

# Glossary

Exempt from OMB approval requirements under 5 CFR 1320.3(c). HUD use only; form does not collect information from the public.

<b>Blanket Mortgage</b>	A Blanket Mortgage (also referred to as the Underlying Mortgage) secures the entire property that the cooperative owns. The Blanket Mortgage may be an FHA insured mortgage or a conventional mortgage.
<b>Code Section 216</b>	The section of the Internal Revenue Code which allows for the pass-through of mortgage interest and real property tax deductions from the cooperative housing corporation to the tenant-stockholders.
<b>Cooperative Housing Corporation</b>	A trust entity that holds title to a cooperative project and grants occupancy rights of it's units to shareholders. The cooperative entity is owned and controlled by its member-users, and operates in compliance with Section 216 of the U.S. Federal Tax Law.
<b>Cooperative Share Mortgage</b>	The mortgage obtained to secure an ownership interest in the cooperative corporation, together with occupancy and membership rights. The mortgage is secured by a lien on the stock shares (or membership certificate) and an assignment of the Proprietary Lease.
<b>Cooperative Unit</b>	A one-unit dwelling in a cooperative housing project.
<b>Flip Tax</b>	A Flip Tax (also referred to as a transfer fee) is a fee paid to the cooperative corporation by the buyer or seller during a transfer of ownership shares and rights.
<b>Leasing Cooperative</b>	FHA guidelines do not permit this form of cooperative. In a leasing cooperative, the cooperative corporation leases real estate from an investor. A leasing cooperative is also referred to as a zero-equity cooperative, because the corporation does not own any real estate, and the owner never builds any equity in their coop unit. Sometimes, these properties convert to other types, such as market rate, limited equity, or resident owned communities.
<b>Limited Equity Cooperative</b>	FHA guidelines do not permit this form of cooperative. The Cooperative Corporation places a limit on the amount of equity that a borrower may receive upon sale of the shares.
<b>Maintenance Fee</b>	The Maintenance Fee (also referred to as a carrying charge) is a monthly fee charged for the shareholder's pro rata share of the cooperative's maintenance and operating expenses, reserve funding, and mortgage payments on the Blanket Mortgage. The Maintenance Fee may also include utilities, taxes, and special assessments.
<b>Proprietary Lease</b>	The Proprietary Lease (also referred to as the Occupancy Agreement) is a contract between the cooperative corporation and the shareholder, which entitles the member shareholder occupancy rights of a particular unit, and specifies the rights and obligations of the member and cooperative corporation to each other.

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<b>Recognition Agreement</b>	An agreement between the cooperative corporation and the lender of the share loan, which recognizes the lender as having a security interest in the borrower's unit. It also establishes the steps that either the lender or the cooperative will take in the event the member/borrower defaults to the lender or to the cooperative corporation. The terms of the Recognition Agreement must be mutually agreed upon by the cooperative association and the lender before any loan closing.
<b>Security Agreement</b>	The borrower's cooperative interest and its attendant rights are pledged by a security agreement.
<b>Tenant-Shareholder</b>	A tenant-shareholder, also called a member, is the owner of a share(s) in a housing cooperative, and refers to the owner's status as a tenant. With respect to this term, FHA insurance guidelines refer to borrower.
<b>Stock Power</b>	A form that authorizes the Seller/Servicer to transfer Cooperative Shares in the event of a default.
<b>Subsidized Cooperative</b>	A cooperative that has received some form of subsidy from a government or non-profit entity to lower the cost of the housing to the tenant-stockholders.
<b>Uniform Commercial Code</b>	The State Code which regulates the transfer of property.
<b>Uniform Commercial Code 1 (UCC-1): Financing Statement</b>	Instead of recording a mortgage, a Uniform Commercial Code (UCC) Financing Statement is filed with the Secretary of State, as a means to perfect a lien on the shares.
<b>Uniform Commercial Code 3 (UCC-3): Assignment</b>	<p>UCC-3 is a document that is filed with the Secretary of State and/or the County Clerk's office(s) as evidence of an assignment, release or change in the UCC-1. UCC-3 is also called UCC Statement With Respect To Change. The UCC-3 is used to record changes such as:</p> <ul style="list-style-type: none"> <li>• Terminating a filing</li> <li>• Continuing a filing for an additional 5 years</li> <li>• Making a full or partial assignment of a filing</li> <li>• Amending a secured party or debtor name</li> <li>• Amending collateral</li> </ul>