

How safe is the purchase of a membership share in a housing cooperative?

It is rare that we have the opportunity to have certainty in our investments. With over 40 years of experience, senior housing cooperatives – totally owned and controlled by the members - have features that specifically offer this certainty. The value of a membership share appreciates annually by a defined formula in the cooperative's bylaws. Membership share resales sell quickly at the appreciated value to potential members on the waitlist. To be fair, there were some challenges with resales in the housing downturn of 2008-10, but this was due primarily to declining single family home values and the inability to sell the home – not the price of the membership share.

The purchase price or cash down payment for a membership share in a new cooperative is normally 35-50 percent of the total unit value and the remainder is covered by a master mortgage to the cooperative. Members pay monthly charges for their pro rata share of mortgage payments and operating expenses. The cooperative owns and maintains all floor coverings, window treatments and appliances. Units may be homesteaded for real estate tax purposes and mortgage interest and real estate taxes are deductible for personal income taxes.

Master mortgages are secured by the entire project with no personal liability to the individual cooperative members. Senior housing cooperative members take their membership seriously and rarely default on their monthly payments to the cooperative. If needed, the cooperative has the necessary powers and authority to enforce and collect payment if a member defaults.

The market for single-family homes is characterized by both increasing and decreasing market values. In contrast, the value of a membership share in a cooperative appreciates at a fixed amount of 1-2 per cent per year of the total unit value. Cooperatives have not experienced the ups and downs that impact single family homes values. True, it does not appreciate similar to increasing market values of single-family homes, but it also does not experience the value declines. In over 40 years since the first senior housing cooperative was created, member shares have steadily – and reasonably – increased in value. Shares that are offered for sale normally sell quickly because cooperatives have waiting lists of potential buyers. Some members compare cooperative shares with certificates of deposit: modest return with little risk.

The number of older people is growing rapidly – a trend that will continue into the future. In the United States, over 75% of households over 55 own their own homes, and it is clear that many of them want to continue to be owners – not renters – in the future. That means we are at the beginning of a rapidly expanding growth in demand for homes designed for ownership by older adults.

Senior housing cooperatives have already proven themselves as the “option of choice” for Minnesota seniors.

By becoming a member in a senior housing cooperative, in addition to a place to live, you are buying into a lifestyle – an enlivened community for adults who live independently. One of the most common responses from senior housing cooperative owners is “I should have done this years ago.”