

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING PRODUCTION AND MORTGAGE CREDIT - FHA

TRANSMITTAL No.2

February 24, 1976

1. This Transmittal Transmits:
Revision to HUD Handbook 4550.1, Basic Cooperative Housing Insurance Handbook.
2. Explanation of Material Transmitted:
Paragraph 1-8 is revised to reflect an increase in the maximum high cost percentage allowance from 45% to 75% in accordance with new legislation, Public Law 94-173 dated December 23, 1975.
3. Filing Instructions:

Remove: Pages 1-5 and 1-6 dated 11/74	Insert: Pages 1-5 and 1-6 Revised pages dated 2/76
---	--

Assistant Secretary for Housing
Production and Mortgage
Credit--Federal Housing Commissioner

FOREWORD

This Handbook contains the basic procedures for organizing a cooperative housing corporation in accordance with the provisions of the National Housing Act. While the organization of a cooperative is the same under all Sections of the Act, this Handbook specifically relates to the unsubsidized Sections 213 and 221(d)(3) Market Interest Rate programs which are identical except for family unit limitations and the maximum insurable mortgage.

Most of the model forms contained herein are also applicable to the Section 236 program as will be noted in the captions on a number of forms which are common to all cooperatives. Procedural differences which are necessitated by the application of interest reduction, rent supplement payments, and assistance by local housing authorities are set forth in the Basic Section 236 Handbook (4510.1) and the Rent Supplement Handbook (4520.1).

The Handbook is written to reflect the fact that regardless of approach (Presale Management Type, Investor-Sponsor, Non-Profit Sponsor or by conversion of a rental property) the ultimate objective is to create a Management Type cooperative. (Only in the Presale Management Type does a Management Type cooperative mortgagor exist from the inception of the project.) The Management Type cooperative, therefore, is discussed in considerable detail and is incorporated by reference in all other approaches.

Each approach to organizing a cooperative is described in separate Handbooks, as follows:

4550.2, "Presale Management Type Cooperatives"

- 4550.3, "Existing Construction (Conversions)"
- 4550.4, "Supplementary Cooperative Loans"
- 4550.5, "Investor Sponsor and Non-Profit Sponsorship of Housing Cooperatives"
- 4550.6, "Sales Type Cooperatives"

Each Handbook contains the administrative requirements, underwriting procedures, and an appendix of model forms applicable to the approach contained therein. A numerical reference to applicable FHA Regulations is included at the beginning of each handbook, also.

A listing of previous HUD issuances cancelled by these handbooks is contained herein.

5/73

Copies of this handbook should be made available to prospective sponsors who are interested in providing multifamily housing by means of a cooperative approach. They will gain from it an understanding of the factors involved in organizing cooperative housing corporations and of the criteria of sponsorship organizations.

References:

- (1) 4445.1 - Underwriting - Technical Direction for Multifamily Mortgage Insurance
- (2) 4550.6 - Sales Type Cooperative Handbook
- (3) 4515.1* - Section 235(j) Basic Instructions
- (4) 4545.1* - Section 207(m) Handbook
- (5) HM 4371.2 - Cooperative Accounting Handbook--Manual Uniform System of Accounts for Cooperative Housing Corporations Using Manual Accounting Systems
- (6) HM 4371.3 - Cooperative Accounting Handbook--Computer Uniform System of Accounts for Cooperative Housing Corporations Using Computer Accounting Systems
- (7) Internal Revenue Service, Publication 523, "Selling Your Home."
- (8) 4550.5* - Investor-Sponsor and Non-Profit Sponsorship of Housing Cooperatives Handbook
- (9) 4550.2 - Presale Management Type Cooperatives Handbook

5/73

Cancellations: Handbooks numbered 4550.1, 4550.2, 4550.3, 4550.4, 4550.5 and 4550.6 cancel the following portions of Volume VI, Book 2,

of the FHA Manual.

Appendices IV-1, 2, 3, 4, 5, 6, 7
Paragraph 63402.17-a(1)
Paragraph 63511-(exceptions)
Paragraph 63608.6-Note
Paragraph 63608.6k
Paragraph 63608.6-o-Note
Paragraph 63608.6-p-Note
Paragraph 63616 thru 63616.6

The following FHA Manual, Volume VII, Book 2 references are cancelled: Paragraph 72435.2 and Table 1, Paragraph 72456 thru 72456.19, Paragraph 72514.2 and 3, Paragraphs 72627 thru 72627.2, 72628 thru 72628.2, 72632, 72717 thru 72717.1, 72718 thru 72718.3, 72724 thru 72724.2, 72933 thru 72933.1, 72934 thru 72937, 72943 thru 72945, 72946 thru 72946.5, 72961 thru 72961.6, 72963 thru 72963.5, 73050 thru 73059.8, 73060 thru 73069.4, 73080 thru 73087.7, and 73087.30 thru 73087.36.

Circular HPMC-FHA 4200.11 - Mortgage Insurance on Cooperative
Mobile Home Parks
Dated January 4, 1971