



# YOUR QUESTIONS ANSWERED

Wondering about cooperatives and the cooperative lifestyle? For more than 40 years, adults 62+ have turned to the cooperative lifestyle for convenience, security, and a sense of community. Here are some of the most frequently asked questions we get.

## **WHAT IS A COOPERATIVE COMMUNITY?**

Housing cooperatives are designed specifically for adults 62+ who want the financial benefits of homeownership without the hassles of maintenance and upkeep. Cooperative communities are member-owned and member-governed. Each member has a voice in the decisions that affect the community as well as a stake in the ownership. Most importantly, a cooperative is a community of people joining together, working together, and enjoying life together. A cooperative creates opportunities for the well-being of individual members and for the whole community. All the members own the cooperative together.

## **HOW DOES A COOPERATIVE WORK?**

A cooperative works through the consent and cooperation of its member-owners. Cooperative members democratically elect a board of directors who govern the policies and form committees as they see fit, based on the needs and preferences of their community. Each member brings unique skills and interests to the table. By working together, members build a vibrant community that feels more like a family than a neighborhood.

## **WHAT IS THE FINANCIAL STRUCTURE OF A COOPERATIVE?**

Estoria Cooperatives uses a federally insured master mortgage to finance the project. The U.S. Department of Housing and Urban Development (FHA/HUD) guarantees the financing and provides the best long-term offer by using 40-year, fixed-rate financing at the lowest interest rate available. Estoria Cooperatives partners with the U.S. Department of Housing and Urban Development (FHA/HUD) to provide oversight and regulations to assure quality design and construction, as well as a financial structure that is both solid and secure. This form of financing provides an economically sound investment and relieves members of any direct liability. Each share is assigned a value, estimated by the home's size and type. The share value also includes a divided portion of the cooperative's building and land. The share price is the purchase price the member will pay, which is typically set between 40% to 60% of the share value.

## **WHAT IS INCLUDED IN THE MONTHLY FEE?**

Each member's monthly fee covers a pro-rata share of the master mortgage, property taxes, required reserves, and other operating costs, such as insurance, utilities, maintenance, and the costs of employing a management company to oversee day-to-day operations. Cooperative members also benefit by sharing expenses through bulk-rate purchasing, as well as from the not-for-profit status.

## **HOW IS THE MONTHLY FEE DIFFERENT FROM A RENTAL FEE OR AN ASSOCIATION FEE?**

The monthly fee at a cooperative differs from rental or association dues in that it provides benefits such as tax deductions and includes far more than a typical association fee. In addition to including a portion of the master mortgage and property taxes, cooperative fees include interior and exterior maintenance plus replacement and repair of standard appliances and equipment within the home, as well as internet, TV service, gas, water/sewer, parking stall, and more.

## **WHO IS ELIGIBLE FOR MEMBERSHIP?**

Estoria Cooperatives requires that at least one member-owner of each home be age 62 or better. A potential member must also show they have the resources to purchase a membership share. The application process has a minimum income requirement to help ensure potential members qualify for membership. To assure safety and security of all members, credit and background checks are also required.

## EXAMPLE: 2BR/2BA (1250<sub>SF</sub>)

INITIAL SHARE VALUE = \$464,906 | \*INITIAL SHARE PRICE = \$232,450

YEAR	* ANNUAL GROWTH	CUMULATIVE GROWTH	NEW SHARE VALUE	NEW SHARE PRICE
ONE	\$9,298	\$9,298	\$474,204	\$241,748
TWO	\$9,484	\$18,782	\$483,688	\$251,232
THREE	\$9,674	\$28,456	\$493,362	\$260,906
FOUR	\$9,867	\$38,323	\$503,229	\$270,713
FIVE	\$10,065	\$48,388	\$513,294	\$280,778

\* Share price is 50% of share value. \*\* Limited equity growth is 2% compounded annually.

### HOW DO I FINANCE THE PURCHASE OF MY COOPERATIVE SHARE?

There are several ways to finance the purchase of your cooperative share. You can use the proceeds from the sale of your current home to finance, or you can choose to use available funds from investments. Additionally, you can take out a short-term home equity loan to purchase your share while you sell your current home. Because the initial share cost is low, remaining equity from the home sale can be spent on upgrades during the development phase or invested to apply earned interest to your monthly fees in order to lower your living costs.

### WHAT IS THE RETURN ON INVESTMENT OF MY SHARE AT ESTORIA COOPERATIVE?

Share values and share prices appreciate over time using the limited equity formula set forth in the cooperative's bylaws, which limits appreciation to 1% to 2% of the share value, compounded annually. The example provided above is how one of the homes at Estoria appreciates over time.

### HOW DOES THE RESALE OF A COOPERATIVE SHARE WORK?

You can sell your cooperative share at any time. According to the bylaws, the cooperative will have 60-90 days to market the share to those on the cooperative's established waitlist before the member may choose to resell on the open market. When reselling, the potential buyer must meet the qualifications for membership. Unlike most real estate transactions, selling through the cooperative allows you to avoid realtor's fees, as well as title and recording costs. Proceeds of the sale go to the seller, less a reasonable transfer/administrative fee established by the board of directors.

## **CAN I TITLE MY COOPERATIVE SHARE TO MEET MY ESTATE PLANNING NEEDS?**

Yes, the cooperative bylaws allow you to title your member share depending on your estate planning. Estate heirs can even inherit the proceeds of a share sale as indicated by the estate planning documents. Single owner, joint tenants, trusts, transfer on death, or a life estate are typical forms of holding title.

## **CAN I PERSONALIZE MY COOPERATIVE HOME?**

Prior to construction deadlines, you can make personal design selections and choose from a variety of available standard or upgrade options for your home. Share prices include standard home amenities, and upgrade options are at an additional cost. A housing specialist will work closely with you to personalize your home to make it your own.

## **JOINING ESTORIA COOPERATIVES.**

During the development phase of Estoria Cooperatives, you can reserve to purchase your new home, and move in upon completion of the community. It takes approximately 9 to 12 months to presell 60% of the homes, which is the FHA/HUD requirement to begin construction. The estimated time frame for construction is approximately 14 to 16 months.

