

HOUSE CORPORATION BEST PRACTICES

The Seven Habits of Highly Successful House Corporations

by Matt Noble, President, Fraternity Management Group and initiate of Kappa Sigma Fraternity



1. Operate Like a Business

- File for incorporation under local and state laws.
- Communicate and stay involved with University House Corporation committees and your National House Corporation where applicable.
- Conduct regular meetings, quarterly for the entire board, monthly for the executive committee with regular communication via phone calls and emails.
- Prepare written reports for all meetings and mail an annual report to all appropriate stake holders including the undergraduate chapter and key alumni members.
- Conduct monthly property inspections for both facility cleanliness and maintenance in conjunction with the undergraduate house manager and president.
- Consider using professional property management
- Prepare and follow an annual budget, as well as a five-year finance and expenditure plan.
- File all government reports required of non-profit incorporated entities.
- Rule of thumb is for long-term debt to not exceed \$5,000-\$10,000 per bed.
- Outsource critical functions (i.e. financial audit, website development) and review all expenses annually to determine where costs and revenues can be adjusted.
- Develop a well-balanced board of directors and executive committee, relative to age, experience and background.
- Coordinate with the alumni membership

and undergraduates to ensure that an effective alumni relations program is in place.

- Have a check-in and check-out procedure for member suites and a minimum of annual professional cleanings.
- Have fun. Board members and their families who are enjoying their experience are likely to stay committed for the long term.

2. Execute a Master Lease/Use Individual Leases

- Specify the amount of rent for each pay period (i.e. monthly, semester, or annually).
- Outline roles and responsibilities of the individual member, chapter, and house corporation (include rent, kitchen use, reserve fund, security deposits and fees associated with members not living in the facility).
- Have a set of house rules and policies (i.e. alcohol/substance free and no smoking).
- Specify the right of the House Corporation to terminate the agreement and serve notice of eviction for tenants not meeting expectations of agreement.
- Officers sign for chapter house use every year in March or April
- Require the chapter to obtain written housing contracts for all tenants with security deposits on an annual basis.

3. Charge Fair Market Rent

- Charge fair market rent based on apartments, dorms, and other fraternities within the locality of the facility; research these numbers every two years. If your facility is among the best on campus, your rent should be among the highest, yet comparable.
- Rent should cover all facility related expenses and uses for tenants.
- Involve the undergraduates in the review of fair market values and establishment of rent.

4. Establish a Maintenance Reserve Fund

- Establish and fund maintenance and replacement reserve, rule

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WHEN THE CASH FLOW STOPS

When the cash flow stops after a property loss, are you properly covered? The FPMA Property Insurance Program can help answer that question.

**By Rich Jungman
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What if you woke up one morning to learn your Fraternity's chapter house endured a major fire requiring a complete rebuild of the facility? You probably have the building properly insured, but what about the loss of income the building produces to pay on-going expenses such as the mortgage? What about extraordinary expenses incurred as a result of the fire or expenses incurred to mitigate the extent of the business interruption?

Pull out your policy and look and see if you purchase a line of coverage using the insurance acronym BI/EE, which stands for Business Interruption/Extra Expense. Business Interruption is the temporary stoppage either in part or entirely of an Insured's business after a covered loss. It includes the loss of business income, which in the case of a Greek house is rental income. It is an essential line of coverage for any fraternity chapter property that relies upon the continuation of its income stream to meet its financial obligations.

Many times it means the difference between being able to rebuild vs. using

the insurance proceeds from the building to settle up the debt and sell the property as is. It is also an exposure many have underinsured. Working through the adjustment process of the claim, dealing with the city code officials, and selecting a contractor and architect take time. It may be months before construction starts, and even after it begins you can expect delays. Plus, you house college students. If reconstruction is completed during the middle of semester, your members are probably in long term leases and won't be able to move in until the next semester. Pre-loss occupancy might not be achieved until the next academic year.



The FPMA property insurance policy provides solutions for these issues. First, while the standard BI/EE policy form terminates coverage 30 days after completion on reconstruction, the FPMA policy is modified to provide continuation of coverage for up to 180 days after completion of the needed repairs in anticipation of the unique features of providing student housing.

The second feature is the ability to secure Actual Loss Sustained protection by completing a simple BI/EE worksheet and insuring to 18 months revenue. By doing so, coverage under BI/EE will continue for the reasonable period of restoration regardless of the limit declared under the policy. This simply means if it takes two years to reconstruct the property, the policy will pay 24 months of business interruption. This is a unique coverage improvement only available through FPMA. We encourage you to take 15 minutes to complete and return the required form. The worksheet can be downloaded at http://www.WillisFraternity.com/Educational_Resources/Risk_Management_Resources/.

**Need Property or
Liability Insurance?**
Our FPMA Insurance Program is
just what you need!

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SUMMER BREAK NOTICE

By Bobbi Larsen

Education Consultant and an Initiate of Alpha Chi Omega

Before you know, it will be the last week of school and students will be completing final exams! Summer break, or the months of May through August, is a high risk period of time for chapter houses. It is important you take the time to properly prepare your chapter house for the summer break period.

The leading risks to a chapter facility during the summer break period are:

- Fire
- Vandalism
- Theft
- Water damage
- Wind
- Hail

Fraternity Insurance Claim Facts

If you take a look at the loss history of fraternity property claims, it is easy to see why summer break preparation can make a big difference. Here are the simple facts:

- Each year, fire has been the leading risk factor with the majority of the serious fires occurring during summer break. 72% of all claim dollars were paid as a result of fire damage. In all the fires, the common denominator was human error and lack of leadership within the chapter.
- Vandalism is the second leading cause of truly preventable losses. Damage as a consequence of vandals entering an unsecured chapter facility resulted in 22% of the number of all claims.

- Water damage represents 34% of the number of claims filed. This problem, if unchecked, can lead to large losses.

What can you do to avoid these types of losses?

Only two perils on the list are truly unavoidable: wind and hail. However, the risks and resulting claims from wind and hail often occur to the roof and structure of the facility, emphasizing the need to have the facility inspected by a professional on a regular basis to assure it is structurally sound and current damage is repaired.

Most incidents involving water damage could have been minimal if someone had taken the time to prepare the house for break. The plumbing issues creating damage often went unchecked for days, weeks and even months. As a result, what would have been a few hundred dollars in clean up and a small plumbing repair turned into a costly claim!

Avoiding a claim can make a significant difference in the cost of property insurance and ability to provide a safe and healthy environment for undergraduate members. Use the Summer Break Checklist found at www.WillisFraternity.com to help minimize your risk of losses during the summer of 2009. Following our recommended steps will help to minimize your exposed risks and provide a safe chapter environment.

What are the benefits of being prepared for Summer Break?

- Avoid the expense and the time associated with a claim and restoring the damaged area.
- With a large loss, you may risk having an uninhabitable house for the fall semester.
- Water damage, when left unaddressed, combined with heat and humidity can lead to mold growth. Many insurance policies limit coverage in this area.
- Protect your legacy and history from thieves and vandals. A price can be put on everything except sentimental value.

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of thumb is 10 percent of gross revenues.

- Complete a maintenance reserve analysis at a minimum of every five years.
- Complete maintenance and replacement improvement projects every summer, with the ability to perform similar improvements during the winter break periods.

5. Fill the House

- Require that the chapter pay full rent, regardless if every bed is rented or not. Set the line in the sand and stick to it.
- Require the chapter to follow a priority point system which will be used for room selection and immediate move-in if the house is not at capacity.
- Close the house in the summer unless it is marketable for the students attending school during the summer periods or the facility plays a significant role in recruitment.

6. Develop a Sense of Ownership in the Undergraduates

- Allow undergraduates to participate in discussion process of the corporation, inviting key chapter leaders to attend quarterly board meetings.
- Solicit recommendations and identified needs of the undergraduates to better provide a facility that will be competitive in amenities and offerings.
- Speak at a chapter meeting once per semester, introducing the functions of the house corporation, executive committee directors, and key goals for the semester, year or beyond.

Since 1987, Fraternity Management Group (FMG) has worked with fraternity and sorority staff, undergraduates, alumni and volunteers. FMG is your source for alumni and parent relations programs, feasibility study & capital campaigns, and web-based information management systems. Further information can be found online at www.FMGTucson.com and by contacting Matt Noble at 1-800-228-7326 or matt@fmgtucson.com

IF DAMAGE OCCURS

Damage may occur to your property despite your best efforts at prevention and protection. If that happens, here are some tips to make working with your insurance program more effective.

- Make any temporary repairs necessary to mitigate the damage and protect the property.
- Allow your insurance company to inspect the damage before completing permanent repairs. This is a condition of your policy.
- Failing to allow the insurance company to inspect the damage prior to completing permanent repairs can jeopardize your coverage. The insurance company has a right to deny your claim. If the claim is not denied, you are in a less favorable position when the insurance company determines what and how much they will pay for your damages.
- Be familiar with the coverage offered by your insurance policy before damage occurs.

