

Co-op Coalition Survey: Recognition Agreements no names (1-2022)

7 co-ops responded.

Sent: Mon, Jan 3, 2022 12:24 pm

Subject: CO-OP SURVEY - RECOGNITION AGREEMENTS (REP) (DUE 1-14)

A Coalition member wants to know about your experience with Recognition Agreements. Please reply by Friday, January 14, 2022.

Thanks in advance for helping another coalition member. The context and questions follow:

Two of our shareholders are refinancing their mortgage and issues have arisen concerning the Recognition Agreement with their lender. This has caused our Board to consider how it administers Recognition Agreements in general.

1. In this specific case, the lender is asking us to modify our Recognition Agreement to add additional circumstances under which we must notify the lender that the shareholder is under financial stress. Have other buildings seen this trend?
2. Do you have a standard Recognition Agreement used with all lenders, or is each crafted to suit the requirements of the individual lender?
3. Do you maintain a database or directory of outstanding Recognition Agreements so that you know which ones are currently in effect?
4. How do you ensure that you are in compliance with your obligations under the Recognition Agreement? For example, our Agreement provides that we are required to notify the lender if a shareholder is two months late in their monthly assessments. Do you have a system to ensure this is done?
5. Has your building recently been involved in the enforcement of a Recognition Agreement by the lender? If so, what was your experience?

Best regards,

Janet Sten, Director

DC Cooperative Housing Coalition

www.CoopsDC.org

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<p><30 units</p>	<p>1. In this specific case, the lender is asking us to modify our Recognition Agreement to add additional circumstances under which we must notify the lender that the shareholder is under financial stress. Have other buildings seen this trend?</p> <p>Response: we have not seen any trend to modify Recognition Agreements however because we maintain a pretty standard recognition agreement that a Board member signs and is retained by Edmund J. Flynn.</p> <p>2. Do you have a standard Recognition Agreement used with all lenders, or is each crafted to suit the requirements of the individual lender?</p> <p>Response: we use a standard recognition agreement.</p> <p>3. Do you maintain a database or directory of outstanding Recognition Agreements so that you know which ones are currently in effect?</p> <p>Response: EJF gives us an annual update requesting the latest Board members and a roster of individuals with outstanding debts owed to a lender (i.e.: those with mortgages or other entities with a lien on the cooperative unit)</p> <p>4. How do you ensure that you are in compliance with your obligations under the Recognition Agreement? For example, our Agreement provides that we are required to notify the lender if a shareholder is two months late in their monthly assessments. Do you have a system to ensure this is done?</p> <p>Response: we have a similar requirement for individuals in arrears 2+ months. Most of the obligations that the Cooperative is required to maintain compliance with is timely notice to the lender. Because these are big ticket items: contracting/expanding the property; obtaining new finance (i.e.: underlying mortgage), which we haven't done in many years, we have not needed to notify lenders according to our RAs</p> <p>5. Has your building recently been involved in the enforcement of a Recognition Agreement by the lender? If so, what was your experience?</p> <p>Response: no.</p>
<p><30 units</p>	<p>1. We recently had a problem with a bank asking us to use a new form recognition agreement that was changed to require additional notifications to the bank. The new form also was revised to give the bank priority over the Cooperative in collecting money from a defaulting Stockholder. That revision would mean that the bank would have to get paid in full before the Cooperative would be able to collect unpaid maintenance fees. Our existing recognition agreement form allows the Cooperative to collect up to 3 months' worth of unpaid fees before anything is paid to the bank, and we understand that is a commonly accepted approach. We have rejected this new recognition agreement form. Other lenders are not making these demands so we are taking that bank off of our list of lender</p> <p>2. We have a standard recognition agreement managed by our transfer agent.</p> <p>3. Our transfer agent keeps all recognition agreements</p> <p>4. We have no system and we have not had an issue of shareholders not paying the fees. In fact the board watches this very carefully to see if any shareholder is delinquent with our monthly reports from the management company. If a shareholder is delinquent we immediately contact the</p>

	<p>shareholder and resolve the issue.</p> <p>5. No</p>
<30 units	<ol style="list-style-type: none"> 1. In this specific case, the lender is asking us to modify our Recognition Agreement to add additional circumstances under which we must notify the lender that the shareholder is under financial stress. Have other buildings seen this trend? NO 2. Do you have a standard Recognition Agreement used with all lenders, or is each crafted to suit the requirements of the individual lender? Our building uses a standard Recognition Agreement that is processed through EJ Fynn. 3. Do you maintain a database or directory of outstanding Recognition Agreements so that you know which ones are currently in effect? Our Board does not maintain a database. EJ Flynn keeps our records along with current Recognition Agreements. 4. How do you ensure that you are in compliance with your obligations under the Recognition Agreement? For example, our Agreement provides that we are required to notify the lender if a shareholder is two months late in their monthly assessments. Do you have a system to ensure this is done? We would consult EJ Fynn's lawyer or our coop lawyer on these matters. 5. Has your building recently been involved in the enforcement of a Recognition Agreement by the lender? NO If so, what was your experience?
30-60 units	<p>The recognition agreement that we use is known as 'DC Standard' and we have not encountered any problems using this with lenders that issue share loans. The lender questionnaire sometimes defaults to Aztech agreement, but this may be changed to DC Standard.</p> <p>Our member database shows the original lender at purchase. We do less well at tracking refinance loans, but they are usually with the original lender or one of the lenders that we work with regularly.</p> <p>In general our members pay their fees in timely fashion and it would be very unusual for someone to be two months in arrears. We might be asked for additional time for an estate in probate or another special circumstance, but a lender is not likely to force foreclosure if they are also aware of the situation.</p> <p>We have not - in my 30-year experience - been involved in enforcement of a recognition agreement by a lender.</p>
30-60 units	<ol style="list-style-type: none"> 1. Last April, our co-op was asked to modify our Recognition Agreement by one of our regular lenders. After considerable research, our board determined that we should agree. Here's the story: Almost all mortgage-issuing banks like to write your mortgage and then sell it off on the secondary market to quickly get their money back plus a little profit. The dominant purchaser of secondary mortgages is Fannie Mae, but Fannie Mae almost bankrupted itself a few years back and now has severely tightened risk policies. One of the places they tightened was to add a few extra requirements before they will consider buying a co-op mortgage. The agreement merely specifies that we give "timely" notice in a few unlikely situations. "Timely" could easily be stretched to include 60 or more days, so it's not an onerous requirement. We reacted to the "30 day" delinquency reference, but I now can see that it applies only should we fall behind on taxes or other government charges (not going to happen) or our utility charges which is also unlikely. Even when we were recently disputing with Entergy, we continued to pay the full amount because, otherwise, they could flip the switch on us. So, the only situation in which we would realistically need to report is if we were out of money and close to bankruptcy.

	<p>3. No, we have a "standard" agreement which our closing agent uses.</p> <p>4. In recent years we have not had such an occasion but we would be unlikely to notify a bank immediately at the two month mark unless we were face with . In our view, failure to notify is at most a minor, severable breach and would not invalidate the entire agreement and has no real consequence that a bank could prove. It's just classic legal over-writing.</p> <p>5. We have not experienced this issue.</p>
<p>100-200 units</p>	<p>1. We have seen this from one lender who asked for notification for: Threatened or actual condemnation, eminent domain, or actual losses Any lapse, cancellation or material modification of insurance or fidelity coverage or any 30 day delinquency by the Corporation in payments due under the blanket mortgage for taxes, assessments and government or utility charges.</p> <p>The lender told the settlement company (EJ Flynn) that this is being required by Fannie Mae but they were the only lender asking for this change now.</p> <p>2. We have a standard recognition agreement we use with all lenders and do not allow any modifications.</p> <p>3. No</p> <p>4. .Leave this to the management company who collects co-op fees, etc.</p> <p>5. No</p>
<p>100-200 units</p>	<p>1. Yes.</p> <p>2. No, we have one recognition agreement.</p> <p>3. No.</p> <p>4. We have no such requirement in our recognition agreement.</p> <p>5. No.</p>