

FAQ

AHC

2016



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1.2	APR-2014	Q1.4 amended to add the case for refinancing.	H Siddiqi
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1. Purchasing Home

Q1.1 Can I buy a property for investment?

There is always a queue of 1st time home buyers waiting for investment from AHC. Therefore, AHC does NOT fund members who want to either buy commercial or for-investment property.

AHC will only invest if it is the first home being purchased/refinanced and it is intended to be used solely as primary residence.

Q1.2 How does one go about buying a home through Ameen Housing Co-op (AHC)?

Follow these steps:

- a. Become a member.
- b. Request AHC to be on the Active list, the list of member waiting to buy the home through filling out **Request For addition on Active List (RFAL)** form pay **\$50K** or **10%** of the price of the house, whichever is less to get into the active list (RFAL).
- c. When you are number **"five"** on the list, pay 20% (including what you've paid earlier) of the **TOTAL** investment. Keep in mind that AHC investment cannot exceed 80% of the price of the purchased property or \$700K, whichever is lower.

Following are some examples:

No	Price of the House	Min. Member Share	Max. AHC Share	Ownership ratio (AHC: Member)	Comments
1	\$500K	\$100K	\$400K	80%:20%	Max. AHC share =80%
2	\$800K	\$160K	\$640K	80%:20%	Max. AHC share =80%
3	\$1000K	\$300K	\$700K	70%:30%	Max. AHC Investment=700K

- d. When you reach the top of the list and complete all the required paper work, AHC will issue you the **letter of authorization**. You can then go ahead and Purchase the property. Please make sure that you have letter of authorization at hand before you bid for a property. You have 60 days; from the date the letter of authorization is issued, to complete the purchase.

Q1.3 What if I am not ready to buy at my turn?

Send a completed and signed RFAL form to go on hold. Once on hold, you will remain on hold until you send us completed RFAL form to be put back on the Active List (AL). You will be assigned the same number in the queue/AL as you held before you went on the hold, except if you held any of the top 10 position on the AL, you will be assigned number 11 on the AL.

Please note that:

1. Position **#10** in AL can only be assigned if the member has 15% in the account. Failure to do so will "freeze" his/her position in the AL at #11 until he/she deposits the required funds. Staying in "frozen" for 6 months will make him go to the bottom of the Hold list.
2. Position **#5** in AL can only be assigned if the member has 20% in his/her account. Failure to do so will "freeze" his/her position at #6 in the AL until he/she deposits the required funds. Staying in "frozen" for 3 months will make him/her go to the bottom of the Hold list.

3. Being on hold requires that the member MUST continue to meet all the requirements of being on the Active List (AL). Failure to do so will result in De-listing from the Hold. Once De-listed, member MUST turn in RFAL form to get back in the AL.

Q1.4 How much time do I get to buy a house?

Sixty days (counted from the date on the Authorization letter). Keep in mind that buying a house means completing the Escrow process.

Q1.5 Can I go on hold after I have been issued the Authorization Letter?

If you are buying a house:

Yes, but make sure to communicate your decision by turning in fully completed and duly signed RFAL within 30 days of receiving the Authorization Letter. Otherwise, Member MUST pay service charges to AHC as follows:

Timing of communication to AHC	Service Charge
Request to go on HOLD received at AHC within 30 days of date on the Authorization Letter	\$0*
Request to go on HOLD received at AHC after 30 days but before 60 days from the date on the Authorization Letter	\$1500
Request to go on HOLD received at AHC after 60 days from the date on the Authorization Letter or you fail to close the escrow in 60 days.	\$3000

*Keep in mind that \$800 of \$5800 you are required to deposit with AHC are non-refundable.

If you are refinancing:

Yes, but make sure to communicate your decision by turning in fully completed and duly signed RFAL within 30 days of receiving the Authorization Letter, otherwise the member MUST pay the service charges to AHC as follows:

Timing of communication to AHC	Service Charge
Request to go on HOLD received at AHC <u>within 30 days</u> of date on the Authorization Letter	\$0
Request to go on HOLD received at AHC <u>after 30 days</u> or not being able to complete the escrow process by the 31 st day from date on the Authorization Letter.	\$1500

Q1.6 Why do I still pay the Service Charge if I cannot find a house I like after 60 days?

Because we would like to encourage the members to complete their purchase within 60 days. As soon as Authorization letter is issued the funds are locked and cannot be invested anywhere for 60 days. So if the house purchase/refinancing is not completed within the given time, AHC dividend is adversely impacted. Which results in lack investments and therefore AHC ability to help more brothers/sisters to buy/refinance a home free of Riba.

However, please do let AHC know if you are close to completing a deal and need just few more days or a week. AHC board, on its discretion, may allow an extension.

Q1.7 Is there any fee charged by AHC for purchasing a property?

Yes, you will be required to pay \$5800 before you are issued a letter of authorization. \$800 of \$5800 are not refundable if you decided to not buy home or go on hold.

Q1.8 Do I get dividend on \$5800?

Yes, members are paid dividend on \$5800 until they are issued an Authorization Letter.

Q1.9 What is the normal wait time for home ownership?

It depends on the number of members in the waiting list. Please check with AHC for more details.

Q1.10 Can I buy home anywhere in the USA?

NO, AHC only invests in California properties.

Q1.11 Can I invest in AHC if I live outside California?

Yes, investment can be made from anywhere in the USA.

Q1.12 Is there a type of property member may not purchase?

AHC does not invests in condominium and apartments.

Q1.13 What is the maximum investment AHC can make?

\$700K.

Q1.14 Who owns the title of the property?

AHC and the member are both named on the title.

Q1.15 How does AHC calculate minimum monthly payment?

The minimum payment is based on the prevalent rent which is appraised by a real-estate professional. Once rent is appraised and agreed upon by the home owner, the minimum payment is calculated as follows:

Minimum Payment= appraised rent – 7% of the rent + \$100 + \$75.

- 7% deduction in rent is AHC share of home insurance and property tax.
- \$100 (1 share) additional is required that goes towards paying the principal.
- \$75 is the administration fee.

Q1.16 What if the home owner does not agree with the rent appraised rent?

In this case, home owner will hire professional licensed appraiser to appraise the property at his/her own expense. AHC will set the new rent to be the average of the two rents (i.e., AHC appraised rent & Home Owner appraised rent). Please note that references to offered rents in neighborhood as listed in newspaper or internet are not acceptable in lieu of the rent appraised by a real-estate professional.

Q1.17 How often the rents are revised?

Rents are appraised every year by a real-estate professional hired by AHC. Based on the appraisal rents may increase or decrease.

Q1.18 Is there a limit on rent increase?

Yes, rent increases and decreases are capped as follows:

- 1) If the appraised rent is higher than the current, the new rent for a homeowner will be either **newly appraised rent** or **existing rent + 10%**, whichever is less in value.

2) If the assessed rent is lower than the current, the new rent for a homeowner will be either ***newly appraised rent*** or ***existing rent - 10%***, whichever is greater in value.

Keep in mind that above mentioned policy does NOT apply if home is remodeled to update existing structure or square footage is added.

Q1.19 How often AHC /members share in the property is calculated/adjusted for the purpose of sharing the rent?

AHC share of rent is adjusted beginning of the year every year with the following exceptions:

1. Home owner pays \$1000 or more than the minimum monthly payment, then the AHC/Member share of rent will be adjusted from the following month. Please note that the additional amount MUST be paid before 15th of the month to affect the rent adjustment from the following month. Otherwise, the rent adjustment will begin from the 2nd month.
2. If Home Owner remodels or does other home improvement, then these expenses are added to his/her equity on the completion of the work. This results in adjusting the ratio of ownership between AHC and the home owner. Please note that the member MUST get an approval from the AHC Board BEFORE any home improvement work is undertaken. Please read the AHC regulations for more details.

Q1.20 How does AHC share home repair/maintenance/upgrade expenses?

Regular day to day maintenance is home owner's responsibility. For major expenses, such as roof replacement/repair, bath/kitchen upgrade etc., are added to the Home Owner's equity upon completion of the work. *Please keep in mind that all such expenses MUST be approved by AHC board BEFORE such repair/upgrade is started.*

After the upgrade/remodel/repair is completed, you MUST turn in all the original receipts. *Upon receiving of original receipts AHC will re-appraise the rent and adjust the equity. Following is an example:*

	Home Price	Home Owner Equity	AHC Equity	Comments
Before Expenses	\$500K	20%	80%	20% of the rent goes to Home Owner's equity.
After 100K Expenses	\$600K	33.33%	66.67%	33.33% of the rent now goes to Home Owner's equity

Make sure to turn in all the receipts in the same year in which remodel/upgrade/repair were completed.

Q1.21 What is the pay-off process?

If a member accumulates 70% of the shares or member notifies AHC to pay-off his/her balance in writing, whichever comes first, AHC will order an appraisal, calculate the appreciation/depreciation and then issue a final pay-off letter to the home owner. The home owner must sign and return the letter back to AHC in order to finalize the agreement. AHC will not share appreciation or depreciation after 70% of the shares are accumulated.

For the home owners who purchased home before March, 2009, the share accumulation is 100% or member notifies AHC to pay-off his/her balance in writing, whichever comes first. The rest of the process is the same as described above.

Q1.22 What is the process if the Home Owner wants to sell the house before his/her equity in the house reaches 70%?

First of all, there has to be legitimate reason to sell the house, e.g., moving due to change in job etc. Legitimacy is determined by the AHC board after a request to sell is received by the AHC.

Once AHC receives a written request from the home owner to sell the house. After AHC approval, house can be sold in the open market. All expenses related to selling the house will be entirely paid by the home owner. Based on the selling price,

AHC will calculate the appreciation/depreciation of the property. The appreciation or depreciation will be shared between the home owner and the AHC proportional to their equity.

All the expenses related to the sale will be paid by the Home Owner. They include, but not limited to, 3 months' rent as "AHC processing fee", broker fee, doc fee, etc.

Q1.23 What is the process if the Home Owner wants to sell the house after his/her equity in the house reaches 70% but before it is paid off?

Once AHC receives a written request from the home owner to sell the house. After AHC approval, house can be sold in the open market. All expenses related to selling the house will be entirely paid by the home owner. Based on the selling price, AHC will calculate the appreciation/depreciation of the property. The appreciation or depreciation will be shared at 30% AHC and 70% home owner.

In case of price appreciation, AHC will deduct the balance owed by the home owner plus the 30% of the appreciation from the selling proceeds. The remaining balance of the sale proceed will be paid to the home owner.

In case of price depreciation, AHC will deduct the balance owed by the home owner less 30% of the depreciation from the selling proceeds. The remaining balance of the sale proceed will be paid to the home owner.

Q1.24 Can payments be made in installments if I owe money to AHC or AHC owes to me as per the final pay off letter?

Yes, the minimum you must pay is your minimum monthly payment you were making earlier. The same applies when AHC owes money to the home owner. That is, AHC will make minimum monthly payments (rent+\$175) to the home owner until the entire balance is paid off.

Q1.25 Why 70% of the purchased value of the home is picked as the final point of assessment to determine profit/loss?

The profit/loss must be based on the investment of each party at the time of final assessment (appraisal), when homeowners accumulate 70% of the shares, final appraisal is done. Since majority of the homeowners started with this ratio of distribution, AHC board decided to use the same ratio.

Q1.26 Is there a maximum time a home owner can take to pay off the home?

There is no maximum time to pay off as long as minimum monthly payments are made.

Q1.27 Is there an early pay off penalty?

No penalty if the house is paid off after 12 months from the date of purchase. There is \$5000 penalty if paid within 12 months from the date of purchase.

Q1.28 How does AHC share profit or loss?

As a result of transfer/sale of a housing unit, AHC takes/pays **30%** of any gain/loss realized.

Q1.29 Does AHC refinance?

Yes. The process is similar to a regular purchase.

Q1.30 Does AHC allow members to buy commercial properties?

No, we don't allow commercial properties to be purchased by our members.

Q1.31 Can I buy a property with intent to rent it?

AHC's priority is to fund members who want to acquire primary residence. Since we always have a list of members waiting to purchase their primary residence, AHC does NOT allow investors to purchase property for the sole purpose of renting.

Q1.32 Can I sub-let part of my primary residence?

AHC 'may' allow sub-letting on a case-by-case basis. You MUST request, in writing, to AHC for board's approval. The approval decision will primarily be based on available covered area, size of the home-owner's family and the size of the portion of the property being sub-let.

If approved, the Home Owner:

- i. Will remain single point of contact for AHC.
- ii. Will take full responsibility of managing the sub-lease.
- iii. Will be responsible of the entire rent assessed by AHC.
- iv. Will assume 100% of the responsibility of any damage occurs to the property by the sub-lessee.

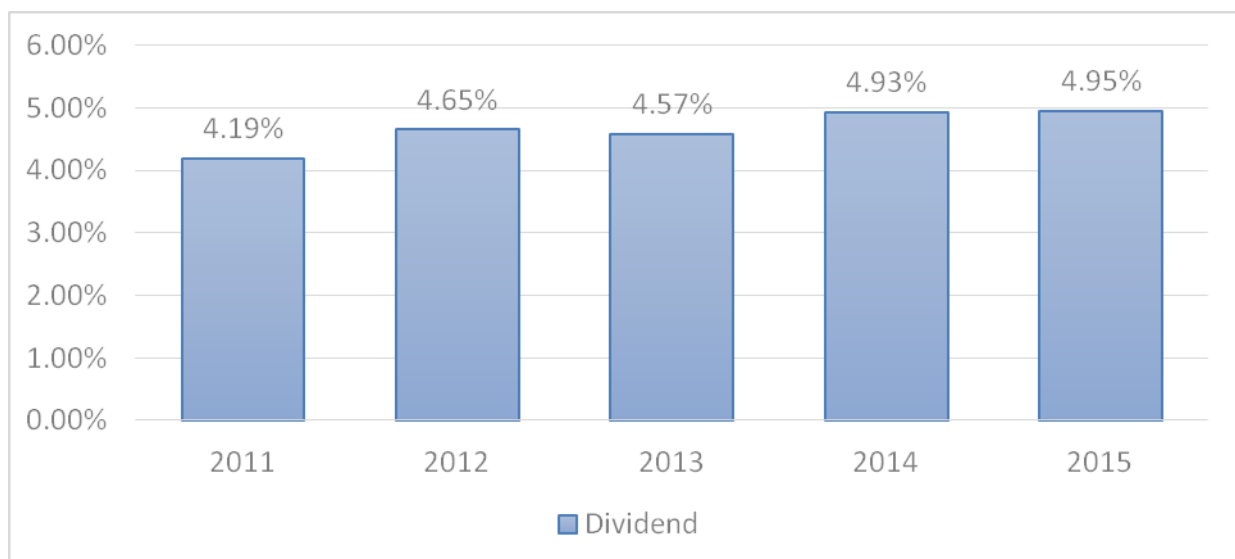
Q1.33 Can I deduct the rent paid to AHC from my taxes (similar to home buyers of other financial institution)?

Consult a tax advisor as AHC cannot advise on tax issues. Please note that AHC does not issue 1098 forms.

2. Investing

Q2.1 Why invest with AHC?

You will earn Halal dividend while helping the community members buy home free of interest. On the other hand, AHC business model has proven to perform well even under the distressed real-estate market. Following chart is the testimony of solid AHC performance in the face of financial turmoil.



Q2.2 Is dividend paid quarterly?

Yes.

Q2.3 What is policy for sending the 1099?

Based on AHC accounting and Taxes, a 1099 could be issued to a member. However, if you don't receive a 1099 from AHC by February 15, you will not receive it for that year. So AHC advises to wait at least to that date before you start your Taxes. All closed accounts will receive a 1099.

Q2.4 Is there a possibility of Coverdell (Education Saving Account) and/or Traditional/Roth IRA through AHC?

AHC does not offer such accounts.

Q2.5 Explain how AHC divides investments between dividends, buying homes and investment properties?

Investments were entirely allocated for buying homes for members. However, about three years ago situation arose where many members on the active list went on hold leaving funds unused in the bank. It was proposed and approved by the GBM to set aside some of the funds for AHC to directly acquire property for resale and/or for rental income. This was an attempt to make use of the underutilized investments while increasing the rate of return on the investment. \$500K was initially approved and spent to buy rental properties. Further \$1m was approved in the 2011 GBM. AHC makes sure that buying

investment properties does not hinder or delay the process of buying homes for our members. As buying homes for our members was and remains our primary objective.

The dividend is paid only from rental income received from home owners and from investment properties.

Q2.6 Does AHC pay taxes?

AHC does pay taxes. But tax that AHC pays has nothing to do with the home owners' property tax or dividend that has been declared/distributed to the members.

Q2.7 What is the cap for emergency withdrawal?

AHC would usually pay up to \$10,000 within 24 hours after receiving a withdrawal request. Withdrawal requests for larger sums are paid as per the availability of funds. AHC has, in the past, paid \$100,000 within 2 to 3 days.

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