



AHC REGULATIONS

2016



AMEEN HOUSING CO-OP

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REVISION HISTORY

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A. Overview

This document is intended to promulgate laws as legislated by Board of Ameen Housing Cooperative. The document is subject to change as a result of further legislation by the Board.

 Terms used in this document

AHC	Ameen Housing Co-op
AL	Active List, which is a list of members waiting to buy/refinance a home.
RFAL	Request for inclusion, to put on hold, to be removed from the Active List
MMP	Minimum Monthly Payment
Share	One AHC share=\$100. It is interchangeably used with \$ amount in this document.

B. Maximum AHC investment

Maximum amount AHC invests in a house is the **80%** of the purchase price. The member's share in the house cannot be less than 20%. Consequently, AHC share cannot exceed 80% of the purchased price of the property. Additionally, the absolute maximum investment that AHC can make in a property is **\$700K**.

To summarize, maximum investment AHC can make in a property is 80% of the purchased price of the property or \$700K, whichever is lower. Any additional amount is member's responsibility. Third party loans (such as employer financing) will not be recognized by AHC.

Here are few examples of how it works for buying a new home:

Purchase Price	Max. from AHC	Min. from the Member	Ownership ratio (AHC : Member)
\$500K	\$400K	\$100K	80% : 20%
\$875K	\$700K	\$175K	80% : 20%
\$1000K	\$700K	\$300K	70% : 30%

Here are few examples of how it works for re-financing an existing home:

Purchase Price	Current Appraised value (AV)	Member's Equity	Max. from AHC	Min. from the Member	Ownership ratio (AHC: Member)
\$500K	≥ \$500K	=15%	\$400K	\$25K	80%:20%
\$500K	≥ \$500K	=10%	\$400K	\$50k	80%:20%
\$500K	≥ \$500K	=50%	\$225K	\$25k	45%:55%

*Appraised value of the home at the time of refinance

The 20% down payment for refinancing is divided between cash and equity as 5%:15%, respectively. The member is required minimum of 5% cash and the balance can be used from the equity.

C. Active List (AL)

The active list is queue of the AHC members who intend to purchase home. It is maintained on first come first serve basis.


C.1 Request for addition to Active List (RFAL)

To be added to the AL, members are required to fill in the RFAL form, sign and then send it to the AHC. There are minimum account balance requirement that must be met as follows:

1. The members must deposit 10% of the estimated price of home or \$50K, whichever is lower, with the RFAL form to be eligible for inclusion in AL.
2. 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.
3. 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.

If a member intends to refinance (as oppose to buying a new home), then he/she can use a maximum of 5% of the equity towards the required deposit of 10%.AHC board then reviews the application and may request further information or inform the member of their decision.

RFAL can be downloaded from www.AmeenHousing.Com .


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

C.2 Notifications to members in AL

When a member reaches number **5** on the AL, AHC informs the member of their standing in the AL. At this time member is supposed to have 20% of the total investment. If a member intends to refinance (as oppose to buying a new home), then he/she can use his/her equity in the home towards remaining 10% payment required at number five.

For example, in case of buying a new home, if the total investment is \$500K, then the member either must already have minimum of \$100K in his/her AHC account or be ready to deposit the balance to make it \$100K.

Similarly, if the member needs to refinance and has equity in the house 15% or more, then he/she must already have minimum of \$25K in his/her AHC account and rest of the 15% requirement is met by the equity in the home being refinanced. But if the equity is only 10% (less than 15%) then additional 25K (5%) must be deposit to meet 20% investment. When a member reaches the top of the list, he/she is required to fill out paper work (Occupancy Package) and pay **\$5800** to cover expenses incurred during the process of acquisition of a new home or re-financing of an existing home. These expenses include service charges, home inspection/appraisals and documentation. Out of \$5800, **\$800** is **non-refundable**.

 Please note that depositing minimum down payment and submitting completed Occupancy Package does NOT guarantee availability of funds. The member must wait for Authorization letter before bidding on a property or initiating a process of refinancing.

D. Process of Purchasing or Refinancing a home

D.1 Type of Property

AHC only invests in single family homes and town houses.

 AHC does NOT invest in **Condo/Apartment**.

D.2 Occupancy Package


A set of applications called OCCUPANCY PACKAGE will provide detailed and up to date information pertaining to the present residential status, i.e., type of housing unit, monthly rent/mortgage payments, balance of first and second mortgages with due dates, name of the mortgage companies/landlord! management company, type of desired housing unit, choice of location, approximate price range and number of shares the member has acquired and planning to accumulate before closing date etc.

D.3 Approval of Investment from the AHC Board

All occupancy statements will be reviewed by the AHC. Upon satisfactory approval by Board (or its representative) the member will receive an Authorization Letter, only then member is authorized to make offer or to start the mortgage payoff process, whichever holds true for the member.

Upon approval from the AHC board, AHC issues an "Authorization letter" to the home buyer indicating that AHC now has the requested funds available to fund the purchase of the property.

Approval letter can only be issued when funds are available and to the member who is number 1 on the AL.

 Remember:

- AHC will NOT issue any pre-approval letter.
- AHC will NOT be liable for the damages incurred due to the member making an offer to a property **BEFORE** receiving an Authorization Letter from AHC.


D.4 Home price Appraisal

Before investing, AHC will do the price appraisal of the property. AHC reserves the right to decline investment in case of unfavorable appraisal. If home owner does not agree with the AHC appraisal, then he/she can have his/her own appraisal done by a real-estate professional. AHC will take the average of the two appraisals and the result will be considered the final appraisal.

D.4.1 If Member is NOT ready to buy home on his/her turn

The Member MUST inform AHC as soon as possible to be put on hold by filling out the RFAL form. Once on hold, he/she will remain on hold until RFAL form is filed again to get reinstated in the AL. Once back

on AL, the member will be assigned the same position in the AL what he/she had held before going on hold.

 *Members on HOLD must continue to maintain the account balance required to be on the Active List (AL).*

There is service charge if a member fails to inform AHC, through a completed and duly signed RFAL,

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> but <u>before 60 days</u> from the date on the Authorization Letter	\$1500
Request to go on HOLD received at AHC <u>after 60 days</u> from the date on the Authorization Letter or you fail to close the escrow in 60 days.	\$3000

*There is \$800 non-refundable part of \$5800 deposit.

D.5 Down Payment, and AHC share of investment

- I. Minimum down payment will be 20% of the desired amount which is in compliance with minimum investment as per "clause B".
- II. Minimum cash down payment for Mortgage payoff (re-financing) is 5% of the requested amount and 15% in equity in the home. If the member does not have the enough equity in the home which equals 15% of the desired investment, then he/she has to make it up by paying additional amount so as to make the "deposit + equity" equal to 20% of the investment.
- III. AHC share in a house being purchased or refinanced can NOT exceed 80% of value of the house or \$700K, whichever is lower.

E. Process of Paying-off

Pay-off process starts with home owner paying the Minimum Monthly Payment (MMP). MMP is divided between Home Owner and AHC on the ownership ratio basis. Part of the MMP goes towards increasing the Home Owner's share (Equity) in the property. When Home Owner's equity reaches 70% of the purchase price, AHC orders an appraisal and adjusts the Home Owner's equity accordingly. AHC then issues a final statement to the Home Owner. The balance on the final statement can be paid in installments by the home Owner. The payments made to pay off the final balance go 100% to Home Owner's equity.

E.1 Minimum Monthly Payment (MMP)

The payoff process starts with MMP, which is calculated as follows:

Minimum Monthly Payment = (Appraised Monthly Rent) – (7% of the Rent) + \$100 + \$75, where

 **\$75**= AHC monthly processing fee.

- ☞ **\$100** = Additional payment required which is credited to home owner's equity.
- ☞ **Monthly rent** is appraised by a third party real-estate professional (hired by AHC) at the time of home purchase/re-finance. This rent is re-appraised yearly and the minimum monthly payments are adjusted accordingly.
- ☞ **-7% of the rent** is a discount in rent given to the home owner by AHC with intent to share expenses, such as, home insurance, property tax, regular repair/maintenance etc.

☞ *Minimum monthly payment (MMP) is due on the **1st of the month**. If MMP is not received, in the AHC office, by the 5th of the month, then rent will NOT be discounted 7%.*

E.1.1 MMP and AHC/Member share calculation

The rent is shared between AHC and the member based on their respective share in the property.

Assuming the equity ratio between AHC and the member is 80%:20% and the appraised rent of the property is \$2000, then;

Appraised rent	= \$2000
Rent with 7% reduction	= \$2000 – 7% = \$1860
MMP	= \$1860 + \$100 + \$75 = \$2035.
Part of MMP that goes to member's equity	= (\$1860 * 0.2) + \$100 = \$472
Part of MMP that goes to AHC	= (\$1860 * 0.8) + \$75 = \$1563

E.1.2 Rent change policy

Home rents are appraised every year to keep them consistent with prevalent rents. AHC conducts these rent appraisals through third party real estate professional. 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.

Please note that the above policy only applies if home was NOT remodeled since the last rent appraisal.

E.1.3 If Member does not agree with AHC appraised rent

The member must follow these steps in the order specified:

1. Inform AHC about disagreement within 5 days of receiving the rent change notice.
2. At your own expense, have appraisal done by a real-estate professional.
3. Send the rent to the AHC.

AHC then,

1. Will take the average of the two rents (one ordered by the AHC and the one you sent to the AHC) to adjust the MMP.
2. Inform you of your new/adjusted MMP.

Once you and AHC have gone through the above steps, the matter is considered closed. No further negotiation, appeal and/or further discussion will be allowed.

E.2 Frequency of Ratio of ownership adjustment

It is adjusted on yearly basis. Following are the exceptions:

If the home owner, in addition to MMP, pays \$1000 or more, ratio will be adjusted starting from the following month provided it is received BEFORE the 15th of the month. Otherwise, the rent is adjusted from the 2nd month.

Home is remodeled to add square footage or upgrade existing structure (Kitchen, bathroom, etc.). In this case, the expenses incurred by the home owner are added to his/her equity. For example, \$100K in remodeling will increase home owner's equity by 100K. Please keep in mind that these expenses are subject to approval from AHC Board. Only "Home Improvement Expenses" are qualified to be added to the equity. Regular maintenance expenses do NOT qualify. ALL ORIGINAL RECEIPTS MUST BE TURNED IN. See the next section for details.

F. Home Improvements and Repair Expenses

Ameen Housing classifies expenses incurred by the home owner into two categories.

F.1 Major Expenses

Examples of such expenses are roof replacement, bathroom and/or kitchen remodel, adding room/bathroom, etc. These expenses require the Home Owner to strictly follow the process as outlined below BEFORE any work is started:

1. Let AHC know the type of the work need to be done.
2. Wait for AHC Board Approval.
3. Submit to the AHC three bids taken from insured and bonded professional/companies and let us know as to which individual/company he/she would like to hire for the job.
4. Must keep the originals and submit copies of all the receipts.

It is homeowner's responsibility to get prior permission and/or approval from the city regarding the intended improvements. Please note that Home Owner is responsible for 100% of the expenses. Once upgrade/remodel is completed, home owner MUST turn in all the original receipts to AHC.

Once AHC has received all the receipts and expenses are approved by the Board, a rent appraisal is ordered and Home Owner's equity is adjusted.

Following is an example:

	Home Price	Home Owner Share	AHC Share	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

 Expenses **MUST** be claimed in the same year they occur.

F.2 Minor Expenses

Examples of such expenses are replacing bulbs, fixing leaking water taps, adding/fixing sprinklers, etc., these expenses do not require home owner to notify the AHC. These type of expenses are NOT shared by AHC.

Please feel free to check with AHC if you have any questions.

F.3 Summary of Occupancy, Maintenance, and Occupancy Charges (Rent)

- i. Occupancy Charges and Re-evaluation: Monthly occupancy charges (rent) will be based on fair market value, and these may be reviewed every year at Board's discretion.
- ii. Rental Payments and Administration Fee: Members must pay MMP in advance on the 1st day of each month.
- iii. Ratio will be adjusted as per the section entitled "*Frequency of Ratio of ownership adjustment*"
- iv. Taxes, Utilities and miscellaneous expenses: Heating, Gas, Common area/Condominium Fees, Property Taxes, Water, Home Owners Insurance, Legal fee, repairs, material, labor, landscaping, garbage/snow removal, special levies etc. Will be the entire responsibility of the member/ the occupier. AHC will reduce the rent by 7% from the agreed upon rent in accordance with the AHC new rental policy as support toward shared expenses of insurance and Taxes.
- v. Leasing and Subletting: Members are not allowed to rent, lease or sublet all or part of the housing unit.
- vi. Negligence/Breach of Agreement: Any member found negligent and/or in breach of Occupancy Agreement could be asked to vacate the housing unit. Any loss caused by such negligence and/or breach will be recovered from his/her share of capital. If the home owner does not have enough equity to cover the losses incurred due to his/her negligence/breach of agreement, AHC may take further actions including, but not limited to, selling the property.

F.4 Appreciation/Depreciation calculation

When a member accumulates 70% of the shares or member notifies AHC to pay off his/her loan in writing, whichever comes first. AHC will order an appraisal, and then calculate the appreciation or

depreciation. The appreciation/depreciation will be based on sale price if property is sold before it is paid off (see section entitled “*Distribution of Appreciation or Depreciation*”). The AHC then sends the Final statement to the homeowner which specifies the FINAL amount owed by the home owner. This is considered final statement as all the appreciation/depreciation in the property is taken into account. Again, once final statement is issued by the AHC, no price appreciation or depreciation in the property will be considered by the AHC.

Home owner MUST be willing and able to accumulate 70% of the shares if he/she wants to initiate a payoff process.

For example, Zaid bought a \$500K home. After 5 years, Zaid’s share in the property reaches 50%. At that time, Zaid decided to request AHC to initiate a payoff process. AHC in this case will REQUIRE Zaid to pay \$100K, in order to make his share of the equity in the home reach 70% of the purchase price, BEFORE AHC will initiate a pay-off process.

After the amount owed to AHC is paid off, the title can be transferred to the home owner’s name.

F.4.1 Process after the final statement is issued to the Member by the AHC

The member shall continue to make at least MMP to AHC. The payments will be divided between AHC and the member as per section entitled “MMP and AHC/Member share calculation” until member’s balance, as per the final statement, is paid off.

F.5 Distribution of Appreciation or Depreciation

As a result of a transfer/sale of a housing unit, gain/loss realized due to property appreciation/depreciation, deducting any legal expenses, will be divided as follows:

- I. 70% to the member and 30% to the AHC

F.6 Vacating of a house before payoff

- I. If a member, after occupying the housing unit, wants to vacate it, he/she will have to inform the AHC about his/her intention in writing at least ninety (90) days before such move. The AHC will send notice of Purchase offer to AHC members on the active list. Three members will be selected and in order of preference they will be offered to negotiate the occupancy of the housing unit with the present home owner/occupant.
- II. If no member of AHC is interested in that housing unit, or if no member can take over that housing unit within stipulated time, the owner /member will be given permission to arrange sale of that housing unit to general public.
- III. The home owner will be responsible for the cost of home sale, including but not limited to:
 - a. Any repair, needed to present the house for sale,
 - b. Any brokerage cost involved in the sale of that unit, the brokerage cost if paid by the escrow will be deducted from homeowner's equity/investment before the funds are disbursed.
 - c. AHC processing fee, equal to 3 months of the rent of the property being sold.

F.7 Sale/transfer of the house before paying off

After occupancy, the member will not be, normally allowed to sell or transfer any of his/her shares.

To complete the ownership of the occupied housing unit, the member will have to accumulate shares equivalent to the cost of the housing unit PLUS any “appreciation or depreciation” in accordance with the section entitled “*Appreciation/Depreciation calculation*”.

F.8 Transfer of Title from AHC to the Home Owner

TBD

F.9

G. Investment

Investment in AHC can be made in US\$ from anywhere in the USA with as little as **US\$2000**. The balance below US\$2000 does not qualify for dividend. The qualified balance **MUST** remain invested for one full quarter to be eligible to earn dividend. The dividends on investments are paid quarterly.

The request to withdraw funds can be made by filing out "Application to Withdraw Funds". Please note that Ameen Housing Co-op is primarily chartered to help Brother/Sisters buy their homes Riba-free. So majority of the funds remain invested and therefore may delay the funds withdrawal in the amount greater than **US\$10,000**.

G.1 Dividend Calculation and 1099 Distribution

Before describing the process it is necessary to understand the difference between the two columns in member statement and also when and what amount to include in your tax return.

1. The two columns are "ROI" and "Dividend"

ROI column represent quarterly Return on Investment (ROI) which is your minimum balance within the quarter multiplied by the declared ROI for the quarter. Amount in this column shall not be reported to the IRS.

Dividend column represent the amount from the ROI column for which AHC has issued a 1099-DIV form the day account was opened till you received last 1099. Make sure you report only the amount appeared in the 1099 form that tax year.

2. When and what amount to include in your tax return.

When you receive a 1099-DIV form from AHC only then you shall report to IRS for the tax year and amount appeared on the 1099-DIV form. Keep in mind that due to the reasons provided herein you may not receive a 1099-DIV every year or amount may not match with the ROI you received for that year.

Process to determine actual profit that is recognized by the IRS and require 1099 to be issued for that amount has four parts.

1. **Total Income:** It is summation of all income including Rents (AHC portion only), Fee (membership, home processing etc.), and Capital gain/loss
2. **Total Expenses:** Similar to income this is summation of all expenses including Payroll expenses, consulting services, Office expenses (rent, supply, Internet, utilities etc.), AHC property maintenance and taxes, GBM expenses, marketing, etc.)
3. **Net Income:** is the Income minus the Expenses (Total Income - Total Expenses)

4. **Net Profit/Loss:** is the Net income minus the depreciation of AHC assets (home, equipment etc.). This is the maximum amount for which AHC can issue Form 1099-DIV. That is the amount actually IRS recognizes as net Income or profit.

$$\text{Net Profit/Loss} = \text{Net Income} - \text{Depreciation}$$

1099 for this amount is distributed in the following order

1. Members who have closed their account
2. Homeowners who withdraw any ROI
3. Remaining members (Active members). This is a tricky part; from very beginning declared ROI is almost always greater than the Net Profit/Loss due to depreciation. Hence the 1099 were issued for less amount than the declared ROI by the amount approximately equal to the depreciation value which created a backlog of ROIs and every year it grows. So there are multiple variable are used to determine the distribution (who and how much) and those variable are:
 - a. Since how long a 1099 was not issued
 - b. How far back is the ROI for which a 1099 was not issued
 - i. Goal is to not have any backlog or reduce to as close to the current year as possible. With 2015 1099 we have covered up to 2006 with the exception of few
 - ii. Members with large balances (large ROI)
 - iii. Seniority (membership)
 - iv. other

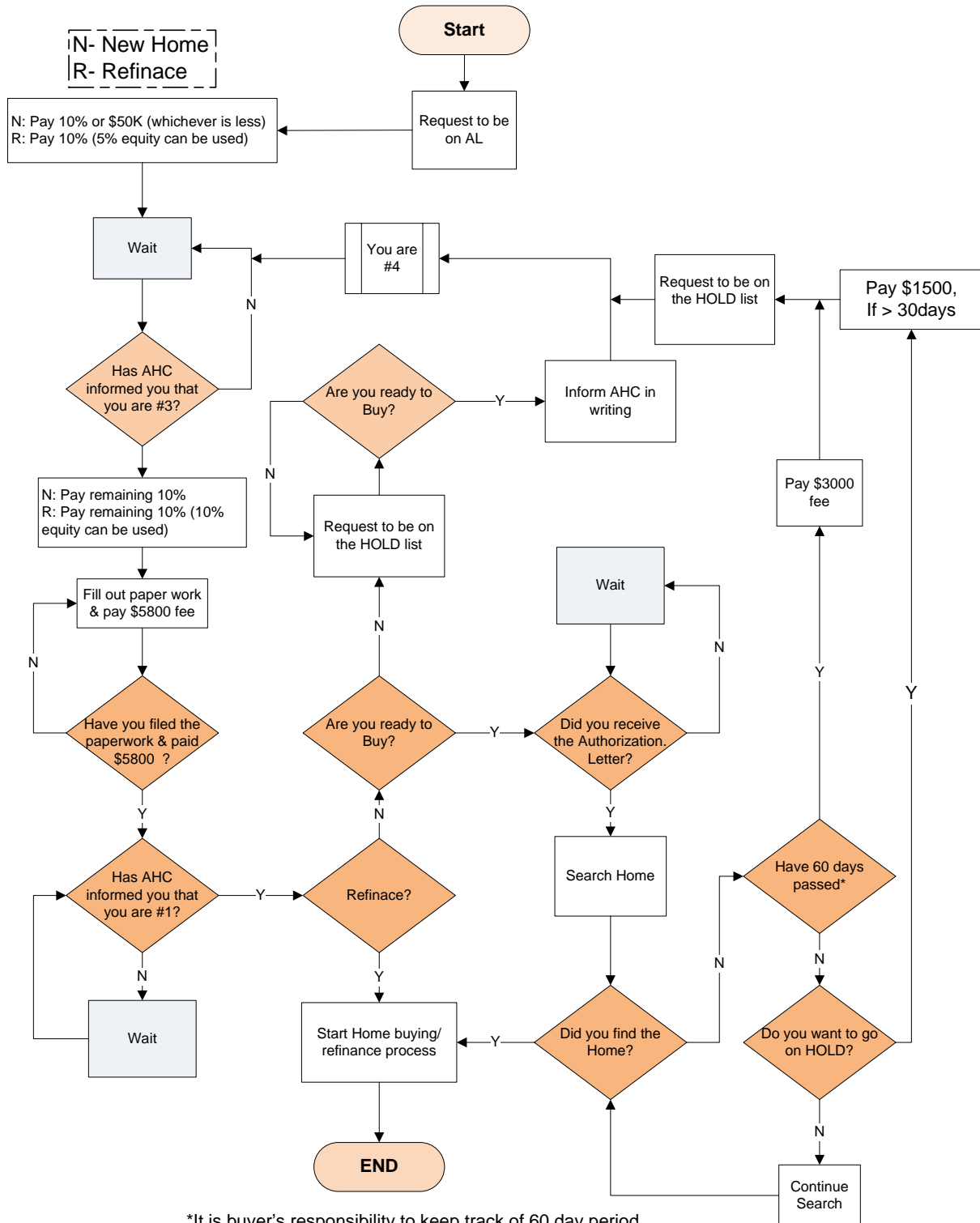
Upon issuing of the 1099 (submit to the IRS and copy sent to member) the amount shown in the Form is moved from the "ROI" column to "Dividend" column in member statement.

Remember you should report dividend to IRS ONLY when a 1099 is received and ONLY the amount that is included in the Form.

H. Examples Flow charts

Following charts are for reference only. These are intended to provide the reader an overview of the process with various scenarios. Keep this in mind that these are for reference only; therefore AHC assumes no liability for the consequences of any action taken on the basis of the information provided in these charts, unless that information is subsequently confirmed, in writing, from AHC office.

H.1 Flow Chart 1: Process of Home buying/refinancing



*It is buyer's responsibility to keep track of 60 day period. The period counter starts when AHC issues the Letter of Authorization

H.2 Flow Chart 2: Process of Paying off

