

**Rider to Regulatory
Agreement – Section 213
Cooperatives**

**U.S. Department of Housing
and Urban Development**
Office of Housing

OMB Approval No. 2502-0598
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The public reporting burden for this collection of information is estimated to average 0.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering, and maintaining the data needed, and completing and reviewing the collection of information. Comments regarding the accuracy of this burden estimate and any suggestions for reducing this burden can be sent to U.S. Department of Housing and Urban Development, Office of the Chief Data Officer, 451 7th St SW, Room 8210, Washington, DC 20410-5000. Do not send completed forms to this address. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid OMB control number. HUD collects this information to obtain supportive documentation that must be submitted to HUD for approval. HUD uses this information to ensure that viable projects are developed and maintained. This information is required to obtain benefits derived from the National Housing Act Multifamily Mortgage Insurance Programs. This information collected is authorized under Title II of the National Housing Act (12 USC 1701 et seq.) and the regulations at 24 CFR 200 et seq., and no confidentiality is assured.

Warning: Any person who knowingly presents a false, fictitious, or fraudulent statement or claim in a matter within the jurisdiction of the U.S. Department of Housing and Urban Development is subject to criminal penalties, civil liability, and administrative sanctions.

This Rider to Regulatory Agreement – Section 213 Cooperatives (“**Rider**”) is attached to and amends the Regulatory Agreement for Multifamily Projects entered into between _____ (“**Borrower**”) and the United States Department of Housing and Urban Development, acting by and through the Secretary, his or her successors, assigns or designates (“**HUD**”), dated as of [**Date**] (“**Regulatory Agreement**”).

To the extent any provisions of this Rider conflict with any provisions in the Regulatory Agreement, the provisions of this Rider shall prevail. Any terms in the body of the Regulatory Agreement not in conflict with the provisions of this Rider remain in full force and effect.

A. The following definition is hereby inserted as subsection mm of Article 1, Section 1 of the Regulatory Agreement:

“ll: “**General Operating Reserve Account**” shall mean the account where the funds identified in Section 51 of the Rider to Regulatory Agreement – Section 213 Cooperatives attached to this Agreement, are held.”

B. The following provisions are hereby inserted as Section 51, 52, and 53, respectively, of the Regulatory Agreement. To the extent the provisions of the foregoing Regulatory Agreement and this Rider shall conflict, the provision of this Rider shall prevail:

51. Commencing with occupancy, the Borrower shall establish and maintain a General Operating Reserve Account by allocation and payment thereto monthly of a sum equivalent to not less than 3 percent of the monthly amount otherwise chargeable to the members pursuant to their Occupancy Agreements. Upon accrual in the General Operating Reserve Account of an amount equal to 15 percent of the current annual amount otherwise chargeable to the members pursuant to their Occupancy Agreements, the rate of such monthly allocations

may, by appropriate action of the Borrower, be reduced from 3 percent to 2 percent; provided, however, that in the event withdrawals from such Account reduce it below said 15 percent accrual, the rate of such monthly deposits shall immediately be restored to 3 percent. At any time thereafter upon accrual in said General Operating Reserve Account of an amount equal to 25 percent of the current annual amount otherwise chargeable to the members pursuant to their Occupancy Agreements, such monthly deposits may, by appropriate action of the Borrower, be discontinued and no further deposits need be made into the General Operating Reserve Account so long as said 25 percent level is maintained and provided, further, that upon any reduction of such reserve below said 25 percent level, monthly deposits shall be made at the 3 percent rate until the 25 percent level is restored. The General Operating Reserve Account shall remain in a special account and may be in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America, and shall at all times be under the control of the Borrower. The General Operating Reserve Account is intended to provide a measure of financial stability during periods of special stress and may be used to meet deficiencies from time to time as a result of delinquent payments by individual members, to provide funds for the re-purchase of membership interests of withdrawing members, and other contingencies. Disbursements totaling in excess of 20 percent of the total balance in the reserve as of the close of the preceding annual period may not be made during any annual period without the consent of HUD.

52. The Borrower shall establish and collect monthly carrying charges pursuant to the conditions set forth hereinafter. Monthly carrying charges charged to members shall be made by the Borrower in accordance with a schedule of charges filed with and approved in writing by HUD prior to endorsement of the Note. Such charges shall be in an amount sufficient to meet HUD's estimate of cooperative management expense, operating expense and maintenance expense, debt service, taxes, special assessments and ground rents, if any, reserves, and all other expenses of the Borrower. Thereafter, charges made by the Borrower for its accommodations shall be in accordance with a schedule of charges filed with and approved in writing by HUD and shall be in amounts sufficient to meet the Borrower's estimate of expenses set forth in an operating budget which shall be prepared and submitted to the HUD 60 days prior to the beginning of each fiscal year. The operating budget shall set forth the anticipated income of the project and a sufficiently detailed estimate of expenses which will include separate estimates for administration expense, operating expense, maintenance expense, utilities, hazard insurance, taxes and assessments, ground rent, interest and amortization, mortgage insurance premium, replacement reserve and operating reserve.

53. Borrower shall not, without the written consent of HUD:

- a. Permit the occupancy of any of the residential units except at the charges established in Section 51, and pursuant to an Occupancy Agreement in a form approved by HUD.

- b. Permit the occupancy of any of the residential units except by members of the Borrower, or sublessees approved by the Borrower, and pursuant to a sublease in a form approved by HUD.
- c. Consolidate or merge the Borrower into any other corporation; liquidate or dissolve the Borrower, enter into any reorganization of the Borrower, change the capital structure of the Borrower, or alter or amend the Bylaws of the Borrower.
- d. [For new construction] Contract for the sale of any membership interest or shares of the Borrower except in accordance with a subscription agreement in a form approved by HUD.

[C. Insert, as applicable:

54. Cooperative projects regulated under State or local law must comply with Program Obligations as well as any and all State or local regulatory requirements.]

{The following statement must appear on the same page as the executed signature for the Borrower.}

The signatory below certifies that all of the information provided in this Rider and in any accompanying documentation is true, accurate, and complete, has been made, presented, and delivered for the purpose of influencing an official action of HUD, and may be relied upon by the HUD as a true statement of the facts contained therein. The signatory below acknowledges that the submission of any false, fictitious, or fraudulent statement, representation, or certification in this Rider or on any accompanying documents may result in criminal, civil, and/or administrative sanctions, including fines, penalties, and/or imprisonment under applicable federal law.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals on the date first herein above written.

BORROWER

**THE UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT,
ACTING BY AND THROUGH THE
SECRETARY**

(insert name)

BY: _____
Authorized Agent
Title

BY: _____
Authorized Agent

[ADD ADDITIONAL LINES IF MORE THAN TWO SIGNATORIES]

**[HUD's SIGNATURE PAGE MUST INCLUDE PROJECT NAME, FHA PROJECT
NUMBER ALONG WITH TITLE OF FORM]**