Co-op Coalition Survey: Mortgages

Thanks to the 25 members who responded to the survey, especially given the very tight time frame! Special thanks to those who provided more detailed responses. You are all very generous of your time and information. It's nice that so many of you are willing to share your information and experiences so member co-ops can learn from one another and, as a result, move ahead more quickly.

Following is the e-mail containing the e-survey with result in the table, below.

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In a message dated 3/10/2015 12:35:16 P.M. Eastern Daylight Time, CooperativesDC@aol.com writes:

A Coalition member is interested in learning if other Coalition co-ops have underlying mortgages. Please answer the 3 short-answer questions, below. The member is on a tight deadline and would like the information by this Thursday, March 12th, at 5pm. I'll share the results with everyone early next week.

Thanks for helping another Coalition member!

Mike O'Dell, Director
DC Cooperative Housing Coalition

You are receiving this blind copied to protect your privacy.

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(1) Other than the original underlying mortgage used to finance/convert your co-op, has your co-op ever had an underlying mortgage to repair/update your building(s)? (If no, skip to question 3.)
(2) For what purpose(s) was the mortgage(s) used?
(3) Is your co-op considering obtaining a new mortgage or any other type of financing?
(4) May the requesting co-op requesting this survey contact you for additional information?

<50 units	1. yes 2. replace windows 3. no 4. yes, but it was secured before my time so I'm not sure what help I can be.
<50 units	(1) Yes (2) For capital improvements, such as new stucco, roof repairs, new electrical. (3) Yes. We are considering refinancing our underlying (balloon) mortgage before it would typically be due. (4) Yes.
<50 units	1) No 3) Not at this time
<50 units	1. No. 3. Yes.
<50 units	[Our] coop has no underlying mortgage. We finance all improvements through a reserve fund and occasional assessments. We are currently raising $78000 by an assessment for our reserves to supplement what we need for elevator

	modernization. Also we recently were approved by NCB for home equity lines of credit and some shareholders will use these to pay their individual assessments.
<50 units	1. We have never had an underlying mortgage to repair/update our building 2. In 2006 we took out a 10-year commercial loan to finance a roof replacement. In 2011 we refinanced and increased the commercial loan to cover the cost of parging (waterproofing) the foundation and to renovate the janitor apartment for sale. 3. We have an elevator modernization (replacement) project looming and will have to raise monthly fees and additionally impose a special assessment or increase the loan 4. Yes
<50 units	(1) We do not have a mortgage and are not considering one. (2) We did take out a mortgage to pay for the complete replacement of our exterior windows throughout the building. However the plumbing risers were paid via an assessment. The mortgage was also used for constructing a new fire escape (wrought iron) and for repairing the balconies along the sides and rear of the building. We discussed a mortgage for installation of a new passenger elevator, but most members preferred paying in advance via assessment. (3) No
<50 units	1. No 3. No 4. Yes
<50 units	[Our co-op] does not have a mortgage and is not planning on any type of financing.
<50 units	(1) Yes (2) The mortgage was needed to help finance major projects -- automating the elevators, replacing windows, and a new roof. (3) No, a new mortgage is not being considered, but there is a possibility that a special assessment might be needed at some point for other major projects. (4) Since the underlying mortgage was taken out several years ago, I don't think we could provide current information on mortgages.
<50 units	(1) Besides their underlying mortgage, Yes, they obtained a line of credit with NCB (2) Coop owned a unit and used the line of credit to update the unit to sell. Once sold, they paid off their line of credit and their underlying mortgage at a later date. (3) No (4) No...this is all the info I have to say about it. Or can say.
<50 units	1) yes 2) major upgrades and repairs - as a line of credit loan - already paid off 3) not at this time 4) yes
<50 units	1-no 3. no
<50 units	(1) No, not to my knowledge. (3) We considered getting a mortgage to finance improvements a year or two ago, with the thought of taking advantage of low interest rates. But the rate we were quoted was high – I believe in the range of 5%; and the term was short – 5 or 10 years – so the numbers just did not work for us.
<50 units	3) No
<50 units	1- NO - we would love to have been able to access equity for major repairs, but the financial institutions we have contacted have not been helpful,

	receptive or amendable, ie: not favorable towards tapping equity in our Coop regardless of the need 3- Yes, we have been and continue to consider obtaining lender financing, but have been dissuaded as soon as get on the phone w/the lenders. In the past few years we have obtained additional capital funds by "Self Funding". Two members over the past 10 years offered to be our lender. The Coop paid the loan back with interest within 1-5 years depending on what was needed and agreed upon. 4- Yes, other Coalition members are welcome to contact me.
50 – 100 units	(1) Yes. (2) In 2010 or 2011, we refinanced our underlying mortgage. Our coop was facing several large expenditures: An elevator rehab and unexpected bills due to a levy of the District's possessory interest tax. Fighting this levy had depleted the building's reserve funds. Due to the much lower interest rates prevailing at the time of refinancing, it was possible to expand the principal of the underlying mortgage without increasing monthly fees to members. This allowed us to fund the elevator rehab and pay off past-due PIT liabilities without imposing a special assessment. HOWEVER, the higher principal on the underlying mortgage meant that each member had a higher share of the underlying mortgage allocated to their unit, thereby reducing their personal equity in their unit. This was not disclosed prior to the refinancing. Although it is difficult to see another approach being more favorable, this lack of transparency / disclosure created some ill will among the membership. We have recently obtained a refund of past PIT payments and this refund will be used to bolster our capital reserves. (3) Not at the present time. (4) Yes.
50 – 99 units	(1) Yes. (2) A 10-year capital improvement program. (3) Nope—we just paid it off and do not anticipate having another one. (4) Yes.
100 – 199 units	1) Yes - twice - once through NCB (7/31/97) and it was paid off 2/11/13 - window repair and storm windows on North, East and West sides but not the South side.. We entered into another mortgage on 3/1/2013 this one for $$2,850,000.00, 30 years at 5.17% fixed rate interest through Walker & Dunlop. 60 of the 120 units are part of the new mortgage the other half paid it up front. 2) Mortgage was for complete stucco replacement (5 floors), replaced almost 1200 windows (double hung sashes) with new mahogany ones and repaired the 39 metal balconies (16 Large & 23 Small) plus the metal exterior stairs by door # 4 (22 tier). 3) NO 4) YES
100 – 199 units	(1) Yes, there are two mortgages currently. (2) The original mortgage was refinanced to pay for capital work. A second mortgage was taken out to replace the HVAC system and upgrade the electrical system. (3) Possibly. (4) Absolutely.
200+ units	(1) No (2) NA (3) We refinanced this year, and intend to reap savings in excess of $400k per year. Perhaps lowering fees or upping reserves. (4) Sure
200+ units	1) Yes, took out an additional $2 million for a major building renovation in 2008.

	2) Do not know but may have been related to mechanical issues. 3) No, but our existing $11 UM matures in 2018 and we're exploring our options. We may refi into a 15 traditional loan as our existing UM is interest only and not only a major financial burden but it hinders financing options for prospective buyers as individual loans are considered second trust. 4) Yes of course.
200+ units	(1) Yes (2) In 1996 the coop took out a $5M/10 year loan to pay for capital repairs such as balcony and exterior façade repairs. In 2004 the coop took out more than $10M in a 17 year loan (and repaid the 1996 mortgage principle remaining) to pay for capital repairs, renovate interior spaces/hallways, replace exterior windows, and perform other modernization updates to property. (3) Yes, have researched various financing and pay-as-you-go options for refinancing current underlying mortgage at lower rate and making additional capital repairs. (4) Yes
200+ units	(1) yes (2) significant repairs including fan coil replacement entire building, domestic water line replacement all risers, asbestos abatement, plaza slab waterproofing, garage concrete repairs. (3) no (4) yes
200+ units	(1) Yes (2) Purchase the land and new roof (3) We just got a line of credit for $3.5 million which allowed us to accelerate masonry repairs and did not need Membership permission. (4) YES