This booklet tells the story of how a group of unwaged people involved in a radical education project set up a housing co-op and bought a house in Hockley, Birmingham. It shows how simular groups of people can gain control of their housing by taking the reader through the whole process - from deciding on a co-op structure and registering a co-op to securing a mortgage and moving in. This is not an authorative guide to every aspect of collective housing but it does show that you don't have to be an expert or have a job to buy a house co-operatively.

A NEW UNIVERSITY PUBLICATION

HOW TO SET UP A HOUSING CO-OP

By Roger Hallam

CONTENTS.

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INTRODUCTION

This booklet comes out of my recent experience of helping to set up a housing co-op. It is in no way an authorative guide to the all the complicated aspects of collective housing. There are several books already available which do that job far more competently than I could (see appendix 7). What I have written is one amateur's account of how a co-op was set up and a house subsequently bought. As such I hope it will act as a supplement to other publications by showing, in a fairly detailed and jargon-free way, how one group of people actually went through the process. A great problem for us was our confusion about the different options and stages in setting up a collective household - we often didn't know what the next step involved until we made it! This booklet, in trying to simplify what happens at each step, would have been a great help.

The booklet also aims to publicize the potential of housing co-ops to people who may be thinking of living collectively. There is great potential and the particular type described in this booklet has significant advantages for low and unwaged people who wish to control their own housing. So what sort of co-op is this? Briefly it is:

Fully mutual - The co-op is made up of members who make its decisions in a democratic way and all the tenants (ie people living in the co-op house(s)) have to be members of the co-op.

Privately financed - Instead of the members having to find all the money for a house themselves or getting bogged down in and restricted by the search for local authority funding, around 85% of the cost is raised through a mortgage from a building society or bank, the rest coming from loans and donations from members or non-members. The mortgage and loans are paid off by charging rent to the tenants who can claim housing benefit if they are low waged or unwaged.

Being part of such a co-op means together you will be able to control the house you live in from the colour of the kitchen walls to the rent you charge yourselves as tenants. Any profit the co-op makes cannot be used to distribute to members but is allocated by the members to provide housing for further members. It is a type of co-op which is ideal for people who want to live together and want to find a legal structure which reflects their co-operative aspirations. If this is what you want to do you should find this publication useful.

As I try to show in chapter 13, this structure holds the possiblity of controlling resources in a communal and decentralised way by attracting them away from the conventional economic system into co-operative housing. Being able to attract loans and offer interest they can accumulate funds to invest in socially useful enterprises in the community. Setting a co-op up then can be a concrete step toward creating a more democratic and decentralised society.

It should be mentioned that our housing co-op is intricately connected to the New University Project (see appendix 1) which provides the backcloth to the co-op being set up and the writing of this booklet. The project aims to promote radical, relevant, and holistic education through encouraging voluntary and participatory skill and knowledge sharing networks and workshops. Its long term aim is to set up a residential college where such education can be explored and developed. Because of lack of resources it was decided in May 1986 to make a first step by buying a house and subsequently it was found that a housing co-op would be the best structure. This booklet, in showing how to set up a co-op, fulfils one of the project's aims of providing an education which helps people to take control of their own lives and, in a small way, helps to create a sane and sustainable way of living.

Lastly I should also say that I haven't written anything longer than a college essay before and this booklet is something of a first! So I must emphasize again that I am not an expert. Some aspects of the law may change as a result of the new housing bill and it is certainly worth checking up on any technical points you may have doubts about, with other publications or one of the two organisations which help people to set up co-ops - the National Federation of Housing Associations or the Empty Property Unit (which we found most helpful). The addresses of these and other useful organisations are listed in appendix 6. The booklet also doesn't go into the vitally important area of how people can get on with each other within co-ops. There are again other publications (see appendix 7) which give information and experienced advice on this matter.

....So if you're thinking of making the big step of setting up and living in a housing co-op, I wish you the best of luck and hope that you find my scribblings useful. If you have any enquiries about what follows or would like to know more about the New University Project please do write to me.

Roger Hallam

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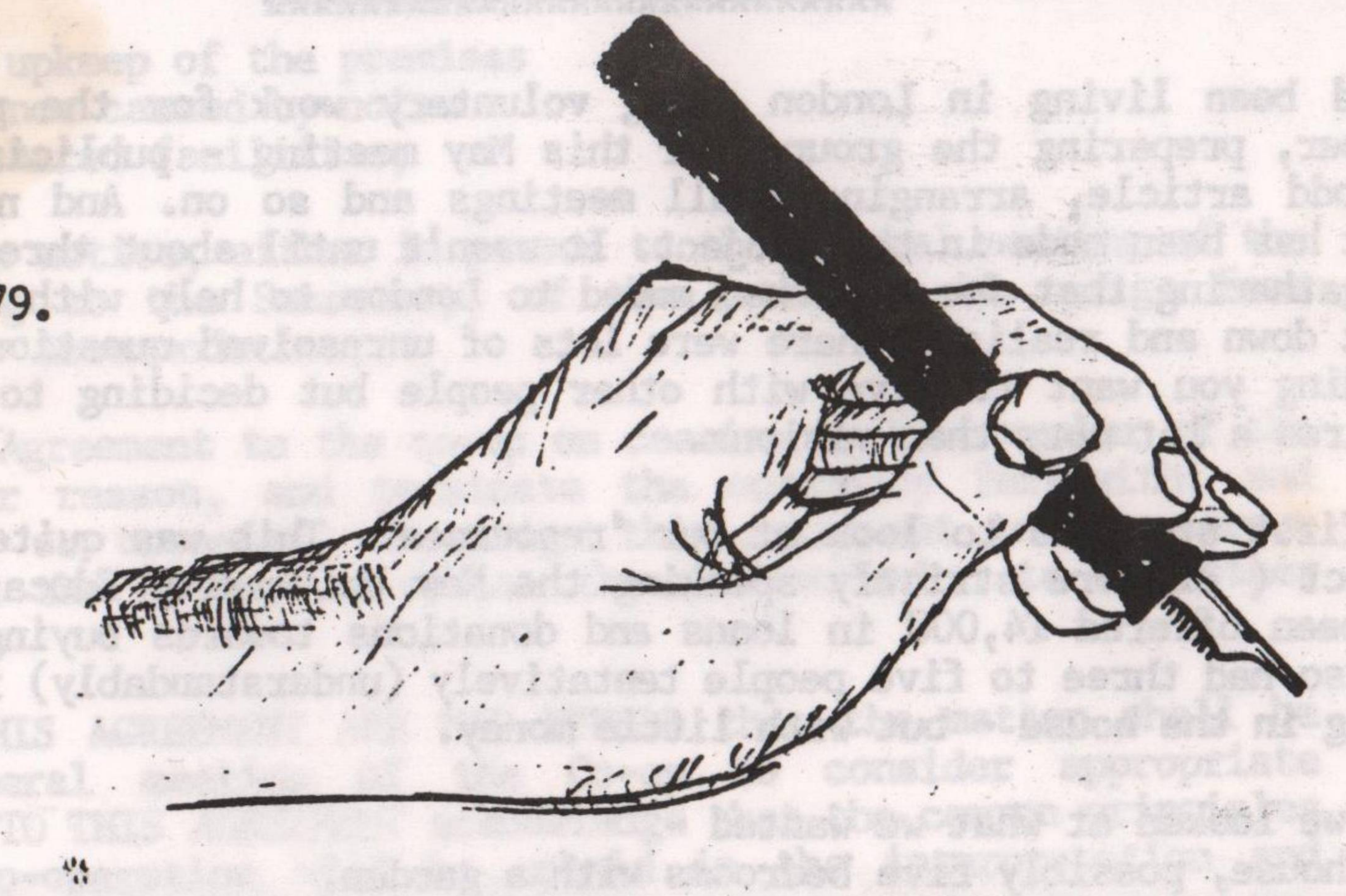

THE BEGINNINGS.

The setting: It is the 27th May 1986 and about twenty people are gathered in a hall in Edgbaston, Birmingham. They are the core of the New University Project. For over two years now a small group of people have been meeting to think about the setting up of an alternative educational institution - a new university. Visions have been exchanged - images of grand country mansions with land to organically farm; small groups of people sitting on lush green lawns sharing ideas in that ideal atmosphere of informality, relaxation, participation, and mutual aid. Cries of indignation have been made at the 'system' - the elitism, standardisation, specialisation, competition, irrelevance, careerism...... What has been the result? An excitement giving way to frustration and confusion. Where's the money going to come from? What structure is it going to have? Who is going to live there? Are we really all in agreement about what the aims are anyway?

And so here we are on Saturday afternoon - the practical plans session and tentatively I outline a proposal: that we make a start by buying a house. The people living there could use the time publicizing and raising the money for the project while making a start with the studying/learning through organising courses, workshops etc. We have a 'go-round'. Everyone in turn says what they think of the idea and whether in principle they would be willing to live in such a house. I reckon we need at least three 'yes's' to make it viable. First there's a 'probably', then a 'very definitely' and 'very interested in'. Suddenly the spirit of the gathering lifts. A practical plan for something concrete has been provisionally agreed. This is where the history of the 'New Education Housing Co-operative Limited' started.

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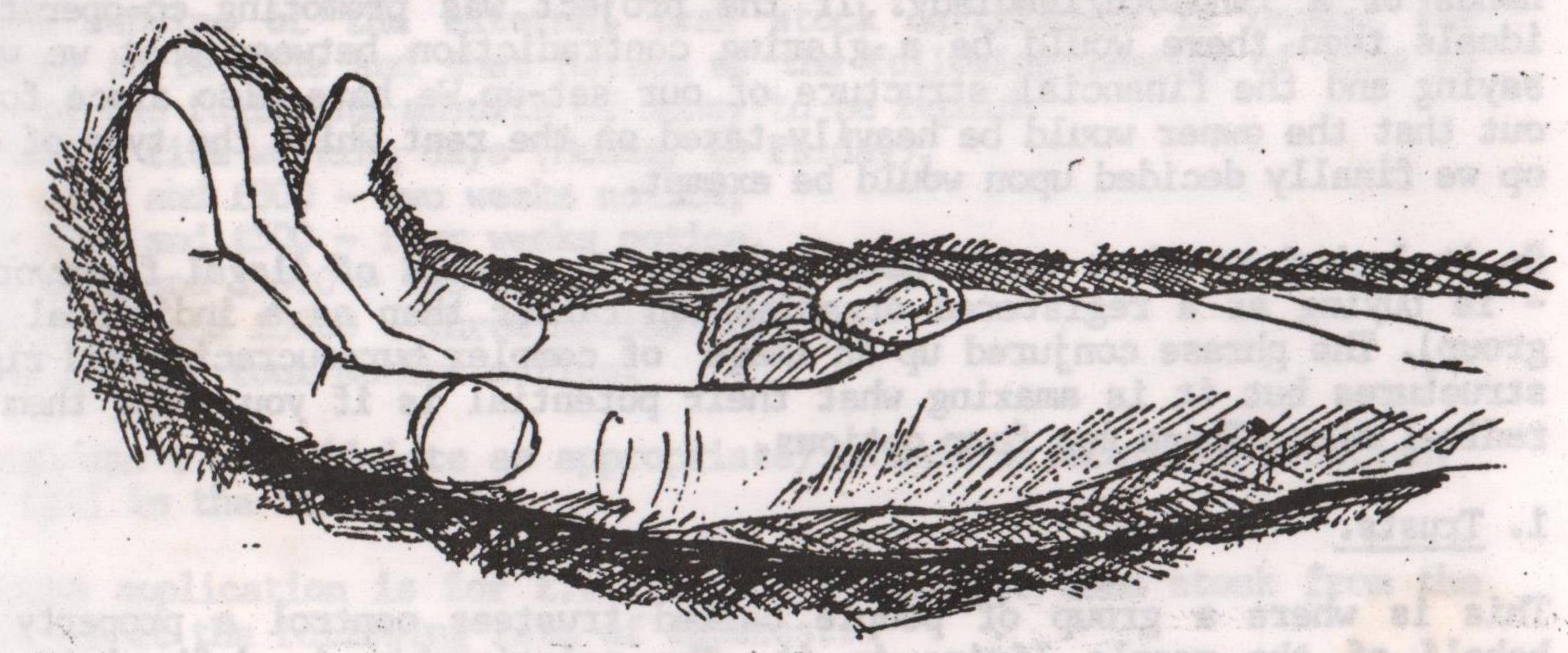
I had been living in London doing voluntary work for the project since October, preparing the ground for this May meeting - publicizing, writing the odd article, arranging small meetings and so on. And now a turning point has been made in the project. It wasn't until about three weeks after the gathering that Joe (who had moved to London to help with the work) and I sat down and realised there were lots of unresolved questions. It's fine deciding you want to live with other people but deciding to get a house requires a lot more than visions.

Our first step was to look at our 'resources'. This was quite simple. The project (or more strictly speaking the New University Educational Trust) had been offered £4,000 in loans and donations towards buying a property. We also had three to five people tentatively (understandably) interested in living in the house - but with little money.

Then we looked at what we wanted -
1. A house, possibly five bedrooms with a garden.
2. In the price range of £20,000 to £30,000.
3. In Birmingham. This might not have been our ideal. People rarely choose to live in this city it seems, but for our situation it seemed like a good choice. I knew from a friend in Handsworth that you could buy five bedroom houses in the area for less than £30,000 (his house had five bedrooms and only cost £23,000!) The city is also fairly central nationally with good train and motorway connections. So it seemed like a good place to start our first 'centre' for the project. Being a large city, there was also the advantage that we would not be isolated from the project supporters in this important first stage of development. We knew of a small school on offer near Bangor but soon dropped the idea of pursuing it because of the problems of isolation.
4. Having only £4,000 in loans and donations we knew we would need a mortgage to cover the rest of the cost.
5. We wanted the house to be owned and controlled in a co-operative way. This would be in line with the aims of the project and has obvious benefits for the occupants.
5. We needed the mortgage and loan repayments to come from rent charged to the occupants. The latter (who would be unwaged, working voluntarily for the project) would have to be eligible for housing benefit to pay this rent.
6. Finally, we wanted to be as unrestricted as possible in attracting whatever financial support we needed and, if possible, to work out a way of being exempt from paying taxes, rates, and other things that we were vaguely aware of being involved in when you had a house.



DECIDING ON A FRAMEWORK.

The main question was how we were to buy the house. We discovered that the first option we had to decide upon was a choice between buying as an 'owner-occupier' or using some sort of 'legal framework'.

We fairly quickly decided that 'owner-occupation' was out. With this method, one person or, so we found out, up to four people can buy the house with their own money. If the 'mulitiple ownership' method was chosen, we would own the house as well as living there. However as owners we would not be able to charge ourselves rent which would raise a big question mark about how to pay off the mortgage. There would also be the disadvantage of having to pay a portion of the value of the house to an owner who decided to leave. Where would this money come from? Those of us who were thinking of moving into the house had no money to speak of and so we concluded that the only feasible private ownership arrangement would be for someone else to buy the property and act as landlord/landlady to us as tenants. In the last resort this method would have worked but it seemed very undesirable. We had strong ideological objections to power being concentrated in the hands of a landlord/landlady. If the project was promoting co-operative ideals then there would be a glaring contradiction between what we were saying and the financial structure of our set-up.We have also since found out that the owner would be heavily taxed on the rent while the type of co-op we finally decided upon would be exempt.

So it looked as if we would have to enter the world of 'legal frameworks' - ie buying as a registered organisation rather than as a individual (or group). The phrase conjured up an image of complex bureaucracies and rigid structures but it is amazing what their potential is if you adapt them to radical aims. There are four options.

1. Trusts.

This is where a group of people called trustees control a property on behalf of the people living in it. The relationship is defined in the 'trust deed'. There were a number of serious problems with this structure:
- A complex series of laws impose limits on your actions. It seemed like a potential legal nightmare.
- Tax exemption has to be negotiated with the Inland Revenue. One community though has succeeded in getting exemption (from capital gains tax which is a tax on the increased value of the property).
- In England and Wales the number of trustees is limited to four.
- At present, if non-trustees were to live in the house they would have 'security of tenure' which as explained below would make it very difficult to get a mortgage. However this may change as a result of the new housing bill. (See Introduction).

2. Companies.

The 'private limited company' which would buy the house in this case is financed by people buying shares. It has the advantage that, unlike a housing co-op, there are no restrictions on trading (selling things to make a profit). However there are two major disadvantages:

- The company has to pay corporation tax on its income as well as capital gains tax.

- They hardly ever get mortgages because occupants always have 'security of tenure'. This means that if tenants stop paying the rent they cannot (easily) be evicted. Thus if the owner couldn't repay the mortgage and the house was taken over by the bank or building society they would have great difficulty selling it to get their loaned money back.

3. Charities

These have no set legal framework but need to be registered with the government as having one of the following aims:
-advancement of religion,
-advancement of education,
-the relief of distress or poverty,
-the benefit of the community.

Charities do have the advantage of tax relief on their income and are eligible for grants and gifts from other charities and companies. But the disadvantages are:

- A group cannot register both as a co-operative and a charity.
- We were not sure about the situation with mortgages and security of tenure.
- It usually takes ages to register (about nine months!)

However this set up does obviously have uses if you want to organise a project from the house. The New University Project is registering at the moment (10/87) as a charity and company so we can widen our activities and increase our income.

4. Co-operatives.

Yes, this was the one; after ploughing through the pros and cons of the other three options only unearthed major difficulties. A housing co-operative is like a pseudo individual - it can buy and own property and make contracts. It needs to register its 'rules' with the government and these rules have a number of attractive characteristics. It enables its members to house themselves by using the co-op to buy property. The decision-making structure is democratic and any profits must be used for the objectives of the co-op , eg, to house new members and not for the individual gain. Occupiers are usually both members and tenants of the co-op. There seemed to be the possibility of getting a mortgage and of unwaged tenants claiming housing benefit to pay rent to the co-op. It also appeared that it could be set up with little professional assistance.

The above options can be combined in a 'composite framework'. Not surprisingly this can be complicated but for us a combination of frameworks is very useful - A housing co-op to buy properties, a charity to attract money, and a company to enable trading. I have only looked briefly at the first three options described above. If you would like to look closely at these options you could look at the Collective Housing Handbook (see appendix 7) which would probably be a good investment anyway.

HOUSING CO-OPERATIVES: THE OPTIONS.

So it seemed that we had settled on a housing co-operative. However there are still a whole range of questions to be answered concerning the type of co-op you want to set up.

There are four main options:

1) Fully mutual or not?

Although at first this option looks very complicated, the decision,for us at least, was quite easy. Basically 'fully mutual' means that all the tenants of a co-op owned house must also be members of the co-op and have one vote each in its decision-making. People can become members without having to live in a co-op house although these should be looked upon as 'prospective tenants'. Non-fully mutual co-ops are usually very large with no specific relationship between membership and tenancy.

We chose to be a fully-mutual co-op as it seems to be a more radical structure as well as fulfilling our needs. We could make waged supporters of the New University Project dummy members to boost the collective income of the co-op membership (important to impress branch managers when applying for a mortgage). The structure allows you to remain small and gives the greatest potential for self-management. We would also be exempt from corporation and capital gains tax and security of tenure would be removed by being able to write into the occupancy or tenancy agreement (signed by all new tenants - see appendix 4) that the occupants share living space and do not have a 'separate dwelling'.In such a situation, legally speaking, you cannot have security of tenure and thus the co-op would be able to get a mortgage. The new housing bill may remove security of tenure for all fully mutual co-ops (see Introduction). Of course, under any other system this would seriously undermine the security of the tenants but in this type of co-op each tenant, being therefore also a member, is effectively his/her own landlord/landlady!

2)General Meeting or Committee to manage the co-op?

This is a choice regarding the decision-making and management structure of the co-op. Basically the difference is between making decisions with over half the members in a general meeting or a delegation of power each year to a committee.Although we thought originally that a committee structure would be best as we envisaged a lot of non-tenant members, we finally decided on the general meeting option for the following reasons:

- Our co-op was likely to remain small and committees seem useful for large co-ops (over twenty-five members),
- Management by general meeting is a simpler structure,
- It seemed more democratic.

In reality it seems there need not be a lot of difference. In the rules we registered we only have to have 'official' general meetings four times a year. In between these meeting the power to make decisons can be delegated by the general meeting to the tenants living in the co-op housing.

Consequently if you wish to have a few high waged people as members to help with 'respectability' on your mortgage application, you are able to assure them that they will not have to concern themselves with the day-to-day running of the co-op.

3)Co-ownership or Par value?

This question concerns what happens when it all falls apart and a decision has to be made who gains/loses from the co-op's profits/losses! Co-ownership means that each member actually individually owns a share of the co-op property (ie capital) and receives a share of the increased value of the co-op's capital if she/he leaves or the co-op folds up. With 'par value' each member only receives the amount that was originally put in; any surplus left must be donated to an organisation similar to the co-op.

The problem with co-owership is that when members leave the co-op they will usually take the share of the co-op's capital they own with them and thus any joining member will have to provide a sum of money to replace the capital lost to leaving members.It also seemed for us that the simpler arrangement would be where each member has a nominal 'par value' share of £1 and this would be the limit of their liability if things went wrong with the financial state of the co-op. Each member and any non-member would be able to loan money to the co-op at a rate of interest set collectively by the members. Apparently building societies like an element of co-owership before they give a mortgage but in our case this aspect did not seem to create difficulties. However the co-op bank who gave us our mortgage did insist on each member personally guaranteeing mortgage repayments (see page 32).

4)Whether or not to register with the Housing Corporation?

There seem to be two main reasons for registration. Firstly, as a public body, it gives you added credibility when applying for a mortgage and proof that you do not have security of tenure. Secondly, it can give up to 100% loans to buy a house and grants for repairs. However there are a number of problems;
- You lose some of your independence as the Corporation has several restrictive powers,
- You aren't necessarily accepted - it depends upon how together you can show yourselves to be in terms of financial matters, organisation, and future plans,
- There is, unsurprisingly, a decreasing possibility of getting public funding - though chances are greater in urban areas.

The Corporation will only register you if it decides it will fund you or only strictly on the basis of enabling you to avoid security of tenure. We didn't attempt to register, not least because it seemed to take a long time and a lot of effort and we thought that the declaration of 'shared space' would be sufficient 'evidence' to show that we did not have security of tenure. Of course you will need to register if you decide to try to get public funding, and even if you don't, registration of mortgage financed co-ops may, in time, help to influence the Corporation into understanding and helping this kind of co-op.

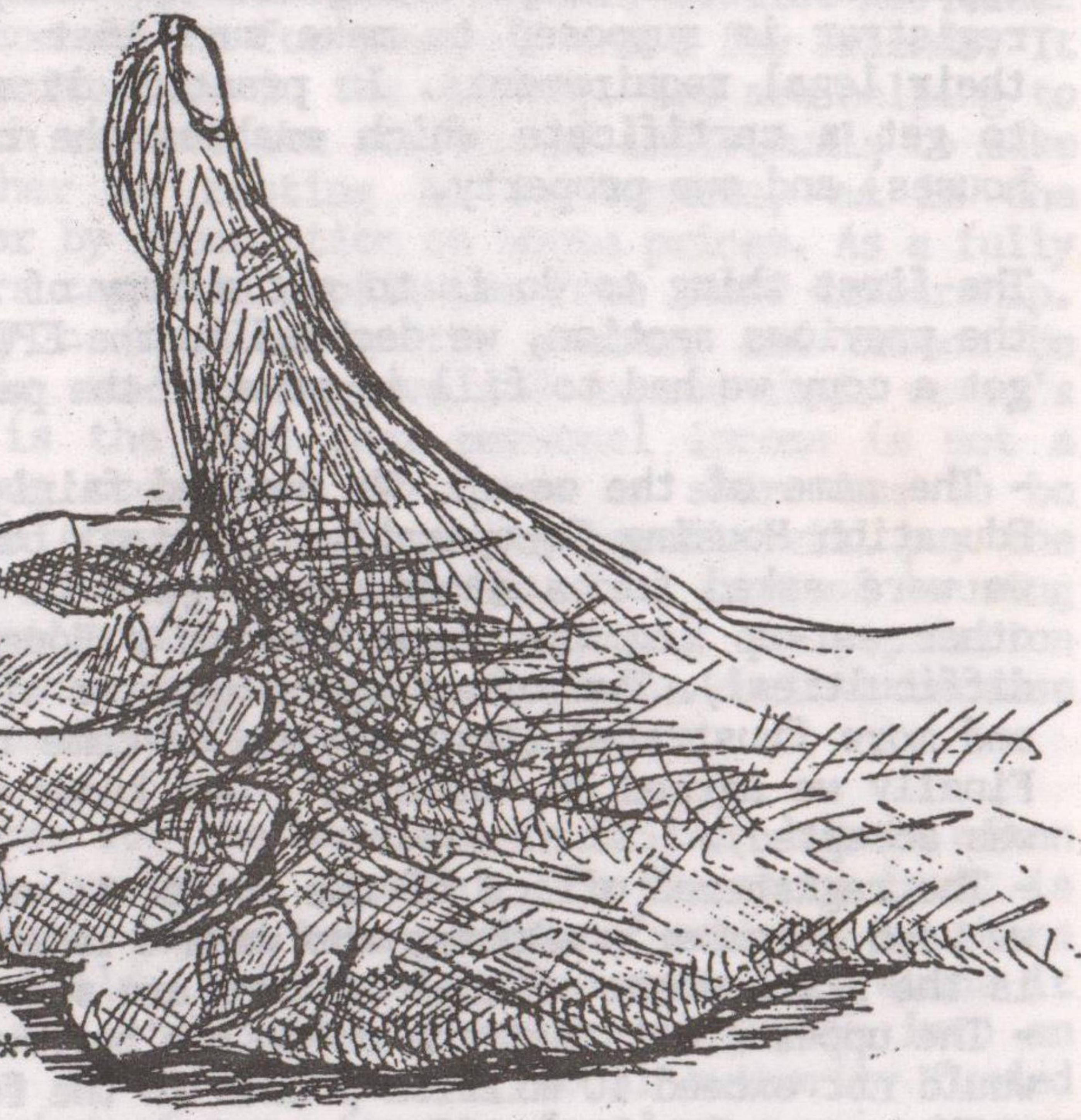
MAKING A DECISION.

We spent quite a lot of time trying to sort out these options in terms of what we wanted. The biggest problem seemed to be where to go for advice. Vague attempts were made to contact a citizens advice bureau and the local law centre but neither could come up with very much. Having got the addresses of two housing organisations, we found ourselves in a catch 22 situation - because we could not precisely explain what we wanted the people we rang up seemed unsure how they could help us. On one occasion (after several phone calls) I did manage to arrange an interview. However I failed to find the address but, by chance, bumped into the offices of another national housing organisation. I thought I was finally in luck when I met the director, who was just leaving for lunch, and, having explained my predicament, was invited to join him in a local pub. However I received little more than a lecture on the socialist implications of housing co-ops, a grilling on my ideas of claiming housing benefit and my decision to leave university - not actually what I wanted. Granted, for the first time in my life, I was offered a paid job, sorting out the organisation's archives in the basement. I later wrote to him, saying that I was too busy doing my own unpaid work to be paid to do anyone else's.

Things did not begin to look up until we received a letter from the Housing Corporation, in response to a number of questions we had sent to them .It seemed that the choice really came down to choosing between two sets of rules. Trying to write your own rules we soon realised was more trouble than it was worth and it was far better using an organisation's 'model rules' which had been accepted by the registrar many times before. Given that we wanted to be fully mutual and par value (everyone paying a pound), with the ability to attract loans, we could use one of two following sets of rules:
- 'National Federation of Housing Association's (mutual) 1981 rules' - which incorporate control by committee.
- 'Empty Property Unit FM10 rules' which provide for control by general meeting.

After some deliberations we decided to go for the EPU rules as:
- We were likely to remain small and a general meeting structure did not seem confining.
- The Empty Property Unit (EPU) was the first really helpful set-up we came across - refreshingly unbureaucratic, quite friendly and informal, with an explicit awareness of the political implications of housing co-ops. I never managed to see anyone at the National Federation of Housing Associations (NFHA) - perhaps something to do with the enormous size of their organisation (and office block!).
- Money confirmed it! To register with the EPU was £270 as compared with £375 with the NFHA. Since then costs have risen.

.....So we had decided our legal framework and structure. It is summarised below:
- Fully mutual, making it compulsory that all tenants are members, and without security of tenure (due to shared accommodation), thus enabling the application for a mortgage.
- Par value with each person having a limited liability of their £1 nominal share, but enabling acceptance of loans to co-op so that the cost of a deposit on a house could be raised.
- Run by general meeting with rules allowing delegation of decision-making to the tenants between meetings.
- Not registered with the Housing Corporation, but with the possiblity of registering at a later date.



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Of course what we decided may not be of use for your situation if you wish to set up a collective household. However if you are up to ten people who wish to live together (and possibly work together) with access to loans of about £1,000 per person, using these rules would save you a lot of time and effort. However we did not survey the whole area of collective housing options exhaustively by any means - the area of public funding was passed over quickly, as were ways of acquiring property with legal frameworks other than housing co-ops. Other frameworks and structures may be of greater use. For example:
- If you have a larger amount of money and are likely to be a fairly permanent household, co-ownership could be looked into.
- If you have no money for a deposit, you might look more closely at public funding.
- If you are a large group and envisage rapid expansion, management by committee might be advisable or even a different legal structure such as a trust.

If you do have doubts it would be best to consult other publications (see appendix 7) and go to see someone from one of the above housing organisations (see appendix 6). However, if you are satisfied (and excited!) by the possibilities of the structure that we used then you can get on with the next stage; registration...

REGISTRATION.

In order for the co-op to become a legal entity it needs to be registered with the 'Registrar of Friendly Societies' who is a public official (apparently) who keeps a register of non-profit making organisations. The registrar is supposed to make sure that these organisations stay within their legal requirements. In practice it seems to be a bit of a formality to get a certificate which enables the co-op to make contracts (ie buy houses) and own property.

The first thing to do is to get a copy of the model rules. As explained in the previous section, we decided on the EPU's rules 'model FM10'. Once we'd got a copy we had to fill in some of the particulars....

- The name of the co-op. We decided fairly early on to name it the 'New Education Housing Co-operative Limited' but on arriving at the EPU office we were asked for a second name just in case the name was used by some other set-up (eg the name 'Harrod's Housing Co-op' might run into some difficulties!). Two of us spent quarter of an hour getting gradually more and more frustrated about trying to come to a consensus on a second name. Finally we agreed on 'Asterix'. God knows why! (Fortunately the first name was accepted).
- The registered office of the co-op. As we did not yet have a bought house we used a member's address who wasn't intending to move to Birmingham. This is the place where offical letters are sent (eg. from the tax people).
- The upper limit that the co-op can borrow. We decided that our operations would not exceed 10 million pounds in the forseeable future.
- The name of a bank, 1% above whose bank base rate will be the limit of the rate of interest the co-op can offer to loaners (see chapter on loans). We decided on the Co-op Bank with whom we would have our account.
- The signatures of the seven original members and the signature of the co-op's secretary.The secretary has the job of co-ordinating the co-op's activities (eg calling general meetings) but at this stage in the co-op's development it is something of a formality.

A form is also filled in which goes off with the rules and the order of the signatures on both documents has to be the same, for some unknown reason. Once all this is done, and you've written out the cheque, the EPU will send everything off to the registrar to be registered under the Industrial and Provident Societies Act 1965. The cheque is made out to the EPU and it can be entered as a debt to the co-op once it is registered so the person paying can get their money back. Half the money goes to the EPU to help finance the updating and creation of new model rules and give advice and service to newly forming co-ops. The rest seems to go to the registrar presumably to look at the rules and say 'oh yes, model FM10, they're okay' and put a stamp on a certificate!

It usually takes 5-10 weeks for a co-op to be registered but it only took us six weeks. In the meantime there are several things to be getting on with. In particular - raising the money and looking for a house.

FINDING THE MONEY

Even if you're a City chartered accountant it wouldn't be the easiest thing in the world to get a 100% mortgage (ie get a loan to cover the whole cost of a house) so you won't be surprised to find that it's no easier for a bunch of unwaged ex-students! This raises a potentially grave problem - how are you to get the money to fill the gap between the mortgage and the price of the house. Most lenders will give mortgages up to 80-90%. This means finding 10-20% of the price of a house yourself. We were lucky in so much as we started out with £4,000, promised as loans and donations to the trust. We asked the supporters to make their cheques payable to the co-op and when the time came to pay we had raised enough.

The main form of financial support we had was in the form of 'loan stock'. This is simply where an individual or organisation makes a loan to the co-op as a legal entity. Members as well as non-members are able to do this.You cannot have an account for the co-op before it's registered so we gave potential lenders a form in which they would 'promise' to loan a certain amount when it was needed on six weeks notice of a request. After registration we sent out a photocopy of lender's forms with the requests for payment and, having received the cheques, sent back an 'external loan stock certificate' (see appendix 3) with the details of the loan on it. The certificate is a guarantee of the loan's conditions (like a receipt or bank book). We kept a photocopy of the certificates for our own records and marked down the details in a 'loan register' book and the amount of the money received in a 'bank cash book'.

There are basically two variable characteristics of a loan.

1. The rate of interest. Most loans are given on the understanding that, each year the loan is kept, a percentage of the original sum will be added to the debt. This interest can be a set amount - eg 4% a year - or it can be linked to some index. An 'index' is a variable rate which is linked to some movement in the economy such as the rate of inflation - sometimes more formally called the 'retail price index'. If an interest rate is equivalent to the retail price index, then the real value of the loan will remain the same. Our co-op rules allow us to offer interest up to 1% over the bank base rate of the Co-operative bank (usually around 10-12%). As most commercial rates of interest are around 7-8%, our co-op is legally able to offer attractive financial offers to raise funds. Interest is paid, as with the mortgage repayments, through charging rent to the tenants. If the rent is high enough then the loans can be paid off over a number of years and/or the co-op can raise new loans to pay off old ones or to raise the deposits on new property.

There are a few points to note:

- Although the co-op pays no tax on the money it raises from rent, lenders are taxable on the interest they receive or are owed if their overall income is eligible for taxation. However if a loan is to be repaid 'with increased capital in line with the retail price index', no tax has to be paid. At the end of each year the co-op has to give to the Inland Revenue (tax revenue) the names and addresses of all the lenders that have received, or are owed, interest . But the co-op can still offer an interest rate which even after being taxed is well above inflation (4-5%). In fact, for people who do not pay income tax (ie low income groups), it makes more financial sense to invest in a housing co-op than a building society as in the latter tax is levied on all savers before they receive their interest.

- Problems may also arise if there is a great inequality in the amount different members of the co-op have loaned. There may be a tendency for the richer members to assume that they should have more say in co-op affairs. Consequently it would be wise to try to avoid such a situation, although this may be difficult. Another potential problem is that if you borrow from relatives or friends you may find that you enter into an awkward dual relationship with them and thus some co-ops try to keep an arm's length between borrowers and lenders. However, it might be my naive idealism, but I feel that personal contact between the two groups could be very valuable - not least in being able to assess each other's monetary and non-monetary needs when considering an alteration in the amount or condition of a loan. It is only through the growth of mutual trust between individuals that many of the constraining rules and laws of our impersonal economy can be bypassed.

Our co-op began by offering a zero rate of interest and one which would be equal to the retail price index, made payable each year on December 31st. Since then we have given the loaner the choice of choosing a rate between zero and 7% (or up to 3% over the rate of inflation). This arrangement means we can cater for close supporters of the co-op who do not want any interest and lenders who would like a commercial return on their loan.

- A last problem is the reponsibility and complexity of dealing with other people's money. Instead of simply making monthly repayments of a mortgage you will need to keep a close watch on the details of all your loan stock. However with adequate attention it should not be too difficult to master the process and for many (like us) loan stock is the only main quick way of raising the deposit on a house. This method also has great potential for creating a source of credit for socially useful and community orientated enterprises and thus reducing dependence on the multinational financial institutions (see chapter on 'The Implications and Potential of Housing Co-ops').

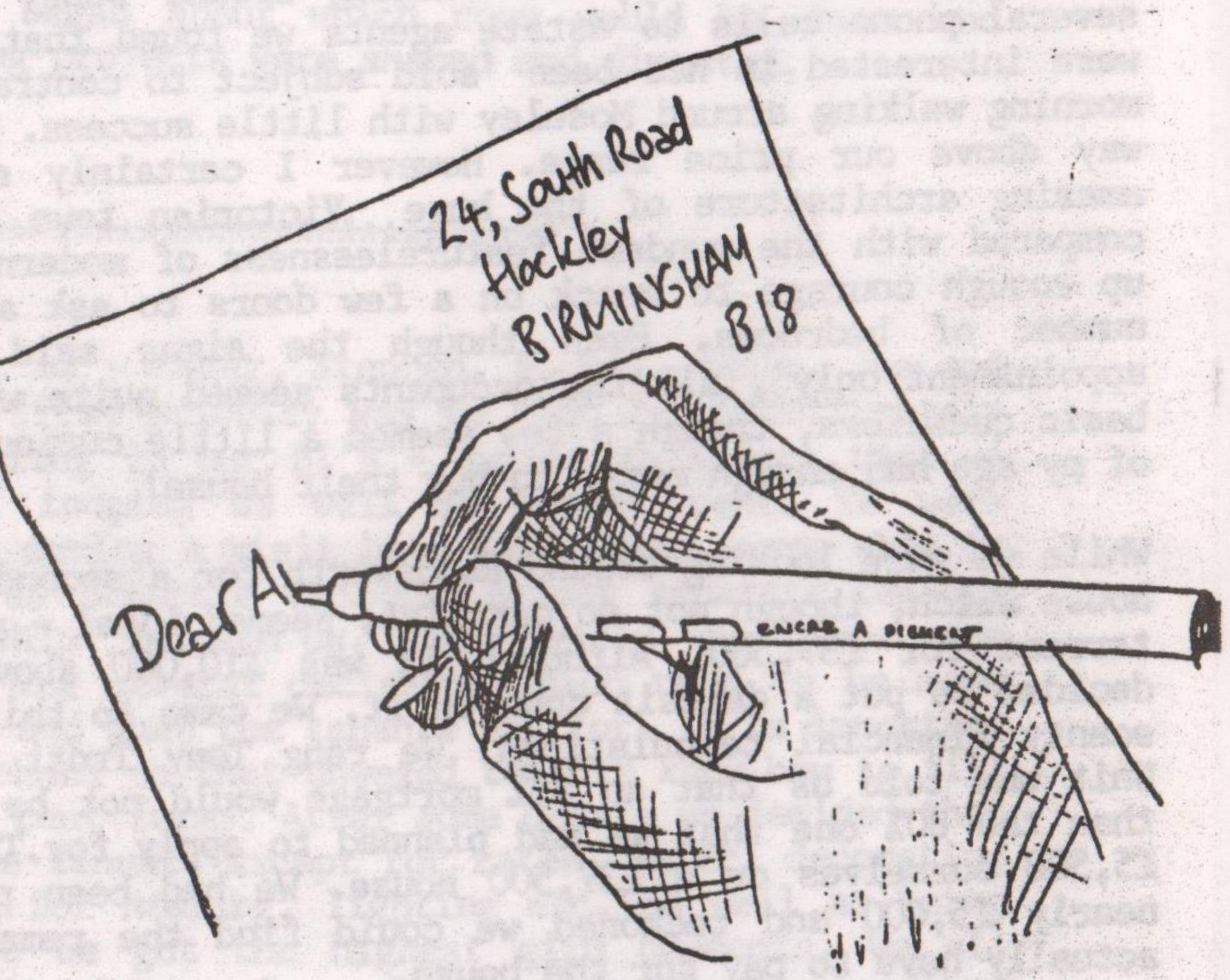
2. As well as setting a rate of interest, the conditions of the repayment of a loan has to be decided upon. There are three main ways;
- repayment after a specified period of notice, eg 'repayable on two months' written notice'.
- repayment on a fixed date, eg 'repayable on the 23rd June 1988.'
- repayment to an agreed schedule eg 'repayable in three equal instalments at yearly intervals after December 31st 1989'.

With large loans it is best to have different conditions for separate parts so that you, as the borrower, know that you are not going to have to pay back umpteen thousand at short notice but at the same time the loaner knows that at least some of his/her money is easily accessible. It is also preferable to have many small loans so that you are less likely to experience a coincidental concentration of requests for repayment. As the

rent starts coming in and the mortgage gradually starts to be paid off the financial situation of the co-op should improve enabling it to give loaners greater accessiblity to their money. We have found that, at the beginning, it is helpful to know how likely it is that loaners will want their money back (or renew their loan if it is to be repaid on a specific date) as this helps in forecasts of the future financial situation of the co-op when trying to decide when, for instance, to buy a second house. Our co-op began by offering loan stock which would be repaid on a specific date or at 2/3/4/ months notice. Now we give the loaners the choice of when they would like to have their money back. They simply need to write to the secretary of the co-op, but the period of notice needed increases with the amount to be repaid (eg one week for up to £100; one month for a £1,000). See appendix 2 for our loan stock application form.

Of course the co-op can also accept donations. We received several hundred pounds of donations and interest free loans which are effectively the same. It is also possible to buy the whole of a house with loan stock though individuals do not qualify as lenders for the purposes of government subsidy on interest payments. Loans to the co-op, however, can be made by institutions as well as individuals. In the case of charities, it is possible that you could offer them a higher rate of return than other forms of investment, particularly if you were to ask for a mortgage. Many of the radical ones might be willing to invest their funding ethically in something such as housing co-op so it may well be worth putting some energy into this area.

While you're working out strategies to scrounge money off parents, friends, and distant great aunts, you can begin thinking about the more pleasant prospect of choosing a house.



LOOKING FOR THE HOUSE.

This is the exciting bit! It's amazing how your interest in houses rockets as soon as you know there is the possibility of buying one. Before a 'for sale' sign was just another mundane feature of the street. Now it becomes something to be constantly on the look out for. After a few weeks of searching you find yourself standing outside a house saying in an authoritative, self-confident voice, 'I'd say 40,000, perhaps forty-five - with five bedrooms'. At least that's what happened to me. I've always known I've had a bit of the possessive capitalist streak in me and looking for a house certainly brought it out. It's easy to see how money and an expansionist mentality can come to dominate so many people's lives. However if you keep reminding yourself of the principles behind your co-op you should be able to resist the temptation to become a property speculator!

The first thing to do when looking for the house is to decide the area in which you want to live. We made the mistake of writing to the hundred and thirty estate agents operating in Birmingham without deciding first the area of the city we wanted to live in. After talking to several local people and visiting the places it soon became clear that the choice was between Moseley and Handsworth. We wanted a large five bedroomed house at as cheap a price as possible and both these areas had a lot of this sort of housing. At the end of June we fixed a date to go and look at the various possibilities we had received information on. Six of us were supposed to have met at a friend's house in Handsworth - only three turned up due to illness, getting lost, and a tractor which had got stuck crossing the London to Birmingham railway line. It was not our most well attended gathering! After a day of walking around sunny Handsworth and making several phone calls to estate agents we found that most of the houses we were interested in had been 'sold subject to contract'. I spent the next morning walking around Moseley with little success. Most of the houses were way above our price range. However I certainly enjoyed looking at the amazing architecture of the huge Victorian town houses - so impressive compared with the mundane featurelessness of modern housing. I also built up enough courage to knock on a few doors to ask about the price and the number of bedrooms. Even though the signs said 'viewing strictly by appointment only', all the occupants seemed quite willing to answer a few basic questions, though a few seemed a little curious to know how a person of my age had enough money to buy their house!

While we were looking around Handsworth for a second time we bumped into a house which, though not on our list, seemed ideal - a large seven bedroomed terrace for £37,500. Although it was £10,000 above our price limit we decided to put a deposit down on it. We came to this decision after a few scanty financial calculations. We rang Tony Trott of the Empty Property Unit who told us that an 85% mortgage would not be more difficult to get than the 80% one that we had planned to apply for.This would mean raising £5,500 ourselves on a £37,500 house. We had been promised at this stage nearly £5,000 and reckoned we could find the remainder before we would actually have to pay for the house.

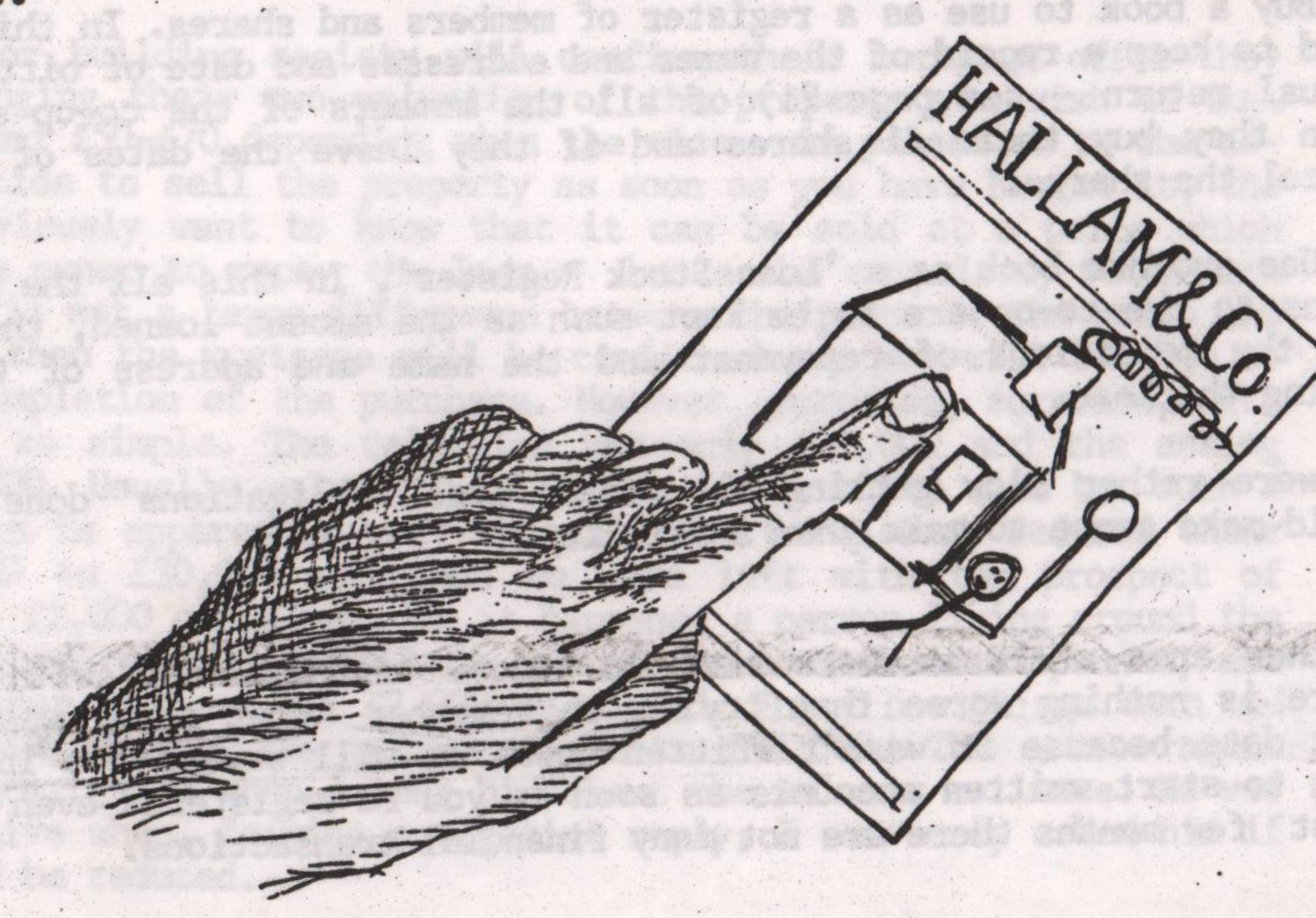
We now paid a deposit (not to be confused with the deposit which makes up the difference between the mortgage and the cost of the house) to the

seller's (usually called the vendor) estate agent to make the house 'sold subject to contract'. This means that it is effectively taken off the market though it is possible for the vendor to sell it to someone who puts forward a higher offer or for you to decide you are no longer interested, in which case the deposit is paid back. It is usually around £250.

The main problem with us was that, having made the great decision to 'go for it', we realised that none of us had any money on us. In June houses are bought up very quickly and we were dreading someone else putting down a deposit before us and having to start looking again. After a few begging phone calls one of our parents agreed to send a cheque first class to the estate agents. Two days later it was a relief to ring the estate agents up and be told that the cheque had been received and the house was sold to us 'subject to contract' - the first part of the buying process was completed. We put down the £250 deposit before we were registered as a co-op. This is no problem and the co-op can pay back the person who paid the money after it is registered.

If we were to go though the process again we would go to the area first, note down the addresses of estate agents who had 'for sale' signs up in the locality, and go and get put on their mailing lists. If you give details of the house you want (ie size, area, price range) then the estate agent will send you pamphlets on any houses which come up for sale which you might be interested in. At any one time there should be plenty of possibilities on sale unless you want something a bit rare (like a castle!). If you adopt this method you avoid wasting time writing to lots of estate agents who don't operate in the locality you're interested in.

Once you have put down your deposit you need to apply for a mortgage (if you haven't already done so) and hire a solicitor. But before we deal with these matters, there are several things to be done once you are registered....



AFTER REGISTRATION.

We got our rules returned to us in six weeks after sending them off to be registered. A little certificate was stuck to the back page with our register number on it.

Once registered you need to do the following:

1) Order some headed paper. It needs to have on it the name of the co-op in full (ie. including 'Limited' at the end) as well as the register number. Most printers do headed paper though you can of course design your own heading. Being short of money we decided to have a cheap straightforward design. The headed paper should be used for all offical co-op correspondence (eg. with solicitors, banks, estate agents etc.).

2) Open a bank account. The full name of the co-op must be used and you can have more than one account (ie a/c 1, a/c 2 etc.) We opened a current account with the co-op, giving easy access to the savings and eventually we got a cheque book and a paying in book. Once your account is opened then you can start asking people to pay the money they've promised.

3) A plaque with the name of the co-op on it should be put above the door of the the registered office and any co-op owned property.

4) Buy a seal. This needs to have the full name of the co-op on it and can be obtained from major stationers (eg. Oyez). We made the silly mistake of getting a rubber stamp which is unacceptable for offical documents (eg. contracts, guarantees of the mortgage) which require the paper to be embossed with a seal.

5) Buy a book to use as a register of members and shares. In this you will need to keep a record of the names and addresses and date of birth (for the annual return - see page 21) of all the members of the co-op and a note when they buy their £1 shares and if they leave the dates of when they cancel the shares.

6) Use another book as a 'Loan Stock Register'. In this all the details of loans to the co-op are to be kept such as the amount loaned, the interest and the conditions of repayment and the name and address of the person making the loan.

We were rather slow getting all these 'legal obligations' done - but it would make sense to make them a priority.

Another area where we were slow to become organised was with accounts. There is nothing worse than trying to remember what money was spent on what date because it wasn't written down. It will save you a lot of time then to start written accounts as soon as you're registered even if in the first few months there are not many financial transactions.

Basically all you need to do is to keep records of the money you receive and spend. There are two records to be kept;

- A bank cash book. In here the details of the money put in and taken out of the bank account need to be kept. Usually the details are laid out as below:

DATE	DETAIL	TOTAL IN	RENT	OTHER	DATE	DETAIL	CHQ NO.	TOTAL OUT	LOAN REPAY.	RATES		INS-URANCE	MAINT-ENANCE	PURCH. PROP	OTHER
1987					1987										
1 May	LOAN REC'D	9,000		9000	20 May	PURCH PROP	001	9000						9000	
2 Jun	RENT	320	320		22 May	LEGAL FEES	002	190						190	
16 Jun	RENT	320	320		5 Jun	RATES	003	110		110					
30 Jun	RENT	360	360		17 Jun	INSURANCE Co	004	150				150			
					18 Jun	Building materials	005	95					95		
					30 Jun	Lender	006	200	200						

The date, detail, and amount of money going into the acccount is put on the left hand side of the page under 'incomings'. Money taken out goes under 'outgoings' on the right hand side. The columns after 'total in/out' are for writing the amount again under an appropriate heading eg rent, loan etc - or if there isn't an appropriate heading, under 'other'.

- A petty cash book. For small transactions you need not use the bank cheque book but use money obtained by cashing a cheque at the bank. This is done by writing 'pay cash' on the cheque. With this 'petty cash' you can buy small items such as stationery. We have a 'petty cash book' and all money put in and taken out must be written down in the petty cash book. It is laid out in actually the same way as the bank cash book, as shown below:

DATE	DETAIL	TOTAL IN	FROM COOP A/C	OTHER	DATE	DETAIL	RECEIPT NO.	TOTAL OUT	STATIONERY	MAINT-ENANCE	OTHER
1987					1987						
1 May	£1 Shares	7		7	1 July	STATIONERY	1	4	4		
1 July	CO-OP A/C	10	10		5 July	paint	2	5		5	
18 July	CO-OP A/C	20	20		18 July	Shelves/brackets	3	6		6	
5 Aug	CO-OP A/C	15	15		1 Aug	furniture	4	15			15
					6 Aug	Stamps	5	6.20	6.20		

Once you get into the habit of doing the accounts there should not be too many problems. However once a year the co-op will have to present a 'annual return' to the government. This is a complicated form and has to be checked by an accountant who is an auditor if the co-op's annual turnover is above £4,500. It includes an 'income and expenditure account' which has details of all the incoming and outgoing moneys of the co-op as well as details of money the co-op owes or is owed. There is also a 'balance sheet' which records the financial situation of the co-op at a point in time. We need to make up these documents by 31st March , recording the co-op's financial affairs during the previous year up to December 31st. Because of the complexity of this business (I'm still far from clear about it) you need to find a sympathetic accountant.

GETTING A MORTGAGE.

If you think this is the part where you think about having a hair cut, getting out the suit you haven't worn for years and brushing up on the art of polite conversation, you won't be far wrong. Our great british financial institutions still seem to believe that the security of their money is proportionate to the social status of the borrower. As we found out, the main problem is not so much their desire to maximise profits (on that account we're a good investment) but a bureaucratic inertia which equates 'new' with 'risky'. Anything which does not fit neatly into traditional categories is treated with extreme caution and assumed to be unviable. Such is the experience of many housing co-ops. However, compared with the years of negotiation which the pioneering co-ops, looking for this type of funding, had to go through, we had an easy time of it.

It seemed that there was no one way of approaching building societies and banks for a mortgage though we were advised to send a one page letter to the several building societies who had funded co-ops in the past such as the Halifax, Abbey National, and National and Provincial. There are people in these institutions who deal with these sort of cases and we were given several names and addresses from the Empty Property Unit (which has now produced some useful notes on the whole process of getting a mortgage). What a building society or bank will basically want to know before they give a response is who you are and what you want from them. In our letter we wrote;
- the occupations of all our members,
- our aggregate yearly income,
- information about the house we want to buy. If you haven't put down a deposit on a house, choose one which represents the sort of thing you would want and say you intend to buy it. You can always change afterwards,
- the cost of the house and the amount you want to borrow as a mortgage,
- an estimate of your yearly outgoings and a calculatiorn of weekly rent,
- a statement saying that we were in the process of registering and that the tenants would not have security of tenure,
- the registered office address,
- a request to meet and discuss the matter.

Below is a copy of the letter we sent.

11A, St.Quintin Ave.,
London W10.
Tel: 01 960 5773.

Dear Sir/Madam,

I am writing to you in my position as secretary of the New Education Housing Co-operative Limited. The co-op has seven members at present; a business-woman, a teacher, a courier, two graduates, and two unemployed people.

Our aggregate income yearly income amounts to £53,000.

We intend to buy our first property on Park Avenue in Handsworth. It is an absolutely superb, very large spacious double fronted detached house from the Victorian period.

The magnificent rooms run into three floors with a one-time billiards room on the second. There are four bedrooms and four other living rooms. The majority of these rooms are completely original and unspoilt.

The property has a very well maintained new roof, chimney stacks, and a new tarmac drive at the front. We have an unequalled opportunity to acquire a great house at a very low price.

The property is freehold.

Since the house is on the market for £30,000 we would like to apply for a mortgage of £24,000 with the remainder to be made up from amongst our own resources.

We estimate our yearly outgoings as follows;

	£
Mortgage repayments with MIRAS Tax relief	3000
Maintenance	250
Insurance	100
Rates, water etc	600
Capital reserve	700
	4650
Voids allowance (4%)	186
Total annual outgoings	4836

Thus the rent per month would be £80.60 (equilavent to £18.60 per person per week).

We have not been able to find any direct comparisons because of the high quality of the shared accommodation we will be providing. However we are satisfied that the cost rent calculated above is within fair rent levels.

We are presently going through registration as a fully mutual housing co-op with the Register of Friendly Societies. Under the rules we are adopting, only members of the co-op can be tenants. There will be no case for security of tenure as there will be individual tenancy agreements stressing the shared aspect of the accomodation.

Registration will be completed by early August. The registered address will be 278, Battersea Park Road, London SW11.

We would like to come and discuss our borrowing requirements with you and will phone you in two weeks to arrange this.

Yours faithfully,

The mortgage payment was calculated for us by the Empty Property Unit; insurance and maintenance were estimated; rates, water etc were taken from the estate agents pamphlet (as was information about the house). The capital reserve is the amount put aside each year for structural house repairs - again it was an estimate (should be between £500 and £1,000). Voids is another sum put aside in case a tenant leaves and a replacement is not immediately found. This money covers the loss of income during the time when there is no tenant and should be calculated as 4% of the total of all the other yearly outgoings.

We sent four of these letters and received a phone call from the Abbey National who seemed quite enthusiastic so we decided to concentrate our energies on them and not bother to contact the rest. In retrospect this was a mistake and if you have the time and energy it would be a good idea to pursue several building societies and banks. You can always choose between them later.

Once you get a reply which is not totally negative (ie. 'no'!) your next step is to send fuller information and request a meeting. In our case the Abbey National head office, to which we had written, advised us to approach our local branch manager. We did this and got an interview three days later at which we handed over the fuller information. As I said, there does not seem to be any standard way of going about this process and a visit to 'your' local branch manager or the EPU would be fruitful in terms of getting advice.

By the time we had our interview we had been registered, had put down the deposit on the house in Handsworth, and the place had been surveyed. Our new letter is laid out below.

103, Grosvenor Ave.,
London N5,
Tel: (01) 226 0855.
19/9/86.

<u>Application for a mortgage.</u>

The New Education Housing Co-operative Limited (hereafter refered to as the co-op) has eight members.

Margaret Prager of 22, Marcilly Road, London SW18 who is a lecturer;
Stephen O'Brien of 46, Valette Road, London E9 who is self-employed;
Dr. John Hurdley of 27, Periera Road, Birmingham B17 who is a consultant for the West Midlands Health Authority;
Nickie Hallam of 10, Hurst Road, Oxford who has just graduated this summer in geography from Oxford Polytechnic;
Rupert Harwood of 14c, Marischal Road, London SE5 who has also just graduated this summer in history from the London School of Economics;
Joseph Collins of 1, Jurby Ave., Manchester M9 who graduated last year from Imperial College in physics
Roger Hallam of 103, Grosvenor Ave., London N5 who has just completed a year of voluntary work;
Andrew Duncan of 48, Seymour Gardens, Ilford, London who is presently unemployed

Our aggregate income is £53,000.

The first property we intend to buy is a £37,500 house at 24, South Road, Hockley, Birmingham and we shall require a mortgage of £32,000. In the words of the estate agents, this spacious dwelling is "constructed in traditional brickwork with full height rendering (with) characteristic ground and first floor bay windows...offering excellent accomodation, it briefly benefits from 7 bedrooms, 3 reception rooms, extended kitchen, upstairs bathroom, large cellar, gardens, and 2 garages. It has been well maintained by its present owners but has also benefited under the recent local authority envelope scheme which provided a new roof and new boundary wall."

Further details can be obtained by reading the enclosed pamphlet of the estate agents. We have already put down a £250 deposit on the house and will be providing the remainder of the price of the property, not covered by the mortgage from amongst our own resources. We already have had a survey done of the property by Mr. P. Simpson BSc C.Eng M.I.C.E. A.C.I.Arb. which showed it to be in 'good condition'.

We estimate our yearly outgoing to be;

	£
Mortgage repayments with MIRAS rax relief	2952
Insurance	100
Maintenance	200
Rates	644
Water charges	50
Sewerage and enviromental	70
Initial repairs (materials only)	600
Capital reserve	500
sub-total	5116
Voids (4% of sub-total)	205
Total	5321

(The estimated rent per month per tenant with 7 tenants will be £64; £14.62 per week).

The co-op is registered under the Industrial and Provident Societies Act 1965, and its register number is 25357R. A copy of the rules has been enclosed. The registered address of the co-op is 278, Battersea Park Road, London SW11.

The co-op is fully mutual and eligible to MIRAS tax relief on the mortgage. In the event of a tenant being without paid employment he or she will be entitled to claim housing benefit to pay the rent (paragraph 7 of the Housing Benefit Regulations 1985).

As we will be living as a single household we will not become a "house of multiple occupation" (section 345 of the Housing Act 1985). Our occupancy agreement, a copy of which is enclosed, does give tenancy to separate dwellings" (section 79 of the Housing Act 1985) and therefore we will not create security tenancies. Details of the legal aspects can be obtained from Tony Trott of the Empty Property Unit, - 88, Old Street, London EC1V 9AX. Tel: 01 253 0202.

All corespondence should be made to Roger Hallam, 103, Grosvenor Ave., London N5 (tel; 01 226 2951).

You may have noticed that the two letters we produced have certain set phrases. These are supposed to impress the financial world. 'Aggregate' income instead of 'collective', 'our first property' to imply there'll be more, 'amongst our resources' implying that we've got lots of them. We obtained details of the various Acts from the EPU and included them because of the unfamiliarity of building societies and banks with co-ops' eligibility to claim MIRAS and remove security of tenure.

Together with the letter we included in our 'pack' a photocopy of the co-op rules, an occupancy agreement (see appendix 4) and a pamphlet about the house from the estate agents (while we were in Birmingham we had got ten copies).

Going to see the bank manager was a nerve-racking affair. Rupert and I both arrived early and we spent a tense fifteen minutes sitting outside the branch going through all the possible questions we could be asked - it seemed like waiting to go into an exam. Matters weren't helped when Rupert dropped the posh plastic folder (specially bought for the occasion) with the documents in, and a gust of wind very nearly blew it under the wheels of a passing lorry! I don't think the manager would have been too impressed with a huge dirty tyremark over our material.

In the event we only had a short and fairly amicable interview. Basically the manager said he was unfamiliar with the sort of arrangement we were proposing (surprise surprise) but he seemed hopeful. The strangest thing was his concern with the level of our aggregate income. He could not really understand why the person with the highest income did not simply buy the house as an owner-occupier. It soon became clear that he believed the only reason for buying property was to make the best investment for an individual.

It seems that building societies are so used to dealing with owner-occcupiers that they still insist on using the same criteria for assessing co-ops' applications even though the criteria are quite irrelevant! When deciding to give a mortgage to an owner-occupier it makes financial sense to know his/her income as it is this money that will pay off the mortgage. With a co-op the income of individual members is of no consequence because low or unwaged tenants they are eligible for housing benefit. The fact that many financial institutions seem unable to grasp this fact must mean that they are incredibly rigid and blind in their thinking or hold an unacceptable prejudice against low income people, assuming that any scheme they propose must be unviable. Hoping to get a mortgage as soon as possible, we did not make a fuss about this and played the game of putting details of members' occupations on the letters and assuring the manager that the unwaged people were looking for jobs. We also took the precaution beforehand of making sure there were some high income people on the co-op to boost the aggregate income. They would leave the co-op once a mortgage was obtained.

There are, however, several arguments which should be used as well as the housing benefit one which, now we know the system a bit better, we will use if we buy a second house. Many building societies give mortgages to newly wed couples and yet this is comparatively very risky. Repayments could be difficult to keep up with if:

- the marriage breaks up (one in three)
- the main wage earner is made redundant and there is no housing benefit to fall back upon.

42% of mortgage defaults are caused by marital breakdown; 37% from loss of main income. In contrast with a co-op:

- repayment will come from several incomes
- leaving members are unlikely to affect the repayment as new tenants can move in
- the co-op keeps accounts and they are checked annually to make sure money is properly used,
- unlike a landlord-tenant situation every member-tenant is responsible for mortgage repayments and therefore unlikely to sabotage their own home.
- Each tenant signs an occupancy agreement which enables the co-op to take legal action against any member who breaks the contract.

What is important then is that you have enough money to pay the deposit, that the estimated rent is not higher than the housing benefit payments in the locality (which, with the new government regulations, may well be higher than the registered rents in some areas),and, provisionally, you have enough members willing to live in the house once it is bought. If you can raise the aggregate income of the co-op by taking on high income dummy members then, while the building societies are stuck in their old ways, it seems a worthwhile tactic. However it should be remembered that you are in a very strong position to argue that the aggregate income is not important and a mortgage given to a co-op of unwaged members is secure.(Martin Jeff's book 'Mortgage finance for co-ops', chapter seven, gives more detailed arguments.)

Well, for us the interview was the beginning of a two month wait before we got a firm reply as to whether they would give a mortgage. They kept us hopeful by asking us to fill in various mortgage application forms as individuals and even interviewing our highest wage earner. The second part of the tale of getting our mortgage is told in chapter 12. Before then it is necessary to look at the things that need doing once you have put down your deposit. As well as applying for a mortgage and gathering in money for the main deposit you need to hire a solicitor and have a survey done.

SURVEYS AND SOLICITORS

If you find the perplexing bureaucracies of the financial world strange to deal with, then you'll probably find the ways of solicitors equally weird not to say frustrating. It is possible to buy a house without a solicitor as the work in essence is fairly mechanical but then its amazing how complicated it can be made to seem to an outsider.

When a house is transferred from one owner to another the technical word for the process is 'conveyancing'. A conveyancer's job is to check out the contract which exchanges ownership (ie. to check that the seller can actually sell the house), to prepare the deed of ownership and to arrange the completion of the sale. This job is usually done by a solicitor and as soon as you have paid the £250 to the estate agents, they will wish to know who your solicitor is. Finding one involved ringing up for a few estimates. Below is an example of a letter we got back from one enquiry.

Dear Mr Hallam,

CONVEYANCING QUOTATION.

We write to confirm our telephone conversation of today's date when we gave you the following quotation for possible conveyancing work on your behalf:-

Purchase Price of Property	£37500
Mortgage of between	£30000 to £32000
Solicitor's Costs	£200
VAT @ 15%	£30
Local Research Fee	£14-40
Land Charges Land Fees	£1-00
Registration Fee	£85
Postage, Telephones etc	£11-50
	£341-90

In addition there is Stamp Duty on the property over £30,000 at the rate of 1%, therefore stamp duty in this case is £375, which should be added to the costs of £341-90, making a total cost of £716-90, inclusive of all disbursements.

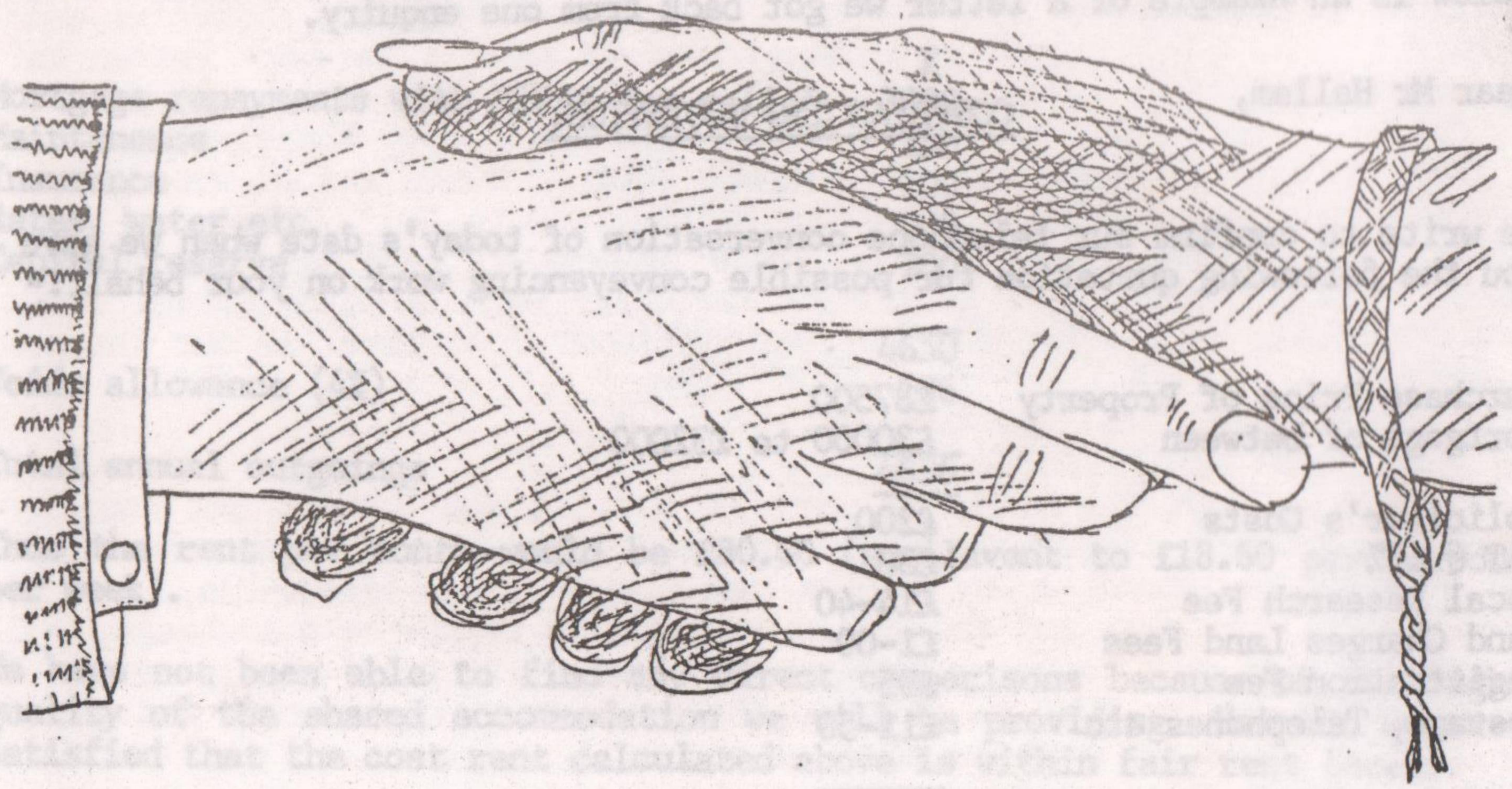
We look forward to hearing from you, with your instuctions, if you find the above acceptable.

Yours faithfully,

As a rule of thumb the price should be about 1% of the purchase price of the house you wish to buy (though buying a house over £30,000 involves the extra cost of stamp duty.)

We decided to use the solicitors of Friends of the Earth who seemed sympathetic to the ideas of the New University Project. A £50 deposit had been given beforehand and the rest was due on the completion of the sale. Unfortunately the solicitor we used was away a lot and then ill and our case had to be given to another in the firm which no doubt led to the many delays and complications we were later to experience.

Having a survey done is, in principle, a fairly simply matter. A survey will let you know if there is anything which is structurally wrong with the house. It is therefore important that you have this checked as soon as possible before you get deeply into the process of the purchase. It is of course of interest to a building society or bank to know whether a house they give a mortgage on is going to fall down in six months time! Again you need a professional to do the report. A standard survey will cost between £60 and £100 while a full 'structural' survey could run into several hundred.Using our contacts we managed to get a sympathetic surveyor who didn't charge us anything.



ANOTHER THREE MONTHS

If this was a theoretical guide to house buying, telling the reader what in principle should happen, then the booklet would now be drawing to a close with just a few notes about getting a mortgage offer confirmed, the routine mechanism of exchanging contracts, paying the money and collecting the keys...Not so with us!

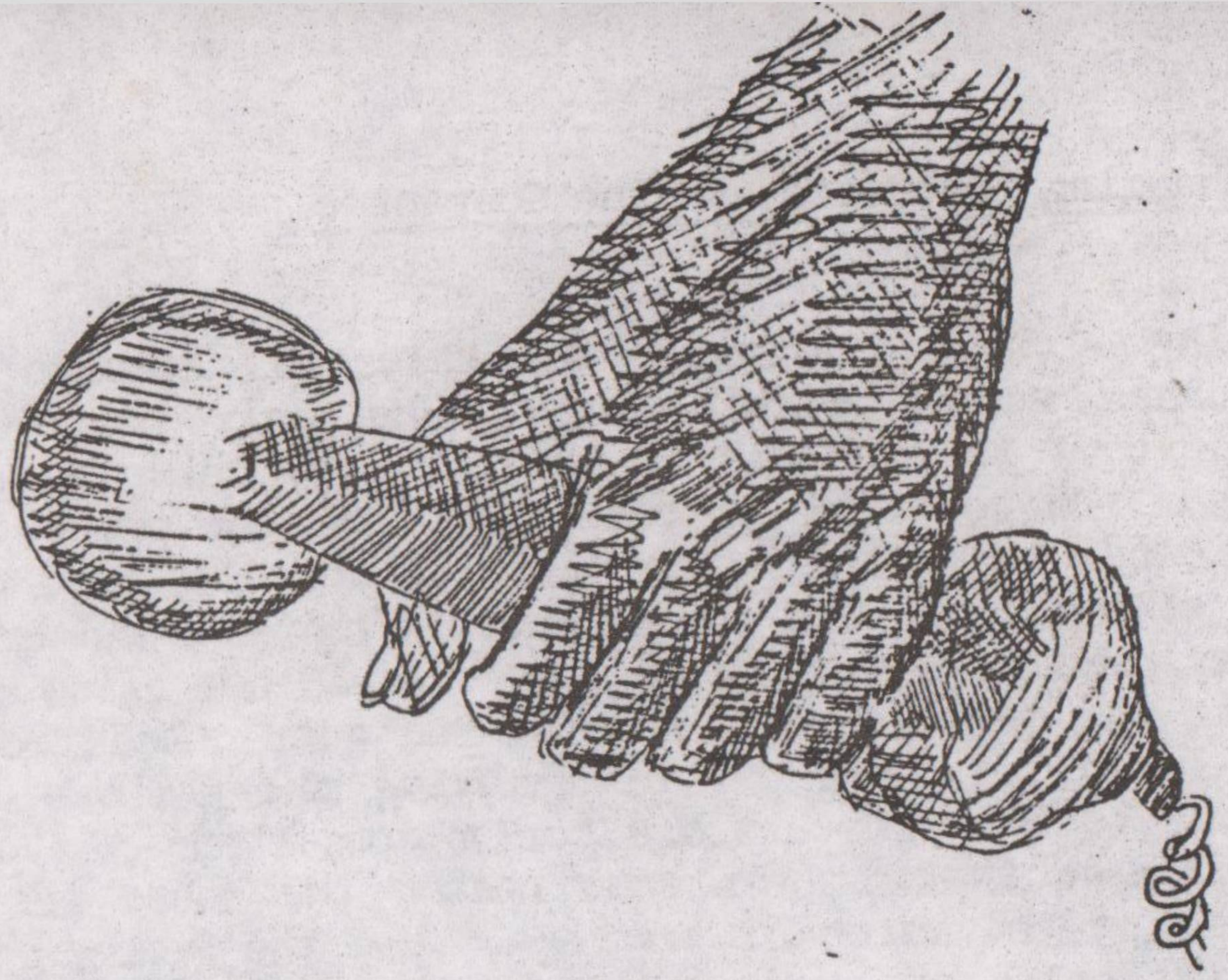
During the two months of August and September we were kept waiting by the Abbey National. We naively believed that nothing was wrong and that in days we would be offered a mortgage - perhaps we didn't think about the consequences of being turned down as they seemed too terrible. Well you'll never guess what - yes one Friday morning I rang the branch manager to be told, 'I'm afraid we don't have sufficient funds at the moment, Mr Hallam. Perhaps you could try again in the New Year.' My stomach jumped into my mouth and I had a nauseating 'I've just failed all my exams' feeling. There we were at the end of September with the solicitor's work nearly completed and the vendor expecting to move out on October 1st, having to start all over again with trying to get a mortgage!. After recovering from the initial shock of having waited for two months only to be turned down, it soon dawned on us that unless we got a mortgage very quickly we could easily lose the house. That might have meant another four months work. Mr Stone, the vendor, had had several other offers from people who had got mortgage offers secured and was of course under pressure from the vendor of the house he wanted to move into to provide the money. The EPU seemed as surprised as we were that we were turned down but advised us to go in person to building societies and banks in Birmingham. We spent the first few days of the following weeks walking around central Birmingham courageously armed with our mortgage application packs, becoming gradually more disillusioned and desperate as one building society after another turned us away. The vast majority wouldn't even look at our packs, believing (wrongly) that they could only deal with applications from individuals and/or claiming that their monthly quota of funds had run out. In the former case it was obvious that the staff didn't understand our case and that we would have to apply to their head offices which we didn't have the time to do. In the latter case, it just seemed to be our bad luck that we were looking at the end of a month. To apply at the beginning of a month when branches have new qutotas to lend to house buyers seems to increase your chances of success.

The banks seemed marginally more interested. Although the Nat West wasn't even interested in accepting a pack, the TSB, at least listened to us and for a while there seemed to be a glimmer of hope. We even sent them a letter after the interview, promising to move our bank account to them if they made an offer and (scraping the barrel) argued that funding a socially useful project would give them good publicity. They were not impressed and two days later the bank that likes to say yes said 'no'. The Co-op Bank, then, seemed to be our last hope. Our first interview did not go too well, the bank manager seeming not a little suspicious of what we were trying to do. We were told to apply to our 'local branch' which happened to be the City of London one. This bastion of capitalism seemed like the worst place to try and find support for our co-operative venture. I cycled through the narrow streets, crowded with grey suited men with black umbrellas to the interview only to find when I arrived that I'd forgotten the application pack. Instead of going back and being late for the appointment, I decided to use the excuse that another co-op member was bringing it later - hardly a story which was going to impress the bank with the co-op's competence and togetherness! My expectations were therefore at an all-time low when I was shown into a plush office and told by a Mr Dagnall that he had already received an application pack from the Birmingham branch and that provisionally they were willing to give us a mortgage. To him handing out mortgages was such a mundane and everyday affair that I felt quite embarrassed at my intense relief and excitement. I couldn't properly concentrate as he casually went over a few 'minor points' about the meaning of some of the co-op rules and the ability to apply for MIRAS tax relief. We were on the move again! The solicitors and Mr Stone were quickly rung up to tell them the good news. We would be in the house in four weeks we were told. This was the first of a number of false assurances we had from the Bank and our solicitor about when the process would be completed. In the event we didn't move in until nearly two months later on December 1st because of numerous hold-ups and lack of communication connected with tax-relief, the valuation and the signing of guarantees.

Tax Relief: MIRAS.

Before a mortgage is confirmed, confirmation of eligibility to tax relief is needed from the Department of the Environment. In the case of owner-occupiers the government automatically pays a third of the mortgage payments under the MIRAS scheme. To make the co-op eligible for MIRAS we had to write to the D of E, HC 2 Division, 2, Marsham St., London SW1 and ask for 'approval for the purposes of section 341 of the Income and Corpation Taxes Act' and enclosing a copy of the co-op rules and a draft of the tenancy (occupancy) agreement. This application can be made as soon as you are registered. We didn't get it together to apply until late August and the person who deals with these sort of applications was away ill, so we got an 'approval' letter later than we would have ideally wished. I had to cycle to the building several times to ensure that the application was being dealt with.

Once you have received this letter from the D of E, you still have actually to apply for MIRAS as the letter only proves your eligibility. Trying to find out which form was needed to apply for MIRAS and where you could get it from revealed, more than anything else in the process of buying the house, the inefficiency and chaotic inconsistency of large bureaucratic institutions. I spent the best part of an afternoon ringing alternatively the local tax office and the Co-op Bank relaying the contradictions between what each was saying. Having, with great difficulty, found out that we needed form HA (2), both the bank and the tax office seemed quite convinced that the other should have this mysterious form and both implicitly implied that the reason I wasn't getting any joy with the other was that I was talking to someone who didn't understand the matter and needed to talk to someone higher up in the hierarchy. It finally became clear that the bank should have the forms but the bank didn't have any. I then had to ring up the Inland Revenue Central Unit (MIRAS) (1st floor, St. John's House,



Bootle, Merseyside L69 9BB) to ask for some forms, not only for ourselves but also for the Co-op Bank!

Having filled in the much sought after form, a copy was sent to the Inland Revenue and the Co-op Bank and this seemed to satisfy both. Later, we found out that this process also exempted us from Corporation Tax and Capital Gains tax. There is the possibility of problems if your mortgage is over £30,000 as tax relief is given only up to this amount. However it seems that this limit is for each tenant in the house and not for the house itself. The Co-op in our case proposed making two mortgages so that both would be under the limit. As it turned out this was not a problem as although we were initially offered a £32,000 mortgage, following the valuation, the offer was reduced to £30,000.

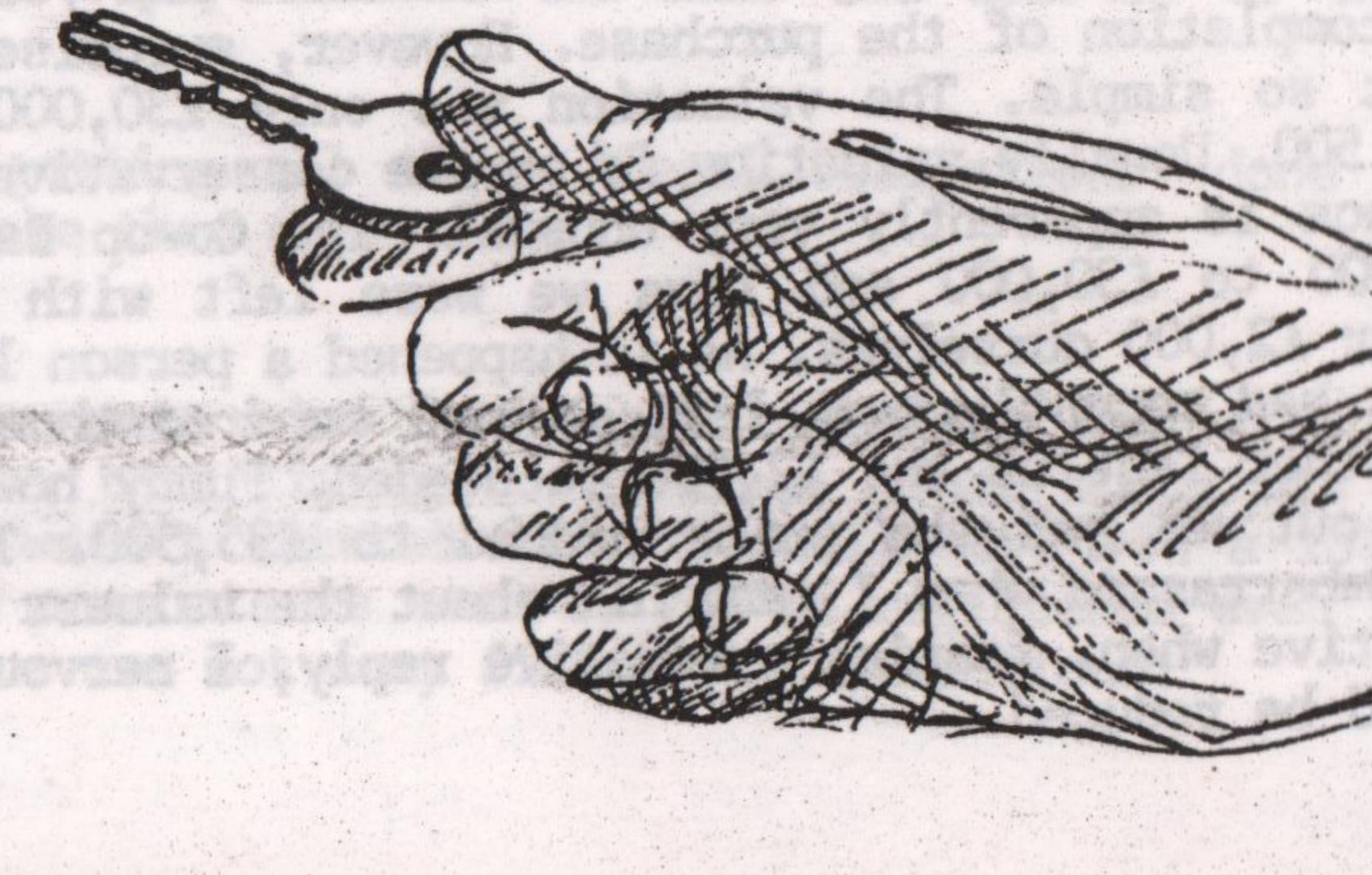
The Valuation.

Before a bank or building society will confirm their mortgage offer they insist on arranging their own valuation of the property you wish to buy. The cost - around £50-£70 depending upon the size - is passed on to the co-op . If you decide to sell the property as soon as you have bought it, the lender will obviously want to know that it can be sold at a price which will enable the owner to repay the loan - hence the compulsory valuation. Assuming there is not a large difference between the price of the house and the valuation, then the mortgage will be confirmed and you will be able to move towards completion of the purchase. However, surprise, surprise, with us it was not so simple. The valuation was only £30,000 and the asking price was £37,500. Usually valuation is on the conservative side but such a large difference is apparently very unusual. The Co-op Bank reduced their offer by £2,000 to £30,000 and thus we were left with the prospect of finding another £2,000 ourselves. As it happened a person living around the corner from us had recently been left several hundred thousand pounds, and without any bother lent us the £2,000 we needed. Funny how things turn up! As it turned out we got the price redued to £35,500. The estate agent seemed quite embarrassed when I rang him about the valuers estimate. He was quite co-operative when, fearing a negative reply, I nervously asked him if the price could be reduced.

Exchanging Contracts and the Guarantee.

Having struggled through the valuation episode, the completion of the purchase seemed within sight. The only main problem was getting our solicitors to exchange contracts. Once this is done you have effectively passed the point of no return. 10% of the price of the house is paid and the conditions of the purchase are formally agreed upon (ie. the contract is exchanged) by the vendor's solicicor and the buyer's. Again there was a delay because the bank, it seemed would not allow contracts to be exchanged until the members of the co-op had guaranteed the mortgage. For the bank, the guarantee is a way of removing the members' limited liability. Each member becomes responsible for a proportion of the mortgage (in our case £4,000) so that if for some reason the house was sold for less than the amount of the unrepaid mortgage, then the members would be have to make up the difference from their own savings. The likelihood of such an occurrence is so small that the guarantee is a bit academic and many lenders do not insist on it. The problem for us was that the document had to be signed in front of the bank's solicitor who happened to be on holiday and then was ill (two favourite occupations of professionals it was beginning to seem!!).

However after several (more) phone calls we found out that the contract could in fact be exchanged before the signing of the guarantee. So the cheque was sent off to the solicitors together with a signed form and two days later contracts were exchanged and a 'completion date' set for a fortnight's time (the usual length) - December 1st. In the meantime the guarantees got signed and arrangements were made for the great day.



MOVING IN AND SIGNING ON.

It was with a slight feeling of disbelief that we gathered up our sparse belongings to travel to our new home. So many times during the Autumn we had told friends 'Oh yes we're probably moving in the next two weeks', only to be saying the same thing, with slightly less credibility, a fortnight later. There's no doubt that moving house is a stressful activity particularly when you're unsure when you'll be moving (or even whether you will be or not!). Expecting to have bought the house by early October, all of us who were planning to move in had left our previous accommodation in September and thus spent two months living on friends' hospitality (or tolerance). As the Autumn progressed and cooler, more rainy weather began to creep up on us, it sometimes seemed that the state of limbo would go on for ever.

But no, now the day had finally come. On November 30th, after having painstakingly calculated the cheapest way to get everyone's stuff to Brum, we set off in a borrowed van on a frantic journey around the country - Wellingborough, London, Oxford, Birmingham, Manchester, back to Birmingham and then to Wellingborough. And still various of our belongings escaped us, scattered around different cities in friends' houses.

At 1pm on the first day of December Steve and I were handed the keys and helped the Stone family remove the rest of their furniture from their former home. It seemed very unreal to know that the empty rooms of this seven-bedroomed terrace would now be our home. However it wasn't long before delicate negotiations began about which room would be whose and visions of ambitious decorating projects were shared and disputed.

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Six of us initially moved in, me - Roger, Stephen, Nickie, Paule, Joe and Kate. Being all unwaged, our first priority was to sign on. Unfortunately we all made a mistake in filling in our B1's - saying in effect that we were paying for board and lodging as well as normal rent. We were 'awarded' only £23 a week but during a visit by a DHSS woman, were able to make sure that we were seen as separate tenants, having separate tenancy agreements, with no 'relationship' between us. Subsequently our giros were raised to £30 a week. There are several decisions which need to be made about what the co-op pays for and what the tenants pay for. It is important that this is worked out beforehand so that unwaged tenants know how to fill out their social security and rent forms. After some debate we decided that the bills would be paid by the tenants except for rates, water, decorating and house maintenance. Paying for heating, lighting etc. as well as being separate tenants ensured that we got the highest giro payments. We all asked that our housing benefit cheques be paid directly to the landlord (ie. co-op) for the convenience of having only one cheque each fortnight (paying all the tenants' rents) to put straight into the co-op bank account.However, the housing department did not accept our claims for housing benefit for a rent of £25 a week, and to date (10/87) each tenant has been given £16 a week, pending a rent tribunal assessment. It is worth checking what the registered rents are in your area before you set your rent (and even before you buy the house if you suspect they will be lower than the cost rent needed to pay the mortgage off etc - though this seems to be very rare outside London). There are no doubt various ways of arranging the financial responsibilities of the co-op and the tenants and the way we arranged it (to maximise the dole payments) may not be best in all situations. The great thing of course is that it's up to you as you're your own landlord/landlady! The important thing, once you have decided, is to make sure all your correspondence with the various bureaucracies you have to deal with is consistent. Once the claims have (finally) been processed and the cheques are popping through the letter box and the mortgage repayments are taking their course you can at last sit back and relax (or alternatively start running round saying 'Well, when are we going to get the next one then!').

SOME OVERALL COMMENTS AND IMPRESSIONS

Having read through the pages of this booklet, you will probably have realised that buying a house as a privately financed housing co-op is no simple matter. If it is any compensation it might be worth reflecting on the fact that when this form of housing was being pioneered in the 1970's it took not months but years to complete. House buying is no easy task, even for owner-occupiers, and, as compared with the recent past, people who want to set up this sort of co-op have a lot to help them - free professional advice, model rules, and important precedents which have helped the mortgage-giving institutions come a small, but significant way towards supporting this kind of set-up.

Certainly there is a need for stamina and a preparedness for unforeseen semi-disasters - being turned down on a mortgage two months after an application; finding the value of the house is £7,000 less than the asking price. Despite (or even because of) these uncertainties, going through the process was a great education. I knew nothing about co-ops or house buying before we started off, and more often than not we had little idea of what was involved in the next step of the process until we were in the midst of it. Before we began I also had a great fear of dealing with bureaucracies and offical bodies - a mystique surrounded such people as estate agents, banker managers, and solicitors. But, almost without noticing, my attitude completely changed during the following months of being forced to be in constant contact with such people and exposed to their inefficiencies and contradictions. The mystique disappeared and my confidence grew as it dawned on me that these were normal people I was dealing with after all.

So it's not all toil and struggle! If you're prepared to devote enough time to it and work out what is needed at each stage you will most likely, at the end of the day be able to say,'Cor, we've just bought a house', and have a great feeling of satisfaction.

It should not come as a surprise of course to find that if you're trying to set up a co-operative enterprise in a system which idealises individualistic competition and materialism, there will be more difficulties than if you conform to the 'normal way of doing things'. But knowing that a co-operative development is possible and that you have helped to bring about a small but concrete change in society is a source of empowerment and satisfaction. One danger, however, is that you, like myself, may develop a disturbing tendency to get carried away with enthusiasm and start making projections of creating a co-operative empire, forgetting about the real people around you who are the whole point of pursuing co-operative alternatives!

...Which leads me to the thorny subject that I have no expertise on and therefore, although it is crucially important, will only mention briefly - the often forgotten fact that co-operative housing involves living with real alive individuals, each with their own preferences, expectations and hang-ups. There are many books about how to live harmoniously with other people and it may be worth looking at the various techniques and advice they give as a group, and not to get carried away with the legal and financial side of housing buying to the detriment of communicating with the people who you are planning to move in with. Over the five months that we were buying our house the line-up of the people planning to move in changed dramatically which created problems with the communication process. However it seems inevitable that this will happen to some extent as people are prone to change their minds when faced with an important decision. From our sometimes turbulent experiences since moving in, it would seen that some discussion of basic expectations and procedures for admitting (and expelling) tenants is necessary. Unlike with the mortgage there are no guarantees. You can't be certain that you will get on with the people you live with in the co-op but discussion beforehand may go a long way to avoiding major conflicts after moving in.

Overall the setting up of a housing co-op is a many sided experience, and having been inspired to write a booklet about it , I do recommend it to anyone, not just as a way of housing yourself and helping to transform the institutional structures of our society, but as an education in personal growth and fulfilment.

THE IMPLICATIONS AND POTENTIAL OF HOUSING CO-OPERATIVES.

Setting up a housing co-op of the type described in this booklet has wider implications than providing accomodation for yourself and a few friends. It has an effect upon the housing situation in the country. You are helping to create a sector of housing which removes the ability of individuals to make money out of property - either by renting it to tenants, as in the landlord-tenant arrangements, or by speculation on house prices. As a fully mutual co-op none of the members can gain profitwise from their membership. Co-op profits are collectively controlled by the members and cannot be distributed among them but only used to improve and expand their co-op's housing. Of equal importance is the fact that personal income is not a factor in a decision concerning occupancy. No lease or share has to be bought before you can become an occupant and housing benefit will pay the rent of unwaged or low waged tenants. Consequently this form of housing holds great potential for the materially poorer sections of the population who increasing are denied the basic human right of decent shelter because of their low social status and lack of finance.

Of course there are other options for the homeless in Britain but it often seems that they have particular drawbacks. Squating, in the short term, is often the only option but it seems doomed to a periphery activity as there no financial base on which to build, and there is a temporality about it which frustrates any attempts at establishing a sustained growth into an option for a sizable proportion of the population. Local authority funded housing also frustrates the desire of many tenants for long-term autonomy because of the impersonal size and inefficiency of the council bureaucracies they have to deal with and the increasing shortage of funds from central government. When a housing organisation grows too big, as in the case of local council housing and many large housing associations, tenants always become frustrated with the lack of real control over their home environment even if, in theory, there is a democratic structure of decision-making.

Real democracy in housing, as in other areas, only works on a human scale - where people feel some degree of control. The Empty Property Unit rules, written for co-ops up to around twenty-five members, enables occupants to have a genuine sense of control over their housing, and yet, unless the co-op is disbanded, the possiblity of individual financial gain is removed. So here we have a real option for people to gain control over their homes. Although the repayment of a mortgage in the beginning is financially constraining, autonomy progressively increases as the repayments near their end, where as with squating there is only the prospect of eviction and with local authority housing only a continuation of dependence and alienation.

The biggest problem at present with privately financed co-ops is getting the money together to raise the 15% deposit for the mortgage. Many people do not each have £1,000 to spare for their first co-op house. However,for a house outside London, it may be possible to borrow the money from friends and relatives, and the selling of loan stock has great potential for raising finance. In the future the situation should become easier as funds become available to make initial loans to new co-ops, from, for instance, the Empty Property Unit loan fund and from well established co-ops whose mortgages have been paid off. Help from banks and building societies should become more available as they see the financial security of loaning to co-ops. In the case of our co-op, once around £6,000 of the mortgage is paid off, this sum can be remortgaged to provide the deposit on another house. Thus we can expect a continuous increase in the growth of this type of co-op housing. Perhaps then in the future the problem will not be finding finance but guarding against co-ops growing too large. They could easily go the way of housing associations and building societies which also started off small and committed to people being able to control their housing, but now have grown too large and all too often are no different from the landlords and banks to which they aimed to provide a radical alternative. It is the ability of the small-scale housing co-op to give real control to tenants which makes it so attractive.

The provision of this control does not however exhaust the potential of such co-ops. They can also be used as a financial catalyst for the creation of a co-operative, people-orientated economy. The rules of a housing co-op enables it to take money off any individual or organisation as a loan and to loan in turn to any registered organisation. The basic operations are very simply. 'Savers' apply for loan stock and a certificate is returned on receipt of the money. This certificate is shown as proof of the loan in order to have the money returned. The co-op is legally able offer interest rates, at least as competitive as commercial banks and can organise its own terms of repayment. A proporation of this loaned money can be invested in socially useful enterprises raising a return to pay the interest on the loans.

In our case the money is invested in the Co-operative Bank's 'cheque and interest' account which gives an interest of 6-8%. This interest pays for the interest on the loans and enables us to offer interest up to 7%. As the pool of money grows new loans can be used to repay requests for the repayment of older ones and thus the money from these old loans can be used to put down deposits on new houses. Care is needed to ensure that cash is always available if a concentration of repayment requests occurs. However, the financial strain of such a possibility can be lessened by requiring longer periods of notice for larger amounts of money to be repaid, and by ensuring that a sizable proportion of the total loan stock is easily accessible in a bank. As this total increases and more people have loan stock with the co-op the easier it will be to predict the amount of loan stock needed to cover repayment requests. Security would further be increased if several co-ops operated similar schemes and agreed to make short term loans to each other if one of the co-ops was in urgent need of accessible money to repay loans. Assuming the rents of co-ops provide a high enough surplus for them to offer commercial rates of interest, then they can look forward to increasing numbers of investors, particularly as there is now growing interest in ethical and community investment by both individuals and institutions. Just this week our co-op received £400 from a Catholic Order!

Of course co-ops cannot act strictly like banks and must be able to show that their financial behaviour is to further their aim of providing housing for their members. Money cannot be accepted on deposit, that is money that can be repaid immediately on request, and any loans to other registered

organisations must be secured against their assets. However, despite these limitations this sort of housing co-op does have the capacity to act, in effect, as a community credit scheme, using its loans to support a locally controlled economy - co-operative housing for the homeless, loans for workers co-ops, an alternative to the national banks for people to put their savings into. There need be no professional bureaucracy, each house dealing with its own loan stock but joining together to provide each other with financial security.

When the amount of loan stock grows to the extent that the deposit on another house could be put down, the new house could deal administratively with half the other house's loan stock. As long as co-ops enabled new co-ops to set-up insteed of growing too large themselves, the control of money would progressively be decentralised and ever larger amounts of money would be placed under the control of collectives, using it for the benefit of others instead of themselves.

These developments could have a crucial effect in counteracting presently unjust economic mechanisms. It is the circulation of money which really makes the economy tick and the structure of that circulation underpins and is maintained by social inequality. Through the private ownership of money the rich can maintain themselves at the expense of those with little money. Banks play a crucial role in this circulation by being able to decide who gets money and at what rate of interest. Being primarily profit motivated they will lend not to those who are most in need but those who can give the best return for their investment. For co-operative and ethical set-ups to grow a credit system is needed which does not look simply at profit but is ethically motivated and can redirect money out of the conventional circulation (through attracting loan stock) and feed that money into the 'alternative economic sector'. This is what housing co-ops can do - in a simple way, at a grassroots level, without an interfering need for professionals and bureaucracy. The more money which is redirected out of the conventional system the more difficult it will be for banks to finance exploitative, centralised, and ecologically destructive activities; and the more money there will be available for alternatives.

Of course, it cannot be denied that what I am proposing - loaning and borrowing - is the traditional way the rich have made themselves richer at the expense of the poor (whose wealth they have produced but don't own). Playing the old game of making money with other peoples' money. But there are two essential differences;
- We can play the game better! There are no wages to pay because the administration is done voluntarily by members. Remaining small, the co-ops avoid wasteful bureaucracy, and importantly, co-ops are not taxed on profits on their income from rent.
- As money enters the co-op it is communalized (the 'co-op' owns and controls the money); its uses are limited by the aims of the co-op to provide housing for its members and, while the co-op is in existence, it cannot be distributed for members' private use; and its control is decentralised (each co-op controls its own loan stock), even if external relationships remain firmly within the conventional mode of economic relationships ie. loaner-debtor.

Ironically then, it is by being partially involved in the central mechanism of our profit-orientated society that we can redirect its resources and transform the nature of their control and ownership.

Granted the prospect of such a great transformation seems a long way off, but at a time when there seems so much confusion about how to create a genuinely decentralised and co-operative society, this process does provide a viable method which avoids the authoritarian and alienating nature of state legislation and the social irresponsibility of the 'free market'. It is a process that can be started here and now at a grasssroots level on a truely human scale which doesn't have to wait till 'the revolution' or even the next election!

If you wish to start off a loan stock scheme it would be best to check the details with a sympathetic accountant and/or the EPU. I would be interested in hearing from anyone interested in combining with our co-op to raise loan stock through publicity (eg leafleting gatherings, demos, or ads in magazines etc.) And, for details of the New Education Housing Co-operative Scheme (would you like to loan some money?) write to 24, South Road, Hockley, Birmingham B18.

APPENDIX 1 - THE NEW UNIVERSITY PROJECT.

In 1983 a small group of people began to meet to share their disillusionment with the state of higher education and discuss the possibility of creating an alternative - a new university. They believed that the conventional system was inadequately taking account of the profound changes happening in our society and the emergence of disturbing global problems. An education needed to be developed which tackled these issues and researched appropriate responses. This would involve the encouragement of responsibility to oneself, other people and the natural environment. This responsibility would be developed by basing teaching upon dialogue rather than one-way instruction; allowing students a large say in the development of their courses and studies; and scrapping exams in favour of self-assessment methods. New areas of knowledge would be encouraged - Green economics, holistic medicine, humanistic psychology, alternative technology, organic gardening - to name but a few. But over specialisation would be discouraged, the connections between different subjects and issues being emphasised. Arts and crafts would again become part of the curriculum, receiving as much status as 'academic' study. Contacts would be sought with the local community as well as nationally and internationally, and there would be a strong commitment to radically changing society and creating a sane and sustainable world.

Gradually a network of interested people was built up and in May 1986, there was a gathering to discuss the project's progress and future (see page 5). Here it became clear that something concrete had to happen and it was decided to buy a city house as a first stepping stone to a larger place. Subsequently the house in Hockley was bought by the New Education Housing Co-op and five of us moved there in December. Since then the house has become an administrative centre for the project - answering enquiries and publicising the aims of the project. A start has also been made on experimenting with the educational methods and content the project wishes to promote. We have had several weekend workshops and study groups meet regularly at the house. During the summer (1987) we organised a skills/knowledge sharing festival in Herefordshire where as many as ten workshops a day were organised voluntarily by the participants, communicating the details simply by writing on a large central notice board. We have also organised forums for students to come together to talk about their education and alternatives to going into conventional careers. A quaterly magazine is produced for people on the network which lists New University events and provides a forum for people to discuss radical education and how the project should manifest it.

At this stage of development, the project inevitably means different things to different people all of whom have their particular ideas and visions. The project is developing along the lines that people have most enthusiasm for and as such does not have a fixed direction but is 'progressing organically'. Taking inspiration from the Hockley house, another housing co-op, aiming to have a simpilar educational emphasis, is setting up in Bristol; there is interest in developing a veg/vegan cafe/peace centre as a housing co-op in South Birmingham which would act as an economic wing of the project; and yet another group is looking into setting up an educational community in the country. So as I write it's all go! And of course all these ventures need people so do contact us if you're interested - in whatever aspect.

Roger 30/10/87.

APPENDIX 2 - LOAN STOCK APPLICATION FORM.

I/we...(name in BLOCK CAPITALS)
of...
....(address in BLOCK CAPITALS)
wish to apply for £........... of external loan stock from the New Education Housing Co-operative Limited at the following rate of interest -

0% / 1% / 2% / 3% / 4% / 5% / 6% / 7% /
0% / 1% / 2% / 3% / above the rate of inflation (based upon the retail price index), up to a limit of 1% above the bank base rate of the Co-operative Bank. (delete as appropriate)

I/we understand that the interest will be paid yearly on December 31st in the form of an additional external loan stock certificate. Interest accumulated between the date of requesting repayment and December 31st of the previous year will be added onto the repayment.

I/we understand that written notice to the secretary of the co-op together with the sending of the external loan stock certificate is needed for repayments to be made and that notice of the following lengths of time is needed for the following amounts of money to be repaid:
up to £100 - five working days (Monday to Friday),
between £101 and £300 - two weeks notice,
between £301 and £500 - four weeks notice,
between £501 and £1000 - two months notice,
between £1001 and £3000 - three months notice,
and over £3000 - four months notice,

I/we wish/don't wish (delete as appropriate) to make a second application. (If so fill in the following:)

The second application is for £.......... of external loan stock from the above co-op at the following rate of interest:

0% / 1% / 2% / 3% / 4% / 5% / 6%/ 7% /
0% / 1% / 2% / 3% / above the rate of inflation (based upon the retail price index).(delete as appropriate)

I understand that the same conditions of interest payment and loan repayment apply with this application as with the first application

(please fill in the following)

A cheque payable to the New Education Housing Co-operative Limited of £......... is enclosed with this form.

Signature(s)...................................
....

Date...

(Please send the form and cheque to 24, South Road, Hockley, Birmingham B18)

APPENDIX 3.

Below is a copy of the external loan stock certificate we fill in and send to people who have loaned money to the co-op.

****

24, South Road, Hockley, Birmingham B18. tel 021 551 1679

Registered number: 25357R

EXTERNAL LOAN STOCK

Certificate No..............

The New Education Housing Co-operative Limited (hereafter refered to as the co-op) acknowledges receipt of the sum of £.......

paid by.....................................

of..
(hereafter refered to as the lender) to the co-op on the following terms:-

1. A rate of interest of
0% / 1% / 2% / 3% / 4% / 5% / 6% / 7% /
0% / 1% / 2% / 3% / above the rate of inflation (based on the retail price index) will be paid as additional loan stock on 31st December each year.

2. Written notice to the secretary of the co-op, together with the sending of the external loan stock certificate is needed for the repayment to be made. Notice of the following lengths of time is needed for the following amounts of money to be repaid:

between £0 and £100 - five days notice (working days being Monday to Friday),
between £101 and £300 - two weeks notice,
between £301 and £500 - four weeks notice,
between £501 and £1000 - two months notice,
between £1001 and £3000 - three months notice,
and over £3000 - four months notice,

In the witness of:.................................(co-op member)

.................................(co-op member)

on the date of......................

****

APPENDIX 4 - OCCUPANCY AGREEMENT.

between

The New Education Housing Co-operative limited (called the co-op) and

....
(called the Occupant) for the provision to the occupant of accommodation at

....

THE CO OP AGREES TO:

1. provide (a) one bedroom for the use of the Occupant.(b) kitchen, bathroom, living room and other communal facilities shared use with other occupants.

2. improve and maintain the accommodation provided, to the standards agreed by general meetings of the Co-op.

THE OCCUPANT AGREES TO:

1. maintain regular payment of the sum agreed by general meetings of the Co-op, being her or his fair share, as determined by general meetings of the Co-op, of the amount needed for the purchase, improvement, maintenance and management of the accommodation provided;

2. co-operate with the other occupants to maintain a mutually acceptable living environment, as agreed by general meetings of the co-op, having special regard to:
(a) the general upkeep of the premises
(b) the disturbance caused by noise
(c) the use of shared facilities;

3. give one month's notice, either in person to the general meeting of the Co-op or in writing to the Secretary, of the intention to resign from the Co-op and leave accommodation;

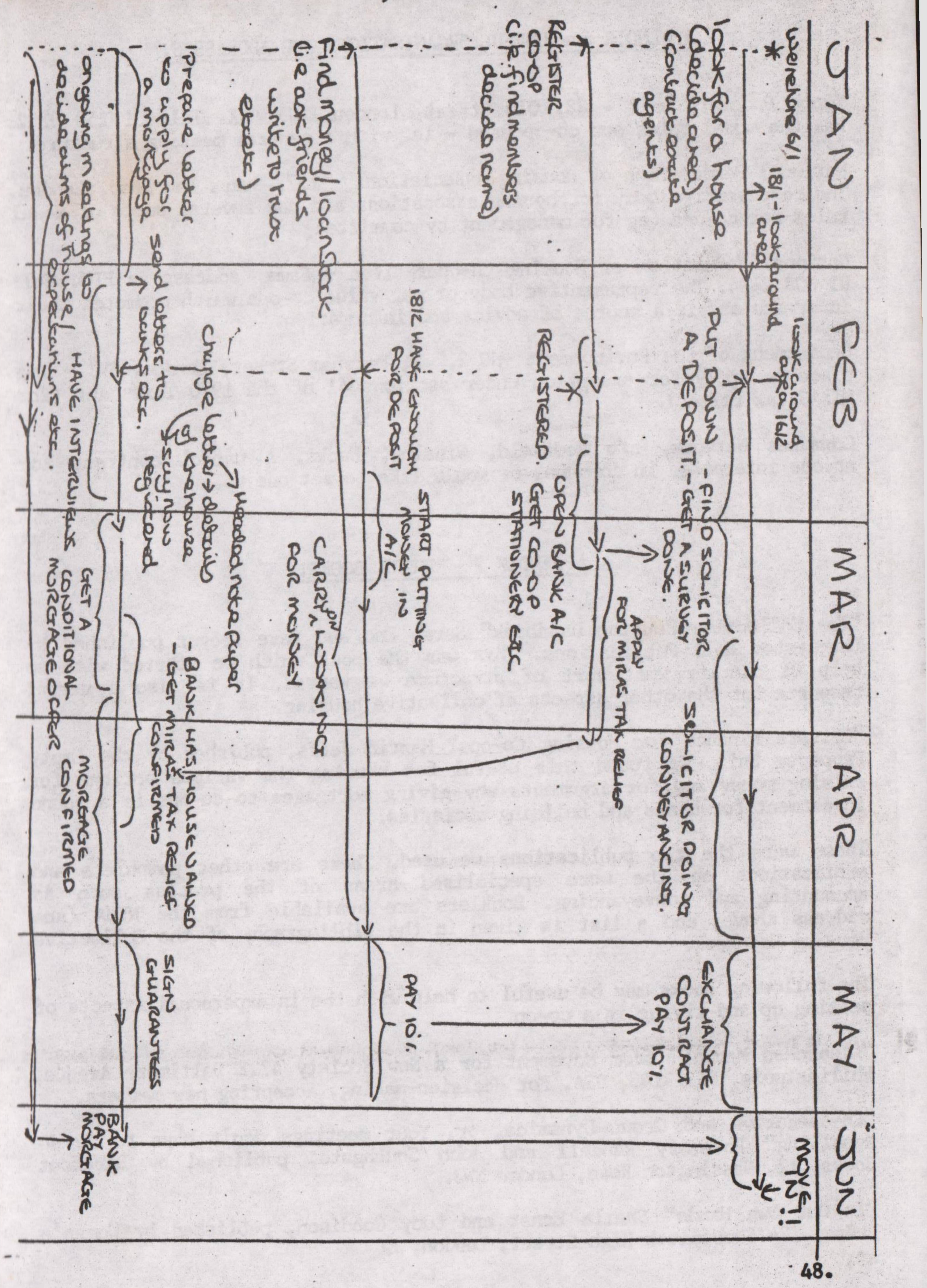
4. surrender this Agreement to the co-op on ceasing to be a member of the Co-op, for whatever reason, and terminate the occupancy forthwith, and not to dispose of, or transfer, or assign this Agreement to any person or body other than the Co-op, or sublet the accommodation to any other person or body.

IF THE TERMS OF THIS AGREEMENT ARE NOT UPHELD then the matter shall be refered to a general meeting of the Co-op to consider appropriate action. THE PARTIES TO THIS AGREEMENT acknowledge that the common principles of fairness and co-operation will be upheld in the interpretation and operation of this Agreement.
THE OCCUPANCY SHALL COMMENCE ON.................................
Signed:..............................(The Occupant) Date............
Signed:..............................(for the Co-op)Date............

APPENDIX 5 - USING A TIMELINE.

One of the big problems with getting a housing co-op off the ground and buying a house is finding yourself in mind-boggling catch-22 situations - "Well, we can't do this untill we're done that, and doesn't that depend upon this?" We found that a brilliant way of removing the confusion is to regularly make a timeline. Basically this involves drawing a line across the top of the paper which represents time (usually in months) and down the page the things which need to be got on with at different times. Horizontal lines between tasks shows that one thing being done will enable another thing to be done (eg valuation confirmation of the mortgage). Vertical lines show that one activity will feed into another happening simultaneously. It is important to remember that several activities can and often have to happen at the same time if you are to be successful in each. These activities should be listed underneath each other down the page.

In this diagramatic form it is easier to see, over time, how everything fits together and so it often helps to give a sense of direction and progress. On the next page there is a general timeline chart for the whole house-buying process. It is separated into five main areas - looking for a house, registering the co-op, finding the money for the mortgage deposit, getting a mortgage, and deciding the aims and expectations of the people moving into the house. Of course each group's situation is going to be different (eg differing amounts of money to start off with), but these basic divisions seem to be useful. New timelines will have to be made as the process develops and estimates of how long stages will take change and are clarified.



APPENDIX 6 - USEFUL ORGANISATIONS AND ADDRESSES.

Empty Property unit - 88, Old Street, London EC1V 9AX. Tel: 01 253 0202. Has the model rules our co-op used - ie. with a general meeting structure.

National Ferderation of Housing Associations - 157, Grays Inn Road, London. The representive body for housng assocations and has several sorts of model rules for co-ops (eg for management by committee).

National Federation of Housing Co-operatives - Same address as EPU. Tel: 01 608 2494. The representive body of par value co-ops which promotes their interests and is a source of advice and information.

Department of the Environment -HC 2, 2, Marsham Street, London, SW1 - The place to apply for exemption under section 341 of the 1970 Taxes Act (for MIRAS tax relief).

Communes Network, c/o Redfield, Winslow, Bucks. A useful contract for anyone interested in communes or would like to set one up.

APPENDIX 7 - USEFUL BOOKS.

"The Collective Housing Handbook" Sarah Eno and Dave Trevor published by Laurieston Hall Publications. This was the book which we started with to help us clarify what sort of structure we wanted. It is also a useful resource for the other aspects of collective housing.

"Private Finance for Housing Co-ops" Martin Jeffs, pubished by the Empty Property Unit. We found this useful for showing the various options for raising money and for arguments why giving mortgages to co-ops is a sound investment for banks and building societies.

These were the two publications we used. There are other pamphlets and publications on the more specialised areas of the process such as accounting and conveyancing. Booklets are available from the NFHA (see address above) and a list is given in the bibliography of the Collective Housing Handbook.

The following books may be useful to help with the interpersonal aspects of setting up and living in a co-op.

"Clearness Manual" from Movement for a New Society 4722 Baltimore Avenue, Philidelphia, Pa 19143, USA. For decision-making, accepting new members.

"Co-operative and Group Dynamics, or, Your meetings don't have to be so appalling" Rosemary Randell and John Southgate, published by Barefoot Books, 12, Nassington Road, London NW3.

"In Our Own Hands" Sheila Ernst and Lucy Goodison, published by Women's Press, 124 Shoreditch High Street, London, E1