

## A

<b>Acceleration Clause</b>	A clause in a mortgage that accelerates or hastens the time when the debt comes due. For example, most mortgages contain a provision that the note shall become due immediately upon the sale or transfer of title of the land, or upon failure to pay an installment or principal or interest.
<b>Accountability</b>	Being answerable for actions that are performed by others, and for the consequences of those actions.
<b>Accounts Payable</b>	Money owed by the cooperative to another party.
<b>Accounts Receivable</b>	Money owed to the cooperative by another party.
<b>Amortization</b>	That part of the payment made on a mortgage that serves to reduce the outstanding amount (principal) of the debt itself.
<b>Annual Meeting</b>	A meeting legally required of all cooperatives, to which all members of the cooperative are invited. At the meeting, members may elect representatives to the co-ops Board, hear financial reports, amend the co-ops bylaws, or attend to other business.
<b>Appraisal</b>	An official estimation of the real or market value of property upon which taxes and insurance are based.
<b>Assessment</b>	Real estate value or tax levied on a person or property by a governmental unit.
<b>Assets</b>	Resources, properties and property rights owned by an individual or business enterprise, and that can be readily converted into cash.
<b>Articles of Incorporation</b>	A document filed with the State of Minnesota describing how a corporation is to be organized. A co-op's Articles will also state the cooperative's limited equity formula.
<b>Audit</b>	A formal examination and verification of an organization's books and records by an impartial, trained, outside party.

## B

<b>Balance Sheet</b>	A financial “snapshot” of a corporation showing what it owns and what it does.
<b>Blanket Mortgage</b>	A loan taken out by a cooperative that covers all the building’s debt.
<b>Board of Directors</b>	Elected by a co-ops’ membership, the Board of Directors oversees the co-ops operations and finances on behalf of members.
<b>Budget</b>	An itemized plan that shows how resources will be used. Usually presented as forecasted financial statements.
<b>Bylaws</b>	Rules of the cooperative that aren’t included in the Articles of Incorporation, and that cover general policies and practices. Bylaws cover such topics as voting, responsibilities of the co-op’s officers, and other “governance” type issues.

## C

<b>Capital</b>	Assets which will be put to long-term use. Major improvements or maintenance, buying property, and major appliance purchases are called capital expenses. Borrowed money for these expenses is called <i>capital loans</i> .
<b>Carrying Charge</b>	A carrying charge is the monthly payment that each member makes to the co-op that covers all the co-op’s fixed and variable expenses, such as debt service, utilities, insurance, legal fees, and so on.
<b>Certificate</b>	Sometimes called a share, a certificate represents an individual’s right to occupy a specific space in the housing co-op.
<b>Certificate of Title</b>	Proof of ownership of a cooperative. Usually contains the legal description of the land and buildings.
<b>Chattel Mortgage</b>	A mortgage on personal property.
<b>Closing</b>	The time when a “deal” is closed or legally completed. For housing co-ops, closing is the time when the co-op legally receives its property and commits to its loans.
<b>Collateral</b>	A piece of property used to guarantee a loan. If the borrower defaults on the loan, the lender may seize this property.

<b>Condominium</b>	A unit in an apartment in an apartment building or townhouse complex to which someone has title. In a condominium, residents actually “own” their own apartments (to the other side of the paint in their unit), but a separate corporation owns the building and common areas.
<b>Conversion</b>	The process of converting a building from rental housing to co-op housing.
<b>Cooperative</b>	A corporation jointly owned and governed either by its workers (a worker cooperative) or its customers (a consumer cooperative.) A housing cooperative is a kind of consumer cooperative.
<b>Covenant</b>	An agreement between two or more persons in which the persons agree to do or keep doing some specified thing.

## **D**

<b>Debt Service</b>	The amount of money paid to a lender for a loan, including both interest and repayment of the loan itself.
<b>Deed</b>	<p>A document under seal that states a transfer, bargain, or contract, usually conveying the title to real property from one party to another. There are two types of deed: Quitclaim and Warranty.</p> <p>Quitclaim – The seller conveys property the purchaser, with the title being only as good as the title held by the seller, who conveys all claim, interest or right to the property, as far as his own title is concerned.</p> <p>Warranty – The seller conveys all claim, right, and title to the property, but also warrants the title to be clear, subject only to such matters as may be shown on the deed. The warranty is recognized by law as the subject for future restitution of loss to the purchaser if any defects in the title are conveyed by the seller.</p>
<b>Default</b>	Not honoring a legal commitment is known as a default. One common type of default is not paying back a loan.
<b>Depreciation</b>	The amount of “wear and tear” on a piece of equipment or a building, reflected in the reduction in dollar value of that equipment or building. Usually, this amount is spread out over a period of time. The IRS lets you deduct depreciation each year from the co-op’s earned income. (Note: Land does not depreciate.)
<b>Dissolution</b>	When a company decides or is forced to go out of business.

**Dividend** That portion of a corporation's profit or surplus that is paid to shareholders in a corporation.

## **E**

**Easement** A right or interest in the land of another that entitles the holder to some use, privilege, or benefit, such as traveling over or placing pipelines, fences, or roads on the land.

**Encroachment** An unlawful extension of one's right upon the land of another.

**Encumbrance** A claim or lien upon an estate.

**Equity** The difference between the market value of property and the total amount of all mortgages and liens against the property, which reflects the dollar value of the owner's interests. In accounting terms, equity equals assets less liabilities.

**Escrow** Placing property (either real or cash) in the hands of a second party for delivery to a third party, according to terms of an agreement.

**Eviction** The legal process of forcing a tenant or co-op member to surrender their membership and leave the building. Eviction always requires court action.

**Expenses** The costs of operating the co-op, which usually fall into five main areas: loan payments, taxes, insurance, utilities, and maintenance.

## **F**

**Fidelity Bond** An insurance bond purchased by a firm to protect against loss of money because of misappropriation by persons handling the funds. Such bonds are often purchased by management companies who employ staff to manage property, and by cooperatives whose officers or employees have access to co-op funds.

**Fiduciary** A person or entity to whom property or power is entrusted for the benefit of another person or entity.

**Financial Statement** The Income Statement and Balance Sheet are called financial statements.

**Fiscal Year** That twelve-month period used as a corporation's annual accounting and tax period, sometimes different than the calendar year.

**Foreclosure** The process a lender goes through to recover its money after a borrower has defaulted on a loan.

## **G**

**Governance** The method, system, or process used to exercise authority; to make decisions on behalf of others.

## **H**

**House Rules** Rules developed by a co-op's members for the operation of a cooperative. House rules covers such issues as parking, garbage, maintenance, noise and resolving conflicts.

### **Housing & Urban Development**

(HUD) An administrative agency of the federal government which sponsors a variety of programs, including rental assistance, loans for rehabilitation, and loans for the construction of cooperatives.

## **I**

**Improvements** (1) Any renovations, additions, or physical improvements to an existing building. (2) Accountants sometimes refer to buildings themselves as "improvements" to a piece of land. (3) From the tax point of view, an improvement must be a new feature, or add a use or extend the life of an existing feature.

**Income** Cash, services, or other transfers of assets to a corporation.

**Income Statement** A statement showing all income received and expenditures made over a period of time. Often includes comparisons to past and projected income and expenses.

**Incorporation** The process of receiving recognition from the secretary of state that the co-op corporation exists as a legal entity.

**Indemnification**

To agree not to blame or sue someone for official actions taken on behalf of the co-op, and to protect someone from related lawsuits.

**J**

None at this time.

**K**

None at this time.

**L**

**Lease**

An agreement between a renter and a property owner that outlines the rights and responsibilities of both the lessee (renter) and the lessor (property owner.)

**Leasehold Co-op**

A cooperative which leases its building instead of owning it.

**Lessee**

Renter.

**Lessor**

Property-owner.

**Lien**

A claim on real estate, equipment or other possessions for payment of some debt or court ordered obligation. Liens are recorded in a city or town's land records to inform everyone that the property or possession cannot be sold until the lien is paid off.

**Limited Equity Cooperative**

A cooperative which limits the rate of appreciation of member equity. Generally, the price for which the co-op member can sell their unit is restricted, as explained in the co-op's bylaws.

**Limited Equity Formula**

The formula describing how member equity may appreciate, and which affects the price at which the member may attempt to sell their co-op unit.

**Liquidation**

The process of dissolving a corporation and selling off all its assets; usually this process is imposed on a corporation by a court.

## M

<b>Management Company</b>	(or Management Service or Agent) A company which works for the cooperative to handle financial or property management.
<b>Market Rate Cooperative</b>	A cooperative which does not limit the rate of appreciation in member equity. Generally, the co-op member can sell their unit for whatever price the market will bear.
<b>Market Value</b>	The highest price a buyer would pay, the lowest offer a seller would accept.
<b>Maturity</b>	The date on which the balance of the loan is either due, or is paid off.
<b>Mechanic's Lien</b>	A claim on real estate, equipment or other possessions for payment of a contractor who is doing work in the co-op building. Liens are recorded in a city or town's land records to inform everyone that the property or possession cannot be sold until the lien is paid off.
<b>Member</b>	A person who has (a) been recommended for membership by the Membership Committee and approved by the Board of Directors; (b) executed a Subscription Agreement and an Occupancy Agreement; and, (c) paid all fees required to be paid by such person under said Agreements.
<b>Mortgage</b>	A real estate loan in which the lender uses the property as collateral.
<b>Mutual Housing Association</b>	A cooperative which services several different properties.

## N

<b>National Association of Housing Cooperatives (NAHC)</b>	The national association of cooperatives in the United States.
<b>Net Income</b>	(Operating surplus) The "profit" at the end of a fiscal year, which reflects a surplus of income over expenses. Co-ops choose to use this money to improve the co-op, or they return it to members.

## O

<b>Occupancy Agreement</b>	An agreement (in a form approved by the Board of Directors, and as specified in the co-op's bylaws) between a person and the cooperative in which the person is granted the right to occupy a specific dwelling unit, and which spells out the rights and obligations of the member and the co-op.
<b>Officers</b>	The bylaws of a cooperative usually describe official positions to be held by members in the cooperative, such as President, Secretary, Vice President, and Treasurer. Sometimes a legal document will require the signature of corporate officers.
<b>Operating Income/Expense</b>	Expenses and income associated with the day-to-day operation of the co-op.

## P

<b>Par Value</b>	The starting value for shares in a cooperative. (This value is meaningless except at the creation of a cooperative.)
<b>Perpetual Existence</b>	Corporations must tell the state how long they plan to be in business. Corporations which do not anticipate going out of business declare their existence to be perpetual.
<b>Prepayment Penalty</b>	Penalty levied for the payment of a debt before it actually comes due.
<b>Principal</b>	(1) The amount remaining to be paid on an outstanding loan. (2) Payments which reduce the amount of an outstanding loan.
<b>Pro Forma</b>	A "best guess" for various kinds of financial information. Types of pro formas: pro forma balance sheets, pro forma financial statements, pro forma development budgets.
<b>Promissory Note</b>	A note bearing evidence of debt, transferable by endorsement.
<b>Proprietary Lease</b>	The lease signed by a cooperative and a co-op member, which gives the member the right to occupy a specific unit within the co-op building.
<b>Proxy</b>	The authorization of one person to act on behalf of another; an individual acting as proxy for a second person. The proxy is entirely free to act as s/he sees fit, and is not bound by any directive from the person authorizing the proxy.



**Purchase-Sale Agreement** A legal agreement that states the terms of sale of property. Purchase-Sale agreements usually include such things as the price of the property, how and when the money will be paid for the building, and any special conditions of the sale.

## Q

**Quorum** The minimum number of people who must be present at an official meeting of the co-op in order to transact official co-op business. Requirements for quorum are usually set in the bylaws.

**Quit Claim Deed** See Deed.

## R

**Recitals** Statements of various facts for the record.

**Resale** The process of transferring co-op shares from a member who is selling their share(s) in the co-op to a member who is purchasing share(s) in the co-op.

**Reserves** Money set aside from net income to meet expected or unexpected expenses; usually kept in a form (like a savings account) that is easily converted to cash. Reserves are commonly set up in housing cooperatives to cover vacancies, maintenance, and operating expenses.

**Right of First Refusal** The right given by the bylaws to the co-op's board of directors to refuse the option to purchase the membership of an outgoing member.

**Right of Way** Privilege given to travel over another's property.

**Rochdale (or Cooperative)** A set of seven principles, developed by the international cooperative community, which define how cooperatives ought to behave. Briefly, they are open membership, democratic control, limited return on member equity, one member one vote, continuous education, cooperation with other cooperatives, and sustainable community development.

## S

<b>Satisfaction</b>	Settlement of a claim or demand; payment.
<b>Section 8 Assistance</b>	A program which assists low income people in paying rents. Under this program, a portion of the rent for those assisted comes from government.
<b>Security</b>	Something given, deposited, or pledged to secure the fulfillment of an obligation or the payment of a debt.
<b>Share</b>	Sometimes called a certificate, a share represents an individual's right to occupy a specific space in the housing co-op.
<b>Share Loan</b>	A loan taken out by a member to buy shares (representing a unit) in a housing cooperative.
<b>Sublease</b>	A lease between a current tenant and another person.
<b>Subordination</b>	The acceptance of a lower priority in payment in the event of liquidation. Represents an agreement to give up specific rights and privileges to somebody else.
<b>Subscription Agreement</b>	A written agreement between a person and the cooperative (in a form approved by the Board of Directors, and as specified in the co-op's bylaws) in which such person agrees to execute an Occupancy Agreement, make the required down payment, assume monthly carrying charges, and become a member of the cooperative.
<b>Subscription Funds</b>	Money paid along with a subscription agreement.
<b>Surety</b>	One legally liable in the case of another's default.
<b>Sweat Equity</b>	Non-monetary contribution made to the construction or improvement of a building, generally in the form of labor.

## T

<b>Tenant</b>	A resident leasing property from a property-owner.
<b>Termination</b>	The act of ending an agreement.

**Title** A legal document which represents current ownership of a piece of property (sometimes called a Deed.)

**Transfer Value** The dollar amount for which a member's share investment in a co-op may be sold, as specified in the co-op's bylaws.

## U

**Unencumbered Property** Property that is free and clear of any assessments, liens, easements, or encumbrances.

**Unit** That part of a housing cooperative that is designed for occupancy by one family.

## V

**Vacancies** Any unit in a building that is unoccupied, and not generating revenue for the co-op.

## W

**Waiver** An agreement that allows someone to be exempt from a policy or rule that applies to everyone else.

**Warranty Deed** See Deed.

## X

None at this time

## Y

None at this time

## Z