

Limited equity cooperatives overview

A limited equity cooperative (LEC) is a homeownership model in which residents purchase a share in a development (rather than an individual unit) and commit to resell their share at a price determined by formula—an arrangement that maintains affordability at purchase and over the long term.

When the LEC is created, initial affordability is typically achieved with some form of government assistance, including construction subsidies and low-interest financing. The price restrictions built into the resale formula limit the equity that LEC residents can gain when they sell their ownership share; it is this feature that also helps to maintain affordability, especially in strengthening housing markets. Some limited equity cooperatives allow little or no build-up of equity by homeowners, while others adopt a shared equity approach, balancing the twin goals of long-term affordability and individual wealth creation.
