believes that co-op's are a wonderful place to raise a family and enjoy retirement. He is proud to have been appointed to the NAHC Board and looks forward to serving. "God bless America and Go Co-Op's."

WENDY HARSHAW

Wendy was elected to the NAHC Board at the New Orleans meeting for a three-year term. She has been on the Board of Coolidge Terrace Cooperative in Oak Park, Michigan, for three and a half years and currently serves as president.

Miss Harshaw has a degree in sociology, with a concentration in community development. She has worked in healthcare for more than 20 years, where her most recent position was Director of Sales and Marketing for one of the largest assisted Living communities in the country. She has also worked in various management capacities including marketing, account management, intake, direct care, and business banking.

Her recent decision to follow her passion to giving back to the community around her led to a project working with disadvantage individuals. After working with the affluent for many years, she saw the need to support others.

Miss Harshaw is a loving aunt of five, all of whom she adores and loves spoiling. She loves to travel, read and learn new things and is currently taking a conversational Spanish course. She has lived in Georgia, New York, New Jersey and Michigan where she was raised.

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Massachusetts Homestead Law Revised

A comprehensive overhaul of the Massachusetts Homestead Law goes into effect March 2011. The law provides protection to homeowners from creditors. The new law covers cooperative shareholders as well as other homeowners. In addition, all manufactured home owners receive protection; the previous law only covered manufactured homes owner by an elderly or disabled person.

Community Land Trust News

Champlain Land Trust, together with the City of Burlington, VT, won the 2010 Award of Excellence in Sustainable Community Development sponsored by the Home Depot Foundation for a 32 unit urban cohousing development with nine permanently affordable units. Champlain Land Trust also won this award in 2006. In 2008 the Trust received the United Nations World Habitat Award. The Trust has created over 2100 units of affordable housing. CHB

Registered Cooperative Manager Courses

Registered Cooperative Manager (RCM) courses will be offered in March AND November this year, thanks to popular demand for this cooperative housing manager certification program. Courses will be offered March 29-30, 2011, at the NAHC's metro/subway accessible offices in Washington D.C., or join us prior to the Annual Conference, where the courses will be taught from November 7-9 in San Juan, Puerto Rico.

Click here to download the RCM Information Sheet, which includes a Registration Form.

Program Information

The Registered Cooperative Manager (RCM) program helps the cooperative housing management profession achieve ever-increasing higher professional standards, expectations, and rewards. The RCM designation is awarded to managers who meet standards of excellence, understanding, and achievement in the area of cooperative housing management following participation in a series of courses, then a passing grade in certification exams.

RCM courses help develop skills necessary for a successful career in management. The courses refine the understanding of housing cooperatives, renew dedication to the principles of cooperative housing, codify the ethics of cooperative housing management, and improve housing management practices.

Recently Certified RCM's Report:

"The class provided me with the knowledge that I've been trying to obtain for years"

"The courses offer instructors that really know their business."

"There is no other organization geared specifically to co-ops and we can improve our skills and offer experiences to others."

The courses cover three topics fundamental to the profession: Ethics, Business, and the History of Housing Cooperatives, and are intended to enrich the candidate's understanding and appreciation for cooperative housing and the ownership value housing cooperatives can offer to their members as a supplement to the operating policies of the participating cooperative.

The RCM Certification program is the only nationally-recognized designation and certification specializing in Cooperative Management recognized by the Registered in Apartment Managers (RAM program). RCM is a sought-after professional designation for cooperative housing managers.

The Registered Cooperative Manager program is an affiliate of the National Association of Housing Cooperatives.

1444 I Street NW, Suite 700
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Email: info@nahc.coop
Click to go to RCM web page.

RCM 2011 Board of Governors

Gregory J. Carlson, Chair, Carlson Realty, Inc. Forest Hills, NY
Vernon Oakes, Oakes Management, Inc., Washington, DC
Ralph Marcus, Marcus Management, Inc., Farmington Hills, MI

THE COOPERATIVE DEVELOPERS' CORNER

NAHC'S MEMBERS include formerly and currently active individuals interested in establishing more housing cooperatives. They agree that properly organized and supported housing cooperatives provide "better housing for less money" than comparable rental or individually owned housing. This "Corner" is open to their contributions.

Grand Forks, ND

Grand Forks Cooperative Housing, Inc. (GFCH) was formed as a North Dakota nonprofit corporation in October 2010. Inspired by housing cooperatives in Wisconsin and Michigan, GFCH offers its members an inexpensive alternative to traditional home ownership and apartment renting.

This nine unit zero-equity co-op features two large kitchens, and the co-op plans to offer meals every night to the larger community under a boarding plan. The co-op also has free laundry facilities and a co-op garden next door. The garden is run by a local grocery co-op, and two of the founders of the housing co-op are also on the grocery co-op board and were active in Madison, WI, co-ops. The house is financed by local "slow money" investors who are leasing it back to the co-op for $600 per month under a contract for deed. The Cooperative's building is shown below.

Minneapolis, MN

Residents of Park Plaza Estates in Fridley, Minnesota now own and control their 90-home manufactured home community (historically known as a "mobile home park.")

"I'm excited that we had this opportunity to purchase our community," said Natividad Seefeld, Interim President of Park Plaza Cooperative. "It's a once in a lifetime opportunity to be part of something like this and gain control of where we live. The co-op still has a lot of work ahead, but we're thrilled to be starting this new chapter."

The homeowners came together, formed a cooperative and purchased their community from the previous investor ownership entity.

NCF (Northcountry Cooperative Foundation), a ROC USA Certified Technical Assistance Provider (CTAP), provided technical assistance and support to the residents throughout the transaction. This group of homeowners will join the other 1,000+ resident-owned communities across the United States.

Financing for Park Plaza Estates was provided by ROC USA Capital in participation with Minnesota Housing. This unique lending partnership provides affordable commercial mortgage financing in support of resident-led manufactured home community acquisitions in Minnesota.

Having readily available and cost competitive capital that is tailored for resident corporation buyers really helps the community to effectively and efficiently transact with the community owner," notes Michael Sloss, Managing Director of ROC USA Capital.

Of the 90 households in the community, over 50% are members in the cooperative and over time the community will become 100% resident-owned. The cooperative is collectively owned and run by residents for the benefit of residents-the day to day operations are overseen by a resident Board of Directors which has engaged a professional property management company to help them manage the property.

Boston, MA

Unitarian Universalists in Boston have just purchased a house, where they are establishing a new co-housing cooperative. They chose to name it the Lucy Stone Cooperative, after a Unitarian speaker, editor and organizer active in abolitionist and women's suffrage movements. She was the first woman in Massachusetts to get a college degree, first woman to make her living as a full-time speaker for women's rights. Born 1818, dying in 1893, she worked tirelessly to build the movement that won women the right to vote.

The house is a beautiful, old Victorian Mansard, with 11 bedrooms, 4 bathrooms, plenty of common space, and a huge yard. They raised $140,000 in investments, $20,000 in donations, and $19,400 in grants. More than 500 person-hours were spent in planning team meetings to date.

Kalispell, MT

Ownership of Green Acres Court mobile home park in Kalispell, Montana, officially transferred to the Green Acres Cooperative, which consists of the 32 residents of the park.

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In 2009, Montana lawmakers approved legislation that offers a capital gains tax break to people who sell manufactured home parks to cooperatives or other qualified entities. Montana is one of five states where a tax incentive is offered to mobile home court owners who sell to residents, according to Paul Bradley, president of ROC USA. Tax incentives are also offered in Washington, Oregon, North Carolina and Vermont.

The support and assistance from ROC USA and NeighborWorks Montana was crucial in this venture, said John Sinrud, president of the new cooperative. "We could never have gone to a private bank with this. We didn't have the down payment nor as a new business did we have the credit rating to make this happen." ROC USA Capital provided the mortgage loan to the Green Acres Cooperative to buy the park. Some financing also came from a community development block grant program authorized by Flathead, Lincoln, Sanders and Glacier counties to ensure affordable housing in the state, Bradley said. CHB

NAHC Offers Cooperative Healthy Savings Pharmacy Card

VALUABLE pharmacy discounts are now available for member/shareholding families living in NAHC member cooperatives and their staffs. The Cooperative Healthy Savings Pharmacy Card gives you discounts on your prescription drugs. Your Cooperative Savings card will save you 10 percent to 60 percent at participating pharmacies, including more than 60,000 national and regional pharmacies, including CVS, Walgreens, Walmart, Target and many more. You also can order medications through the mail. You will find participating pharmacies online at www.locateproviders.com. Compare drug prices at www.rxpricequotes.com.

Obtain your Cooperative Healthy Savings card from your cooperative's office, which gets the cards by phoning the NAHC office: (202) 737-0797. CHB

NAHC

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