



Face-to-Face with HUD

On Nov. 5, senior housing co-operators had an opportunity to quiz representatives from the Department of Housing and Urban Development (HUD) at the "Open Discussion with HUD" Senior Cooperative Housing Council workshop held at Gramercy Park Cooperative at Lake Shore Drive. HUD was well-represented by Paul Woxland, director of the Minneapolis Multifamily Hub, Laura Simpson, director of project management, Scott Werdal, development director, and Charles Sorensen, chief counsel. Dennis Johnson of the Senior Cooperative Foundation was the moderator.

The first questions were about replacement reserves and their investment. Laura Simpson responded on the Regulatory Agreement requirements, how the funding level is set, and how the funding amount based on the 0.006 factor will likely not provide enough to meet all future needs. She also explained that, while the HUD handbooks are a little vague on what replacement reserves can be used for, there are some general rules. Carpeting, appliances, roof replacement and other capitalized items are replaceable, while painting the units is maintenance. Even so, cooperatives should ask about unusual items as they might be acceptable. Also covered was how to claim reimbursement.

The discussion became more challenging when the questions turned to investment of replacement reserves. Participants knew about the need to invest in government issued or insured financial instruments. They learned that they could write for permission to reduce the amount sent to the agent handling the mortgage and instead keep the balance in an in-house managed replacement reserve account. When the discussion turned to investment fees and returns, there were sufficient unanswerable



Bill Buending of Gramercy Park Cooperative Northwest takes in a session of Cooperative Network's November annual meeting held in Bloomington. Buending is the cooperative housing representative on Cooperative Network's new board of directors. For more about the annual meeting, go to www.cooperativenetwork.coop.

questions that Dennis Johnson asked that the subject be added to the Senior Cooperative Housing Council's agenda for its December meeting.

The main subject turned to leasing and sub-leasing of cooperative units. HUD needs to approve any sub-leasing arrangements. At least 80 percent of the cooperative's income must come from members to preserve the cooperative's tax status. There is a HUD handbook available online that covers sub-leasing (Handbook 4350.3).

During the period of questions from the floor, there was an explanation that when a member's estate fails to maintain the cooperative's carrying charges, they can be deducted from the sale proceeds of the membership share. Other questions pertained to financing membership purchases and refinancing of the cooperative's mortgage.

According to the 84 attendees, it was a very good, informative, and useful session with an overall workshop rating of 4.5 out of 5.

Mark your calendars

Jan. 28—Legal Document SCH Council Workshop, Gramercy Park Co-op at Lake Shore Drive, Richfield

March 3—SCH Council Meeting at Gramercy Park Co-op Northwest, Plymouth

May 12-13—SCH Conference at Ramada Mall of America, Bloomington,

June 3—SCH Council Meeting at Gramercy Park Co-op of St. Paul, Inver Grove Heights

Aug. 30—Senior Cooperative Housing Golf Tournament, Greenhaven Golf Course, Anoka

Nominations sought for Senior Co-op Housing Leadership Awards

Senior housing cooperatives have benefited from, and owe their success to, the vision and selfless leadership of individuals committed to the principles of cooperation and community participation. Since its inauguration in 2002, 20 individuals have received the Senior Cooperative Housing Leadership Award presented by the Senior Cooperative Foundation. The 20 award recipients have provided leadership in various capacities as cooperative members, project sponsors, developers and government officials.

Nomination forms and instructions for the 2010 awards will be mailed in

early January. In addition to the nomination form, each nomination should include at least two letters of endorsement. These letters are critical to providing information to the selection committee in reviewing nominations. Nominations will be due in mid-March 2010. Up to three individuals will receive the award and be recognized at the annual Senior Cooperative Housing Conference scheduled for May 12-13, 2010, in Bloomington, Minnesota. If you do not receive nomination forms or have questions, please feel free to contact the Senior Cooperative Foundation at 651-310-0235 or dennisj@seniorcoops.com.

SCH Purchasing Cooperative to begin operations in 2010

The SCH Purchasing Cooperative Information Statement and supporting documents—Articles of Incorporation, Bylaws, Membership Agreement and Financial Projections—were mailed to the board presidents of all senior housing cooperatives in September. Six information meetings were offered in October to provide an overview of SCHPC, discuss purchasing programs and discounts, and answer questions from cooperative representatives. Seventeen cooperatives participated in these meetings.

SCHPC will offer purchasing programs for office supplies, cleaning supplies, maintenance items, telephone service, appliances, floor coverings and other products and services. Purchase discounts range from 5 percent to 20 percent depending on the vendor and product. Some programs offer product delivery directly to the cooperative. Some programs are available to the members of the cooperative as well. SCHPC will also offer a program for legal services and will evaluate other needed products and services after it begins operations.

As of the end of November, five cooperatives have expressed a strong interest in becoming members of SCHPC and others are still considering becoming members. To become a member requires completion of the Membership Agreement and a one-time stock purchase of \$10 per living unit (i.e. 50 unit

building is \$500). In addition, there is an annual membership fee of \$100. The interim board will be meeting in December and is likely to decide to proceed with SCHPC beginning operations on January 1, 2010.

If you would like more information about SCHPC, please contact Dennis Johnson at 651-310-0235 or dennisj@seniorcoops.com.

Legal Documents Workshop

Senior Cooperative Housing Council
Thursday, January 28, 2010
9:30 -11:30 a.m.

Gramercy Park at Lake Shore Drive,
Richfield, Minn.

The workshop, presented by attorney Joe Nemo, will focus on key items within a senior housing cooperative's legal documents that both boards of directors and managers should periodically review and update. The workshop will also cover who is responsible for communicating this information to current and new members.

Any questions on this topic should be submitted before the meeting to Vicky Chaput at vicky.chaput@cooperativenetwork.coop.

Investment fees and returns survey

At the December 2 Senior Cooperative Housing Council meeting Bill Buending presented a survey to gather information related to the investment fees and returns discussed at the HUD workshop. The members present liked the format and asked him to include a few additional questions. The group asked that Bill rework the survey, send it via email to all cooperatives, including members in attendance, and ask that they be returned to Vicky Chaput at Cooperative Network.

This survey has been emailed to all managers and board presidents that Cooperative Network has email addresses for. If you would like us to mail you this survey, please contact Vicky Chaput at 651-228-0213. We would like as many cooperatives as possible participating so that we can get an accurate reflection of how to proceed.

2010 conference dates set

The 10th Annual Senior Cooperative Housing Conference is set for Wednesday, May 12 & Thursday, May 13 at the Ramada Mall of America in Bloomington, Minnesota, the site used for our recent conferences.

A planning committee has been appointed and had its first meeting on December 10 to plan for the 2010 Conference. Agenda items have been requested from members, board members and employees of senior housing cooperatives and professionals who work with them.

If you have ideas for subjects to be discussed, please pass them along to Vicky Chaput at Cooperative Network at 651-228-0213 or vicky.chaput@cooperativenetwork.coop.



Cooperative Network President and CEO Bill Oemichen recently visited three member senior housing cooperatives and gave presentations on identity theft prevention. More than 100 residents attended the program, which was offered at Kildahl Park Pointe, Northfield; Summerhill Cooperative of Maplewood, Maplewood; and Gramercy Park Cooperative, Eagan, as a benefit to Cooperative Network members. If you are interested in having Oemichen speak at your cooperative, please contact Vicky Chaput at 651-228-0213.

Co-op Lender's Corner—

Cooperative housing news briefs

Tax breaks for home sellers/buyers: We have received several calls about the eligibility of cooperative membership sales for the Federal Housing Tax Credit, both for first-time buyers and the new credit for repeat buyers. It's our understanding that the credits do apply, however, we suggest potential buyers consult with their tax advisors. The web site at www.federalhousingtaxcredit.com helpfully presents frequently-asked questions about both credits.

News about new cooperatives: In spite of—or maybe because of—the country's current economic issues, there is continuing demand for new cooperatives. Project sizes tend to be smaller, but the overall number of co-ops in planning has remained pretty consistent. Currently, there are two new cooperatives under construction in Minnesota, and three in Iowa. We are aware of another eleven planned in Minnesota, two in Iowa, two in Montana, one in Texas and one in Oregon, with some talk of one in Wisconsin as well. New members of new Village Cooperatives in Iowa are particularly excited; one member in Mason City posts daily progress schedules at <http://www.hoodsnewhome.blogspot.com>—take a look and share in the fun.

Refinances: We have seen a lot of interest in refinancing recently, not surprisingly, due to expiration of prepayment lock-outs, and current interest rates that are much lower than when the original loans were written. Even if a co-op's loan currently prohibits prepayment, it's worth checking. The current lender may agree to renegotiate or to prepayment with a penalty that still makes refinance worthwhile.

For more information about any of the topics covered in this edition of "Co-op Lender's Corner," please contact Dennis Johnson at Cooperative Housing Resources at dennisj@seniorcoops.com or 651-310-0235.

2009 Actual Operating Expense Request for Analysis

The Senior Cooperative Foundation (SCF) has gathered annual operating budgets from senior housing cooperatives each year for the past five years. The data was compiled and the results were shared with participating cooperatives.

Board Members and Finance Committees have found this data helpful when preparing the cooperative's annual operating budget and also when comparing expenses of other cooperatives of similar size and location.

Again this year, the data will be compiled and reported in three different exhibits using the HUD chart of accounts. The first exhibit shows per line item expenses by cooperative size and metro vs. non-metro. The second exhibit shows average expenses by cooperative size and per unit. The third exhibit shows an average per category per unit over the past five years.

Thirty-nine cooperatives participated last year and SCF is looking for even more participation this year.

The request for cooperatives to provide their 2009 actual operating expenses will be mailed in January. An Operating Expense Worksheet will be included in the request and will also be available electronically.

Names of participating cooperatives will not be disclosed in the results.

If you have questions, you may contact Dennis Johnson at dennisj@seniorcoops.com or 651-310-0235.



Resolve to improve your credit score this new year

The beginning of the year is a great time to begin improving your credit score. Start by ordering your free credit report from each of the three major credit reporting agencies—TransUnion, Experian and Equifax—by going to www.annualcreditreport.com on the web or by calling toll free 1-877-322-8228. Carefully check the report and follow the correction process outlined by the credit reporting agency if you find errors. Wrong information could have a significant impact on your credit score, your ability to obtain a loan, or the

best loan rates and terms.

You are likely to have several credit scores and your point score will vary depending on which credit reporting agency is reporting the score. Keep in mind your score is intended to predict your future ability to pay off credit you obtain. It is not a report on your employment history, job income, or on what you own. Therefore, you could be a top-notch manager of your family's finances, but this may not have any impact on your credit score.

Your FICO credit score, for example, is based 30 percent on credit utilization, 35 percent on paying your bills on time, 10 percent on the type of debt you have, 10 percent on the number of new accounts you have during a specific time period and 10 percent on the length of time you have been granted credit. First, regarding credit utilization, I recently learned my credit score suffered a several point loss because I use my personal credit card to charge items for work, even though I pay off my balance in full each month. Credit card issuers become concerned if you regularly charge more than 50 percent of your credit limit.

Second, avoid making late payments if you can. Late payments will not only trigger the credit card company to charge hefty fees and raise your interest rate, but it may also cause your credit score to fall if the credit card company reports the late payment right away. Fortunately, most credit card companies won't report until

you have missed two due dates.

Third, too many of a certain type of loan such as a new line of credit with a second mortgage may trigger a loss of points.

Fourth, you may lose points if you open up a new credit card account or someone else checks your credit report when you open a bank account or even buy a car with cash. These are considered "hard inquiries." However, if you make your own inquiry by asking for your free annual credit report, this is a "soft" request and will not impact your score.

Finally, the longer you have a solid repayment history, the higher your credit score. A good current credit history of several decades may be considered and any closed accounts in good standing will remain on your credit report for ten years. On the other hand, one late payment could hurt your score for up to one year, a history of late payments could hurt you for up to three years, and a bankruptcy can hurt you for seven years.

We all would like a credit score above 800. However, for many, this is not possible. You will lower your borrowing costs or make a new credit card more obtainable for every twenty-point improvement in your credit score. For more information, go to: <http://www.myfico.com/credit-education/whatsinyourscore.aspx>.

Bill Oemichen is President & CEO of Cooperative Network. He previously served as Wisconsin's top consumer protection official from 1996–2001 and his work fighting consumer scams has been featured on the front pages of the Wall Street Journal and other newspapers, as well as on the CBS Evening News, Dateline NBC, and ABC.



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