

December 12, 2015

## **SUMMARY OF**

### **NEW PARKCHESTER HOUSING COOPERATIVE MARKET SALES PROGRAM**

Buyer prequalifies for financing established through credit union lenders

Buyer pays application/credit check fee

#### **Buyer (or the agent, if applicable) presents offer for share purchase, including:**

Proposed contract for specific unit and deadline for settlement

Earnest money deposit to hold specific unit

Evidence of cash or third party loan or Co-op Loan

Prequalification letter for Share Loan from credit union(s)

Application for membership with request for Co-op Loan, if required

Authorization for criminal background check

Current and/or prior housing reference

#### **Cooperative approves contract with offer of Co-op loan and Share loan (if required)**

Buyer accepts commitments for loan(s) and pays fee or costs including \$100 membership

Buyer pays for and has home inspection, if part of the contract

Buyer pays for appraisal, if part of the contract

#### **Coop and Buyer arrange for acquisition settlement with attorney and transfer agent**

Buyer makes pre-settlement walk thru inspection

Buyer shows evidence of HO6 type homeowner insurance

Settlement occurs

Buyer pays balance of down payment

Buyer pays a share of settlement costs including recordation tax, if applicable

Buyer signs loan agreement(s) and note(s)

Cooperative transfer agent delivers Share Certificate and Occupancy Agreement

Cooperative provides one year warranty plan, if part of the contract

Real Estate agents (listing and buyer) receive commissions

Buyer/New Member schedules move in with Cooperative Management Agent

## **DETAILED DESCRIPTION OF**

### **NEW PARKCHESTER HOUSING COOPERATIVE MARKET SALES PROGRAM**

The Seller is the NEW PARKCHESTER HOUSING COOPERATIVE, INC., represented by an elected Board of Directors and Officers.

The Listing Agent is the KRIEGSFELD CORPORATION, Lee Kriegsfeld, Broker, MRIS #70987, Office Code "KREG1"

The Seller and Listing Agent will cooperate with confirmed Buyer Brokers and offer a sales commission of 3% of the contract price for marketing assistance to be due and payable at settlement.

The "property" in this transaction is a Cooperative membership share entitling the owner to use of a specified unit subject to the rules and regulations of the Cooperative. Transfer of the share will occur at a settlement with execution of an Economic Interest Deed, Occupancy Agreement, Share Certificate, and various other documents related to financing. Buyers or new members will pay a monthly operating assessment to the Cooperative (similar to a condominium fee, but including the real estate taxes) based on the annual expense budget with an allocation to each member based generally on the size of the unit. Members may be entitled to annual income tax deductions for real estate taxes and mortgage interest paid by the Cooperative and interest paid by the member for individual financing. The Cooperative currently has approximately \$3.3 million in secured debt against the real property that it pays in monthly installments; that debt will also be paid down by proceeds from market sales, putting the Cooperative on a very strong footing.

Cooperative membership may be terminated per the Bylaws in the event of a default on payment obligations or material violation of the Bylaws, Occupancy Agreement, or Rules and Regulations.

The Seller will consider offers based on the Listing or Asking Price for the specified unit. Agents should use the MRIS sales contract form with addenda provided by the Cooperative. After acceptance or approval of the offer, the Seller will provide a certificate setting forth a copy of the Cooperative Articles of Incorporation, Bylaws, House Rules, statement of financial condition, annual operating budget, and a statement of the status of any pending suits or judgments to which the Cooperative is a party.

All offers must include preliminary type financing approval from an approved lender. Currently, the only approved lender is the DC Employee Federal Credit Unit representing itself and other participating local credit unions. The credit unions will charge the buyer(s) a reasonable fee for credit report(s) and processing.

Buyers may present evidence of financing availability from other sources. However, the Cooperative is not currently approved for FNMA, Freddie Mac, or FHA financing programs, so the alternative source must clearly state that 1) it can finance the purchase of cooperative shares and 2) it will not require secondary market approval to fund the proposed purchase.

All purchase offers will also be subject to approval of Cooperative membership and payment of a non-refundable \$100 membership fee, if approved. Membership approval will require the buyer to demonstrate sufficient income and credit to make the purchase and pay monthly operating assessments as well as satisfactory criminal history, housing references, and proposed occupancy.

An approved new member may request a deferred payment takeback loan from the Cooperative for a portion of the share price. The amount of the “Co-op loan” is based on the price of the share. For example, for a two bedroom share, has a price of \$119,900 and the buyer may request and qualify for a Co-op loan in an amount up to 20% of the price or \$23,980. Approval requires proof of satisfactory credit and income. Repayment of the Co-op loan is deferred until the share is sold or refinanced so that it can be considered as equity for a larger share loan to complete the purchase. The Co-op loan carries an annual interest rate of 3% which may be paid or deferred, with the unpaid interest added to the loan amount until repayment.

Purchase offers may contain home inspection and appraisal contingencies if they will be obtained at the expense of the buyer(s). Buyers must purchase homeowner type insurance policies.

The Seller will pay various settlement costs if the sale is conducted by Eisen and Rome, PC. The Seller will pay for all settlement costs but the buyer will pay for the recordation fee and recordation tax or establish the buyer’s exemption from the recordation tax (the property is located in an economic development zone that allows a higher income to qualify for the exemption). The Seller will also provide a one year home warranty protection plan to buyers who use Eisen and Rome for settlement.

**The Cooperative is only approving sales to buyers who will be owner occupants using the unit for their principal residence.** DC Office of Tax and Revenue Homestead exemption applications will be required from each buyer household.

## LEASING

Purchase offers are not currently being accepted or approved from investor buyers intending to lease or rent their unit. Rental of units by shareholder owners is permitted on a limited basis upon request to the Board of Directors with approval subject to various limitations and requirements, such as

- the length of lease (no Air BnB type short term rentals, no lease approvals beyond 2 years),
- confirmation that the lease incorporates all Cooperative rules and regulations by reference,
- identity and contact information from prospective tenants,
- management plan (business license, insurance, repairs, emergencies),
- designated person for service of notices,
- an assignment of rents in the event of delinquent payment of operating assessments due to the Cooperative.

Buyers who qualify to purchase and become members may have roommates subject to requirements established by the Cooperative including continued occupancy by the actual member.

## PRE-SALES for units not yet available

Interested buyers may submit purchase offers for available units. Additional units will be remodeled and offered for sale in stages in the coming months as work is completed in various hallways. In each stage there will be a limited supply of each unit type and there may be changes in remodeling standards or prices without notice.

Therefore, potential buyers may submit conditional offers for future units and be placed on a waiting list until such a unit becomes available. Potential buyers may request to be on the waiting list for a maximum of two unit types. Potential buyers will be considered on a first come first served basis and required to submit an actual offer for an available unit within a deadline to hold their priority. If an offer of an available unit is made and declined or no offer is submitted by the deadline, the potential buyer will be removed from the waiting list and added to the last position if the buyer re-applies.

## **MULTIPLE OFFERS for units that are available**

The Seller will consider multiple offers from potential buyers, but may set a deadline for offers on a particular unit/share. In considering multiple offers, the seller will review and assess the potential buyer's proposed price, financing plan, purchase schedule, proposed contingencies, down payment availability, proposed occupancy and use of the unit and any other factors that the Seller may determine will ensure a successful sale to a new member.

parkchester.market.sales,description