

## **CHAPTER HOUSE FINANCES**

The chapter facility should be operated like any other piece of commercial real estate. It is important that the alumni board operate in a fiscally responsible manner. The following guidelines will help you manage the property in a responsible manner.

### **MAXIMUM DEBT SERVICE**

There should be no more than \$10,000 debt per bed on the property. While this will vary depending on the cost of living in your location, it is a guideline for alumni boards to follow. If the alumni board has more than \$10,000 debt per bed or less than 30% equity in the property, there could be a problem if the alumni board is unable to keep the property full.

### **FULL OCCUPANCY**

Filling the property is a critical element to good financial management. There are several different ways to ensure that the property is full. First and foremost is to have undergraduates sign leases early. Do not let the property become the last resort for people who do not get their first choices of places to live. In some college towns, it is the norm for students to sign housing contracts for the following year in November. Where this is the case, the alumni board must also get leases signed in November. Several alumni boards use lottery systems to fill the empty spaces in the facility and force members to live in the property or be expelled from Delta Tau Delta. To properly implement this policy, leases must be signed early before those who might be drafted sign leases elsewhere.

### **MORTGAGES & INTEREST RATES**

The alumni board should have a mortgage at a market interest rate for commercial loans in its area of the country. Avoid balloon payments if possible. Alumni boards that have balloon payments only inhibit their ability to build net equity in their property over time. The mortgage should last no longer than 20 years and preferably 15 years as the property will need a major renovation every 15 years to stay current with other campus living options.

### **SAVINGS**

The alumni board must save for long term repairs such as a new roof, enhanced fire safety systems, new carpet, new furniture, etc. Many universities save over 10% of rental revenue for long-term maintenance.

### **DAMAGE DEPOSITS**

As mentioned in an earlier section, it is important that the alumni board handle security deposits in the proper manner to avoid having to spend long-term savings on cosmetic repairs each year.