Affordable Housing Initiative
A Project of CDF

Cooperative Housing and HUD Section 213

A PATHWAY TO PERMANENTLY AFFORDABLE HOMEOWNERSHIP

Cooperatives are resident-owned and controlled housing in which members/residents jointly own their building(s) through the purchase of shares in a cooperative corporation. In Limited Equity Cooperatives (LECs), resident-owners commit to reselling their share at a price determined by a "limited equity" formula to help maintain long-term affordability.

WHAT IS HUD SECTION 213?

The U.S. Department of Housing and Urban Development (HUD) Section 213 Mortgage Insurance Program provides mortgage insurance to finance cooperative housing projects, reducing lender risk and increasing cooperative financing options. Section 213 is the only federal program solely dedicated to the development of cooperative housing.

KEY BENEFITS

Flexible Financing – Supports new construction, rehabilitation, or purchase and conversion of an existing property into cooperative housing. Section 213 can be used to develop all cooperative housing models including senior, market-rate, and limited equity.

Lower Interest Rates – Backed by FHA mortgage insurance, cooperatives can access long-term, fixed-rate mortgages with lower interest rates than private financing.

Other Mortgage Terms That Reduce Costs –

- Loan amounts up to 98% of appraised value.*
- Fully amortizing loans (no balloon payments).
- Mortgage terms up to construction period plus 40 years (reduces monthly payments).
- Pre-payment without penalties after 10 years (if interest rates go down, cooperative can refinance). Shorter prepayment penalty periods available but will affect interest rate.
- Mortgage insurance mutual fund designed to return unused premium payments to cooperatives.

Increased Affordability – LECs preserve affordability by restricting resale values while ensuring subsidies are preserved for future generations of low-income homeowners.

Long-term Stability – Cooperative housing fosters community investment and resident control. The permanent affordability of LECs enables residents to stay in their communities and helps mitigate the negative effects of gentrification, including the rising cost of living, displacement, the disruption of social and cultural networks, small business losses, and growing economic disparities.

WHO CAN BENEFIT?

- Nonprofit cooperative housing corporations
- Developers and nonprofit organizations developing cooperative housing
- Residents looking for sustainable homeownership opportunities
- Cities and counties looking to keep housing costs predictable and reinvest profits into the community
- Lenders interested in supporting affordable homeownership while reducing their risk

OPPORTUNITIES TO IMPROVE SECTION 213 FINANCING

TRAINING AND EDUCATION

Expanding education and awareness of the Section 213 program within HUD would increase access for developers and lenders seeking cooperative housing financing options. Additional training for HUD program staff at both national and regional levels would increase the effectiveness of the program and provide communities with the necessary support.

EXPANDING BEYOND SENIOR HOUSING

Section 213 can be used to finance all types of cooperative housing, but it has been primarily used to support senior cooperative housing. Promoting Section 213 more broadly will create a powerful tool to develop

* Debt service coverage is typically a limiting factor. Therefore, subsidies or soft secondary financing is often necessary to make projects affordable.

community-driven, cost-effective solutions to the nation's housing challenges.

LEVELING THE PLAYING FIELD FOR AFFORDABLE PROJECTS

Affordable cooperative projects must achieve 90% member subscription before proceeding with construction. However, cooperative projects have been granted flexibility to move forward below this threshold. Expanding this flexibility to all affordable cooperative projects would facilitate the development of more cooperative housing under the Section 213 program.

DOWN PAYMENT FLEXIBILITY

Providing developers with greater flexibility in collecting down payments—such as allowing multiple sources of down payment assistance and adjusting the required amounts at the subscription agreement stage—would support a broader range of cooperative projects, including affordable LECs.

COOPERATIVE HOMEOWNERSHIP

Currently, developers are not permitted to advertise Section 213 cooperatives as a form of homeownership, limiting their ability to promote cooperatives as a viable alternative to renting. Allowing developers to market Section 213 cooperatives as homeownership opportunities would expand awareness and increase interest.

WHY THESE CHANGES MATTER

Strengthening Section 213 through these proposed changes would expand access to cooperative housing, promoting community control, long-term affordability, and stability. As a resident-driven model, cooperatives empower community members to meet local housing needs while building wealth, social capital and supportive communities for households over time.

For more information on how cooperative housing can be a solution for affordable homeownership, visit **cdf.coop/affordablehousinginitiative** or contact us at **info@cdf.coop**.

OUR PARTNERS

Grounded Solutions Network — **groundedsolutions.org**

ROC USA — **rocusa.org**

NAHC National Association of Housing Cooperatives — **coophousing.org**

uhab — **uhab.org**

Primary support for CDF's Affordable Housing Initiative is provided by the Robert Wood Johnson Foundation. The views expressed here do not necessarily reflect the views of the Foundation. Additional resources are provided by the Cooperative Development Fund and the Do Well to Do Good funds honoring cooperative hero Chuck Snyder.

CDF Cooperative Development Foundation

1775 I Street NW | 8th Floor | Washington, DC 20006

cdf.coop | (202) 383-5440 | info@cdf.coop