

FAQ for Prospective Lenders

1. What is Boston Community Cooperatives?

Boston Community Cooperatives (BCC) is a nonprofit organization formed to build community through cooperative living, member education, neighborhood improvement and collective action (see www.bcc.coop for more information). Members participate in a group equity model of communally owned, democratically controlled and affordable residential cooperatives.

BCC formed in 2001 to be an umbrella organization to provide infrastructure to housing cooperatives. Inspired by similar organizations across North America, BCC aims to own multiple housing cooperatives, and to eliminate duplication of energy to allow the group equity cooperative housing sector to expand and serve more people.

BCC is a 501(c)3 nonprofit that currently owns one house — Seedpod, a 12 bedroom house located near Fields Corner in Boston. BCC is working with Millstone Co-op, an 11 person community in Somerville, and The Canopy, a family-friendly cooperative home in Boston, to help them establish permanent homes for their communities. Any donations and loans will go to BCC for the purpose of securing these homes.

2. Why allied loans?

When BCC formed in 2001, vacancy rates in Greater Boston had just crashed, driving housing prices through the roof on the rental and owner occupied market. Between 1998 and 2001, the median sales price of Greater Boston's single family homes rose more than 50 percent, and households earning the average median income could not afford the average sale price of single family house in 112 of 161 towns and cities in the region. As a result, Massachusetts had the 6th lowest homeownership rate in the country at 62%.

With homeownership rates very low and the ability to purchase property very limited in Greater Boston, BCC sought to implement a group equity model of cooperative housing in Boston that allows community members to benefit from controlling their own housing. For most low and moderate income residents who cannot own property in a traditional way, this model offers greater housing security and empowerment than the increasingly expensive and consolidated rental market.

BCC purchased our first house, a triple decker in Dorchester, in 2007 and formed Seedpod Cooperative through a community based financing model. Allied loans are the foundation of this model, offering community members the opportunity to invest in their values.

3. So what exactly is an allied loan?

Allied loans are unsecured loans that individuals and organizations make to BCC. Loans are made at a fixed interest rate, and each loan is for a 5 or 10 year term with annual interest only payments.

This means that if you made a loan in the amount of \$10,000 with a 4% interest rate for a 5year term, you would receive an interest payment of 4% of \$10,000, or \$400, every year. At the end of five years, you can renew your loan with BCC, or be paid back your \$10,000.

4. What is the minimum for investing?

The minimum investment is \$500.

5. What interest rates are available on my loans?

We offer different interest rates based on the amount individuals/groups are lending. We also encourage people to lend at a lower rate if possible to support the coop movement.

- 4.0% (for a minimum loan of \$10,000)
- 3.0% (for a minimum loan of \$5,000)
- 2.5% (for a minimum loan of \$1000)
- 2.0% (for a minimum loan of \$500)

6. What if I need my investment back before my loan term ends?

While this is not an ideal situation, in the case of a financial necessity, you are able to request early repayment on your loan. We ask that you give BCC as much advanced notice as possible in order for us to secure a new loan to replace yours.

7. What is the risk of investing in BCC? What does it mean that my loan is unsecure?

Your loan is considered high risk because it is unsecure. In the event that BCC went bankrupt the primary mortgage holder (Insert name here: some likely options are Cooperative Fund of New England, Naveo Credit Union, Eastern Bank) would collect their debt in full before your loan was repaid. While BCC has never defaulted on an allied loan, and has made every interest payment to lenders since 2005, you should not invest in BCC if you cannot afford to lose your entire investment.

8. How many allied lenders do you have? Who are they?

From 2005-2010 BCC had 16 allied lenders investing a total of \$145,000 in BCC. In 2010, 3 of those lenders did not renew their loans, and we replaced their investments with 4 new lenders to maintain a total of \$145,000.

Our lenders are a diverse group of people. Many have lived in Seedpod at some point in their lives. Many have friends or family members that have been Seedpod residents. Some have no

personal connection to BCC, but are interested in the cooperative movement. And some are interested in ethical investments and see this as a way to invest their money in a way that is in line with their values.

9. What is the timeline for new lenders and the logistics around that timeline?

Millstone is currently seeking lenders for loans beginning in **June 2017**.

If you are interested in being a lender, we will first ask you to sign a [commitment form](#) that outlines how much you will loan and at what interest rate.

We will then request a check for the loan amount May 2017. Your check will be deposited in June 2017. At this point we will send you a signed [promissory note](#) that outlines the terms of the loan.

In June 2018, you will receive your first interest payment. You will continue to receive interest payments in June of each following year.

In 2022, you will have the option of renewing your loan or being repaid for your investment (for 5 year loans).

10. Who should I talk to if I have more questions?

The following members are working on securing allied loans for 2017 and can help answer your questions:

Mary Regan - maryregan@hotmail.com
Katherine Ketter - ksketter@gmail.com
Mariko Dodson - mariko.dodson@gmail.com
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