



## VELFERÐARRÁÐUNEYTIÐ

*Ministry of Welfare*

### **Housing Cooperatives Act, No. 66/2003, with subsequent amendments according to Act No. 162/2010, No. 126/2011, No. 29/2016 and No. 26/2018.**

Where mention is made in this Act of ‘the minister’ or ‘the ministry’ without further definition, the reference intended is to the Minister of Social Affairs and Equality or to the Ministry of Welfare, which is responsible for the implementation of this Act. Information on the division of responsibilities between ministries according to a presidential decree may be found [here](#).

#### **Chapter I.**

#### **Scope and definitions.**

##### Article 1

##### *Scope.*

[This Act applies to societies that are operated as cooperatives and have as their objective the construction, purchase, ownership and supervision of residence apartments in which their members acquire residence rights in return for paying a residence rights fee and a residence fee in accordance with each society’s articles of association.]<sup>1)</sup> In the same way, these societies are permitted to build, purchase, own and operate premises connected with their activities, e.g. service and residential premises.

[The Cooperative Societies Act shall apply, as appropriate, to housing cooperatives.]<sup>1)</sup>

Societies referred to in the first paragraph may also establish companies and be members of limited-liability companies such as cooperative associations as provided for in the Cooperative Societies Act, and of limited companies, including private limited companies, providing that such companies are engaged in projects that are regarded as being important for housing cooperatives’ activities.

Societies covered by this Act shall have the words ‘housing cooperative,’ which may be abbreviated [in Icelandic] ‘hsf.’ in their names. By the same token, other entities shall be prohibited from bearing such names.

<sup>1)</sup> Act No. 29/2016, Art. 1.

##### Article 2

##### *Definitions.*

The following terms are used in this Act as defined below.

1. Residence apartment (*búsetuíbúð*): an apartment owned by a housing cooperative.
2. Residence right (*búseturéttur*): the permanent right of a member of a housing cooperative to use a residence apartment. [It is established on payment of the residence rights fee and the conclusion of a residence contract (*búsetusamningur*), and maintained by payment of a residence fee.]<sup>1)</sup>
3. Residence rights holder (*búseturéttarhafi*): a member of a housing cooperative who has purchased a residence right.
4. [Residence contract (*búsetusamningur*): a contract between a residence rights holder and a housing cooperative covering the holder’s right of residence.]<sup>1)</sup>
5. Residence rights fee (*búseturéttargjald*): the fee paid by a member of a housing cooperative in order to purchase a residence right.

6. Residence fee (*búsetugjald*): the fee paid by a residence right holder every month to the housing cooperative to cover operating, maintenance and capital costs ...<sup>1)</sup>
  7. Residents' association (*búsetufélag*): an association of residence rights holders in a particular building owned by a housing cooperative, functioning as a division within the housing cooperative.
  - [8. Membership fee (*félagsgjald*): the annual fee paid by members to a housing cooperative to maintain their membership rights.
  9. Member (*félagismaður*): any person who joins a housing cooperative by paying the admission fee and maintains his or her membership by paying the membership fee.
  10. Membership right (*félagsréttur*): the right to purchase residence rights in a residence apartment; it is maintained by payment of the membership fee.
  11. Housing cooperative (*húsnæðissamvinnufélag*): a cooperative society which has as its objective the construction, purchase, ownership and supervision of residence apartments for its members in return for the payment of residence rights fees and residence fees.
  12. Admission fee (*inntökugjald*): the fee paid by a member on joining a housing cooperative.]<sup>1)</sup>
- <sup>1)</sup> Act No. 29/2016, Art. 2.

## Chapter II

### Housing cooperatives.

#### Article 3

...<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 3.

#### Article 4

##### *Articles of association.*

[The articles of association of a housing cooperative shall cover matters including the following.

1. The cooperative's name, address and venue.
2. The cooperative's objective.
3. The cooperative's establishment fund, operating fund, reserve fund and maintenance fund.
4. General conditions covering membership of the cooperative and cessation of membership.
5. Involvement of legal persons in the cooperative, as appropriate.
6. The role of the board, the number of directors and their alternates, the qualification requirements (as appropriate) that directors are to meet, terms for which these parties are to serve and how they are to be elected (*cf.* Article 6).
7. How auditors are to be elected.
8. How meetings, including the annual general meeting, of the cooperative are to be called, what matters are to be on the agenda of the cooperative's meetings, who is to have voting rights at them, how voting rights are decided and when the annual general meeting is to be held.
9. The cooperative's divisional structure, if provision is made for such an arrangement, and the election of divisional representatives at the annual general meeting.
10. The role, powers and responsibilities of meetings, including the annual general meeting and, as appropriate, divisional meetings.
11. Engagement of the manager and his or her field of duties.
12. Who is able to bind the cooperative in legal agreements.
13. The amount of the admission fee and the membership fee, the due date for the payment of these fees each year and how they are to be paid.
14. The rights and obligations of members (*cf.* Article 7) and of residence rights holders (*cf.* Chapter III).
15. How residence rights are to be allocated between members.
16. How the residence rights fee is to be determined when a residence apartment is allocated for the first time (*cf.* Article 9).
17. How residence rights are to be sold, and the determination of the residence rights fee when residence rights are sold (*cf.* Article 20).
18. How the residence fee is to be determined and how it may be changed (*cf.* Article 12).
19. How maintenance work on the cooperative's properties is to be effected (*cf.* Article 15).

20. What rules are to apply regarding participation by the maintenance fund in residence rights holders' maintenance costs (*cf.* the fourth paragraph of Article 15).
  21. Inspection and evaluation of the condition of a residence apartment at the beginning and end of a residence contract period (*cf.* Article 14) and, as appropriate, at other times during the contract period.
  22. Arrangements for carrying out work on, and operating, properties.
  23. How any operating surpluses are to be disposed of, or what measures are to be taken in the event of a loss on the cooperatives operations.
  24. The execution of regular audits, in accordance with Article 6 a, of the cooperative's financial standing, obligations and activities.
  25. The cooperative's obligations to provide information to its members and residence rights holders.
  26. How amendments are to be made to the cooperative's articles of association.
  27. Who is competent to take the decision to dissolve the cooperative.
  28. The disposal of the cooperative's assets to public housing projects in its area of operation or to recognised relief or charity activities if it is dissolved without administration proceedings.]<sup>1)</sup>
- <sup>1)</sup> Act No. 29/2016, Art. 4.

#### Article 5 *Fundraising.*

Housing cooperatives shall raise funds as follows.

- a. Through members' admission fees, which shall go to the cooperative's establishment fund.
- b. Through annual membership fees, which shall go to the cooperative's operating fund ...<sup>1)</sup>
- c. Through fees charged for services rendered to members and others, which shall go to the cooperative's operating fund.
- d. [Through loans, bond issues and or grants and contributions from collaborating entities.]<sup>1)</sup>
- e. [Through contributions to the reserve fund.]<sup>2)</sup>

[Housing cooperatives shall decide in their articles of association how contributions under points a–e of the first paragraph are to be determined and how they are to be amended.]<sup>1)</sup>

<sup>1)</sup> Act No. 26/2018, Art. 1. <sup>2)</sup> Act No. 29/2016, Art. 5.

#### Article 6 *[The board, directors and the manager.*

The board of a housing cooperative may be elected for a maximum term of four years at a time.

It may be decided in a housing cooperative's articles of association that persons other than its members may stand for election to its board.

The roles of the board of a housing cooperative include the following.

- a. To formulate the cooperative's policy.
- b. To maintain a register of members, which shall be kept at the cooperative's office and shall be accessible to members.
- c. To see to the engagement of the manager and decide his or her wages and terms of service, these being stated in a special letter of appointment.
- d. To set rules on the provision of information by the manager to the board, regarding, e.g., the cooperative's operations, including the arrangements regarding construction, maintenance and operation of properties and the disposal of financial assets.
- e. To set rules on the provision of information by the cooperative to its members, including the residence rights holders.
- f. To discuss and prepare all major decisions regarding the cooperative's activities.
- g. To ensure that the cooperative's operations, accounting and the handling its finances are under adequate supervision.
- h. To formulate internal auditing in the cooperative.
- i. To make proposals on amendments to the cooperative's articles of association and other rules and present them to its annual general meeting.
- j. To make proposals on amendments to payment items, if provision is made to this effect in the cooperative's articles of association.

- k. To call the annual general meeting before the end of June each year.
- l. To make proposals to the annual general meeting regarding the choice of an auditor.
- m. To have regular audits made of the cooperative's financial standing, obligations and activities in accordance with Article 6 a.
- n. To compile the annual financial statements together with the manager, and also the report of the board (*cf.* Article 28 a), for each financial year.

A minutes book containing records of board meetings shall be accessible to members on request.

The directors and the manager shall be legally competent, financially competent, have unblemished reputations and may not, during the previous three years, have received sentences in connection with business activities for actions that are punishable under the General Penal Code or the Act on Private Institutions which Engage in Business Operations, the Limited Companies Act, the Private Limited Companies Act, the Cooperative Societies Act, the Accountancy Act, the Financial Statements Act, the Bankruptcy (Etc.) Act or legislative provisions regarding public levies and taxes.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 6.

#### [Article 6 a

##### *Audit of financial standing; the reserve fund.*

Housing cooperatives shall, every three years or more frequently, have audits made of their financial standing, obligations and activities in order to ensure that they are viable in the long run. The conduct of an audit under the first sentence may not be entrusted to a person who is an employee of the same cooperative or company group as that for which the auditor provided for in Article 28 b works.

Housing cooperatives shall maintain sufficient reserve funds to deal with reversals in their operating results (*cf.* point e of the first paragraph of Article 5).

Funds may not be paid out of a housing cooperative to those who are involved in the foundation or running of the cooperative in the form of dividend or any type of equivalent of dividend. Operating surpluses in the cooperative shall be used for its expansion and maintenance, such as the amortization of its loans.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 7.

#### Article 7

##### *[Membership.*

Membership is open to all who wish to participate in a housing cooperative and who meet the conditions set in its articles of association. This shall also apply to legal persons if provision is made to this effect in the cooperative's articles of association (*cf.* the fourth paragraph of Article 10).

Persons who wish to become members of a housing cooperative shall apply to the cooperative in accordance with its articles of association. Members shall pay an admission fee in the first year, and thereafter an annual membership fee, which shall confer upon them rights in the cooperative in accordance with its articles of association.

The parent or guardian of a child under the age of 18 years may apply for membership on behalf of the child, providing that the parent or guardian pays the admission fee, and subsequently the annual membership fee, in accordance with the second paragraph. However, membership rights in the cooperative shall only become activated when the member has attained the age of 18 years. The housing cooperative shall have provisions in its articles of association stating how the membership rights of the child are to be prioritized when he or she attains the age of 18 years.

Membership rights may not be assigned, but on the death of a member they shall be transferred to the deceased member's surviving spouse or cohabiting partner, in the case of a cohabitational partnership registered in the National Register, providing that the persons concerned have had a child together or are expecting a child or the cohabitation has been registered for at least two years, if the person concerned requests the transfer, unless the board of the housing cooperative produces valid arguments against this.

Membership shall expire if a member no longer meets the requirements of this Act and of the cooperative's articles of association regarding membership.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 8.

**Chapter III**  
**Rights and obligations of residence rights holders.**

Article 8

*[Purchase of residence rights.*

Only members may purchase residence rights in accordance with further provisions in the articles of association of the housing cooperative.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 9.

Article 9

*The residence rights fee.*

[Members who have exercised their right to purchase residence rights (*cf.* Article 8) shall pay a residence rights fee. Payment of the residence rights fee is the prerequisite for being able to enter into a residence contract as provided for in Article 11.

Housing cooperatives may set provisions in their articles of association stating maximum and minimum amounts of the residence rights fee; however, the fee may never be an amount greater than the equivalent of one third of the market value of the residence apartment in question at the time of the purchase of the residence rights.

Members shall not be liable for the aggregate obligations of the society in excess of their payment of residence rights fees.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 10.

Article 10

*Residence rights.*

[Residence rights grant the holder a permanent right of use regarding the residence apartment on which the holder's residence contract is registered as an encumbrance (*cf.* the fourth paragraph of Article 11).

Each residence rights holder may only have the right of residence in one residence apartment under the first paragraph, and it shall be a condition that the residence rights holder maintains his or her home in the residence apartment (*cf.*, however, Article 19). Nevertheless, the housing cooperative may decide in its articles of association that under particular circumstances, a residence rights holder may have a temporary right of residence in two residence apartments.

Married couples, and individuals in registered cohabitational partnerships may have joint residence rights in a particular residence apartment according to a residence contract under Article 11.]<sup>1)</sup>

Housing cooperatives may dispose of residence rights to the state, local authorities, public associations or societies, if these parties so request, in which case care shall be taken to ensure that not more than 20% of the apartments belonging to the housing cooperative are disposed of in this way.

[When the residence rights holder is a legal person (*cf.* the fourth paragraph), residence apartments may only be used as the homes of those who are chosen by the legal person to reside in them according to its rules. In such cases, the legal person shall own the rights and bear the obligations of the residence rights holder under this Act.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 11.

Article 11

*Residence contracts.*

[Members who have exercised their right to purchase residence rights (*cf.* Article 8) and have paid the residence rights fee (*cf.* Article 9) shall make a written residence contract with the housing cooperative. The spouse or cohabiting partner of a member in a registered cohabitational partnership may, together with the member, be a joint party to a residence contract covering the right of residence (*cf.* the third paragraph of Article 10).]<sup>1)</sup>

The residence contract shall state matters including the following.

1. The names, addresses and ID Nos. of the parties.
2. [A clear and accurate description of the residence apartment, including any chattels that are supposed to accompany it, and the time when it is to be delivered.]<sup>1)</sup>
3. The term of validity of the residence contract and the amount of the residence rights fee.
4. Disposal of the residence rights.

5. The residence fee.
6. Where and how the residence fee is to be paid.
7. The rights and obligations of the residence rights holder.
8. The rights and obligations of the residents' association.
9. [Whether the inspection under Article 14 has been carried out.]<sup>1)</sup>
10. Special provisions, if any are agreed and are permitted by law.

[When a residence rights holder enters into a residence contract, the contents of the housing cooperative's articles of association, and of the rules issued thereunder, the contents of the cooperative's last annual financial statements and its general standing shall be explained to him or her, together with his or her rights and obligations, including the nature of the residence rights fee and the basis of the residence fee.]<sup>1)</sup>

The residence contract shall be registered as an encumbrance on the [residence apartment]<sup>1)</sup> in question.

<sup>1)</sup> Act No. 29/2016, Art. 12.

## Article 12

### *The residence fee.*

[Each month, the residence rights holder shall pay a residence fee to the housing cooperative to cover operating, maintenance and capital costs. The housing cooperative shall determine in its articles of association how the residence fee is to be decided and how it may be amended; this shall be based in part on the budget estimates of the cooperative's board regarding the payment items enumerated in the second paragraph.]<sup>1)</sup>

The residence fee comprises the following items:

1. Operating costs, such as the cost of heating, water and electricity, rates and insurance premiums, [together with a service charge to the housing cooperative as provided for in point c of the first paragraph of Article 5.]<sup>1)</sup>
2. A contribution to the residents' association's fund.
3. A contribution to the housing cooperative's maintenance fund.
4. Payment of instalments on loans and capital costs.

It may be agreed in the residence contract that the residence rights holder is to bear part or all of the costs under indent 1 of the second paragraph.

Residence fees shall be paid in advance on the first day of each month for one month at a time unless another arrangement is agreed. If the due date for payment falls on a public holiday then it shall be deferred to the next banking day thereafter.

If the residence rights holder fails to pay the residence fee within [7]<sup>1)</sup> days of the due date, the housing cooperative may demand arrears interest on it at the highest rate permitted by law from the due date to the date of payment.

<sup>1)</sup> Act No. 29/2016, Art. 13.

## Article 13

### *Condition of the residence apartment.*

[When a residence apartment is delivered, it shall be in a condition that is generally considered satisfactory in terms of the use which is to be made of it. On delivery, the residence apartment shall be accompanied by the chattels which were in place when the purchaser of the residence rights examined it unless other arrangements are agreed in the residence contract. The residence apartment shall, at the time of delivery, be clean, with unbroken window panes, the locks and electrical switches in working order and the hygienic and domestic appliances, and also the water-pipes, electrical wiring and sewage and drain-pipes, in good order.

If it comes to light that the residence apartment is not in the condition that the residence rights holder could reasonably expect, the residence rights holder shall inform the housing cooperative in writing of his or her criticisms within four weeks of the date of delivery, stating what remedial measures are demanded. Otherwise, the residence rights holder shall be considered as being satisfied with the premises. The residence rights holder shall inform the housing cooperative in writing of any faults that subsequently come to light in the residence apartment, but were not evident on ordinary inspection, within 14 days of his or her becoming aware of them.

If the housing cooperative does not begin repairing or replacing the things that are defective or not in proper order in the residence apartment within four weeks of receiving a written announcement as provided for in the second paragraph, the residence rights holder may have them repaired or replaced and deduct the resulting expenses from the residence fee, providing that an inspection was made of the residence apartment and an opinion sought from the inspector regarding the necessity of the repairs and the estimated cost involved.

Housing cooperatives may set more detailed rules on the delivery of residence apartments, and the condition in which they are to be, in their articles of association.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 14.

#### Article 14

##### *Inspection of residence apartments.*

[The seller and the purchaser of residence rights may request to have an inspection made of the condition of a residence apartment prior to delivery as provided for in Article 13. The parties shall be obliged to have an inspection made if one of them so requests, and the cost of the inspection shall be divided equally between them.

If an inspection of the condition of a residence apartment is requested in circumstances other than those covered in the first paragraph, the party requesting the inspection shall pay the costs thereof. Nevertheless, the parties may at all times make an agreement on another division of the costs of the inspection.

The housing cooperative may request an inspection of the condition of a residence apartment in circumstances other than those covered in the first paragraph, in accordance with the provisions of its articles of association.

If a request for an inspection is made as provided for in the first, second and third paragraphs, the residence rights holder shall grant access to the apartment (*cf.* also Article 18).

The parties shall make efforts to agree on an inspector. If this is not successful, then the party requesting the inspection may have an inspector appointed by a court of law.

The person carrying out the inspection shall perform the task conscientiously, at all times observing the fullest impartiality towards both parties. He or she shall also observe a non-disclosure obligation regarding individuals' private affairs of which he or she may gain a knowledge in the course of his or her work. He or she shall produce a report, in duplicate, stating the outcome of the inspection in which the most detailed possible description of the residence apartment, and of its condition, shall be recorded, including as regards the chattels that are supposed to accompany it. The parties shall then be able to make comments and criticisms immediately and demand that repairs and improvements be made. The parties shall sign the examination report, each retaining a copy of it.

If an inspection as provided for under the first paragraph has been carried out prior to delivery as provided for in Article 13, the inspection report shall constitute part of the residence contract and shall be referred to if any dispute arises subsequently regarding the condition of the residence apartment.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 15.

#### Article 15

##### *Maintenance of residence apartments.*

[Residence rights holders may not use their residence apartments in a manner other than is agreed in the residence contract, and shall treat them in a way that is consistent with good practice regarding the treatment of residential property, including as regards cleanliness, hygiene and health.

Residence rights holders shall comply with accepted customs regarding conduct and consideration and ensure that they do not interfere with normal use by other persons who use the building or cause them inconvenience or disturbance.

Residence rights holders shall see to maintenance inside their residence apartments at their own expense, this including the chattels accompanying the apartment, such as flooring and wall materials, woodwork, fixtures and fittings, doors, hygienic appliances and domestic appliances. Furthermore, holders of residence rights shall, at their own expense, see to the replacement and maintenance of locks, taps, water-mixers, electrical sockets and other small items.

Residence rights holders may apply to have the housing cooperative's maintenance fund pay part or all of the costs they incur in connection with to maintenance under the third paragraph, in accordance with more detailed rules set by the housing cooperative in its articles of association.

Housing cooperatives shall see to the maintenance of the exterior of buildings, and of their equipment, systems and conduits. Housing cooperatives may decide in their articles of association to entrust maintenance to other parties on their behalf.

Residents' associations shall see to the indoor maintenance of the common parts, and also of car-parks and grounds.]<sup>1)</sup>

If the premises or the chattels accompanying them are damaged by the residence rights holder, members of his or her household or other persons whom he or she has permitted to use them, or the right of movement through them, the residence rights holder shall take measures to make good the damage as soon as possible. If the residence rights holder neglects this obligation, the housing cooperative may have repairs carried out at the residence rights holder's expense, [providing that an inspection has been made of the residence apartment and an opinion sought from the inspector regarding the necessity of the repairs and the estimated cost involved].<sup>1)</sup> Prior to this, however, the housing cooperative shall give the residence rights holder a period of [four weeks]<sup>1)</sup> in which to complete the repairs.

Housing cooperatives shall purchase homeowner's insurance cover, the cost of which shall be included in the residence fee.

[A division of maintenance obligations other than that prescribed in the third, fourth, fifth and sixth paragraphs may be agreed, either in the residence contract or in the service contract provided for in the second paragraph of Article 26, providing that such deviations from the provisions stated here are clearly laid out in those contracts. Furthermore, other divisions of maintenance obligations may be provided for in the housing cooperative's articles of association.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 16.

## Article 16

### *Housing cooperatives' maintenance funds.*

[Housing cooperatives shall determine in their articles of association how the fee paid to their maintenance funds is to be determined and how it is to be amended (*cf.* indent 3 of the second paragraph of Article 12). The maintenance fund is to pay the cost of maintenance of the exterior of the building, and also of its equipment, systems and conduits. Housing cooperatives shall set rules in their articles of association covering participation by the cooperative's maintenance fund in the cost of maintenance borne by residence rights holders according to the third paragraph of Article 15 (*cf.* also the fourth paragraph of Article 15).

Housing cooperatives may not use their maintenance funds for purposes other than those set out in the first paragraph.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 17.

## Article 17

### *Modifications to residence apartments.*

Residence rights holders may make modifications or improvements to [their residence apartments, and also to the accompanying chattels and grounds]<sup>1)</sup> if the housing cooperative has approved them and agreed on a division of the costs and what is to be done at the end of the residence contract period. Otherwise, the housing cooperative shall acquire all improvements without any specific consideration being paid at the end of the residence contract period, unless it chooses, at that time or earlier, to demand that the residence right holder restore the premises to how they were originally.

<sup>1)</sup> Act No. 29/2016, Art. 18.

## Article 18

### *Access to residence apartments.*

Housing cooperatives may have necessary maintenance work carried out on residence apartments, and in such instances, the residence rights holders shall be obliged to grant access to the apartments. Residence rights holders shall be obliged to grant housing cooperatives access to their apartments for purposes of inspection if the housing cooperative has reason to suspect that maintenance obligations



are being grossly neglected or that the premises are being used in a manner other than that which is permitted.

#### Article 19

##### *Disposal and sub-letting of residence rights.*

Residence rights holders may not assign their residence rights or sub-let their apartments without the written approval of the housing cooperative. If a residence rights holder wishes to have an apartment sub-let to another person, the board of the housing cooperative shall reply to a request to this effect within 30 days. [If the board of the housing cooperative rejects such a request from a residence rights holder, it shall state relevant reasons for its decision.]<sup>1)</sup>

[When residence rights holders receive the approval of the board of the housing cooperative to sub-let their residence rights, they shall continue to bear the rights and obligations of residence rights holders under this Act and the articles of association of the housing cooperative during the lease period.

The right to inherit residence rights, and to defer the settlement of an estate at death, shall be determined in accordance with the Inheritance Act. Heirs may exercise residence rights unless the board of the housing cooperative presents valid arguments to the contrary. If an heir intends to exercise residence rights, he or she shall inform the housing cooperative of this in writing without unreasonable delay after the estate at death has been settled. If an heir does not exercise residence rights, he or she shall sell them in accordance with the cooperative's articles of association and Article 20 of this Act. The housing cooperative may permit the transfer of residence rights to the holder's spouse in the event of divorce or the conclusion of a marriage settlement between a married couple.

A person who acquires residence rights under the third paragraph shall at the same time acquire membership of the housing cooperative, providing that he or she exercises the rights and lives in the residence apartment. The housing cooperative shall then be able to reassess the residence fee under Article 12 and the cooperative's articles of association as it would in the case of a new residence rights holder. If the cooperative intends to exercise its authorisation according to the second sentence of this paragraph, it shall inform the residence rights holder of this within 14 days of the date on which the residence rights holder informed the cooperative of his or her intention of utilising residence rights as provided for in the third paragraph.]<sup>1)</sup>

Any lease that is not signed by the housing cooperative shall be invalid. If a tenant sustains loss or damage resulting from an invalid lease, the landlord shall be liable for compensation.

A housing cooperative may cancel a lease that is invalid under [the first paragraph (*cf.* the fifth paragraph)],<sup>1)</sup> and demand that the tenant be evicted.

Residence rights holders may not pledge their residence rights.

<sup>1)</sup> Act No. 29/2016, Art. 19.

#### Article 20

##### *Termination of residence rights.*

[Housing cooperatives may not terminate residence contracts.

Residence rights holders shall inform the housing cooperative if they wish to sell their residence rights, following which the sale of the rights shall proceed in accordance with the housing cooperative's articles of association, including as regards how the residence rights are to be advertised among its members, how long the offer is to stand, how the purchase price of the residence rights is to be determined when this measure is taken, how the price is to be paid and how the residence fee is to be assessed (*cf.* Article 9). Residence rights holders shall continue to exercise their rights and bear their obligations as residence rights holders while the residence rights are for sale and until they have been sold. The housing cooperative shall handle the sale of residence rights. The amount raised through the sale of residence rights shall be paid to the cooperative and shall be counted as part of the residence rights fee which is determined by the cooperative under Article 9 and its articles of association. The cooperative shall then pay the amount raised by the sale of the residence rights to the residence rights holder (*cf.*, however, the fifth paragraph).

When residence rights are sold, an agreement shall be made regarding the delivery of the residence apartment; the former residence rights holder may demand a three-month notice period, running from the sale date, unless the parties agree on another arrangement. The residence rights holder shall have

cleared the apartment by the delivery date, and Article 13 shall apply regarding the condition of the apartment when it is delivered. Furthermore, the cooperative's articles of association shall be observed regarding the clearing of residence apartments and how they are to be put in order. After the sale price of the residence rights has been paid to the former residence rights holder, other financial settlements based on the residence contract have been concluded between him or her and the housing cooperative (*cf.* also the fifth paragraph) and the residence apartment has been delivered, the residence contract between the parties shall become void. Furthermore, the housing cooperative shall make a new residence contract covering the right of residence according to this Chapter with the purchaser of the residence rights; that contract shall take effect when the previous residence contract becomes void in accordance with the fourth sentence.

If the attempt to sell residence rights as provided for in the second paragraph is unsuccessful, the residence rights holder shall continue to hold residence rights, exercising the rights and bearing the obligations of a residence rights holder according to this Act and the housing cooperative's articles of association. Nevertheless, the residence rights holder may request the consent of the board of the housing cooperative to sub-let the residence apartment (*cf.* the first paragraph of Article 19) for up to one year at a time on the condition that his or her residence rights will continue to be for sale from the housing cooperative. Residence rights holders shall continue to exercise their residence rights and bear their obligations as residence rights holders during the lease period. If the board of the housing cooperative rejects a request from a residence rights holder under the second sentence, it shall state relevant reasons for its decision.

The amount raised by the sale of residence rights may be set off against any liabilities that the residence rights holder may have towards the housing cooperative which may be attributed to his or her failure to perform the residence contract.

The housing cooperative shall at all times have a pre-emptive right to residence rights in residence apartments owned by the cooperative. The cooperative shall then be able to intervene in an approved purchase offer after the residence rights have been advertised as being for sale in accordance with the second paragraph. In addition, the housing cooperative may purchase residence rights, even, according to circumstances, without the residence rights' having been advertised as being for sale in accordance with the second paragraph, if agreement is reached with the residence rights holder regarding a price for the residence rights.

At all times, residence rights holders may waive their residence rights in favour of the housing cooperative without receiving any recompense from the cooperative. Residence rights holders who decide to waive their residence rights in favour of the housing cooperative shall notify the housing cooperative of this decision, which shall then take effect when six months have elapsed from the first day of the next month after the notification was sent to the housing cooperative, and the residence contract shall then become void at the same time. The notification shall be made in writing and shall be sent in a verifiable manner to the cooperative. The residence rights holder shall have cleared the apartment by the end of the notice period according to the second sentence, Article 13 applying as regards the condition of the residence apartment when it is delivered. Furthermore, the cooperative's articles of association shall be observed regarding the clearing of the residence apartment and how it is put in order. A residence rights holder may also request to sell his or her residence rights according to the second paragraph during the six-month notice period under the second sentence. If the residence rights are sold during this period, the sale shall be subject to the second and third paragraphs, in which case the notification from the residence rights holder regarding the waiving of his or her residence rights in favour of the housing cooperative without any recompense from the cooperative shall become void.

Housing cooperatives may let their residential apartments temporarily after exercising their pre-emptive right under the sixth paragraph or purchasing residence rights under the sixth paragraph, or if the residence rights have been made over to them under the seventh paragraph, providing that the residence rights are at the same time for sale from the cooperative.

Housing cooperatives may not have provisions in their articles of association or residence contracts specifying that they are obliged to purchase residence rights from the residence rights holders.

If a residence rights holder fails to discharge his or her obligations during the process of the sale of the residence rights, the housing cooperative may cancel the residence contract under Article 22.

Article 14 shall apply to inspections of residence apartments at the end of the residence contract period.

Residence rights shall lapse in the event of the sale of the residence apartment as an enforcement measure (sale in execution) when a bid for the apartment is considered accepted; this shall be stated in the deed of transfer of the property. When residence rights lapse under the first sentence, the housing cooperative shall pay compensation for the residence rights, as assessed, to the residence rights holder twelve months later. When compensation is assessed, the sale value of residence rights in a comparable residence apartment owned by the housing cooperative at the time when compensation is to be paid shall be used as a reference.

Residence rights shall lapse when a ruling is delivered by a district court judge on administration proceedings against the estate of the housing cooperative.

In the event of the enforced sale of residence rights due to the debt position of the residence rights holder, e.g. a sale in execution, the sale of the residence rights shall be subject to the articles of association of the housing cooperative.

In the event of the enforced sale of a residence apartment which the residence rights holder has for his or her private use, the residence rights holder shall be entitled to retain use of the apartment for a specific length of time of up to twelve months from the date of acceptance of a bid, in return for a payment which shall go to the purchaser and shall correspond, in the opinion of the district commissioner, to what the residence rights holder would have paid each month as the residence fee according to the residence contract applying to the apartment. The district commissioner may set the condition that the residence rights holder put up security to cover any damage that may be caused to the apartment.

When a ruling is delivered by a district court judge on administration proceedings against the estate of the housing cooperative, the residence rights holder shall be entitled to retain use of an apartment which he or she has for his or her private use for a specific length of time of up to twelve months from the date of delivery of the ruling, in return for a payment to the owner of the apartment which shall correspond, in the opinion of the district commissioner, to what the residence right holder would have paid each month as the residence fee according to the residence contract applying to the apartment. The district commissioner may set the condition that the residence rights holder put up security to cover any damage that may be caused to the apartment.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 20.

## Article 21

### *Cancellation of residence contracts.*

The residence rights holder may cancel the residence contract in the following cases.

1. If there is a substantial delay in the delivery of the premises.
2. If the premises fall into disrepair for reasons that cannot be traced to the residence rights holder or if, in the opinion of the health authorities, they pose a health hazard.
3. If the housing cooperative fails to perform its obligations under the residence contract or under this Act.

## Article 22

### *Cancellation of residence contracts.*

The housing cooperative may cancel the residence contract in the following circumstances.

1. If the residence rights holder does not pay the residence fee on the correct due dates or fails to respond, within seven days, to a written call from the housing cooperative to pay the fee, providing that such a call has been sent after the due date and the housing cooperative states in the call that it intends to exercise its right of cancellation.
2. If the residence rights holder uses the premises in a manner other than that specified in this Act or in the residence contract, or other than is permitted under other provisions of law, and does not cease such abuse of the premises notwithstanding a written admonition from the housing cooperative.
3. If the residence rights holder assigns his or her residence rights or abuses his or her authorisation to sub-let the premises, or if the sub-tenant is found to have committed any of the breaches of

conduct which entitle the housing cooperative to cancel the contract with the residence rights holder.

4. If, without valid reasons, the residence rights holder denies the housing cooperative, or other parties, access to the premises in violation of Article 18.
5. If, in the care of the residence right holder, the premises fall into disrepair due to bad treatment or neglect on the part of persons for whom he or she is responsible and the residence rights holder fails to comply immediately with the demands of the housing cooperative regarding putting the situation to rights.
6. If, despite a written admonition from the housing cooperative, the residence rights holder neglects his or her obligation to ensure that orderliness and good conduct are maintained in the premises or commits acts of personal malice towards the housing cooperative, the residents' association or other inhabitants of the building in question.
7. If the residence rights holder neglects, in a way other than those enumerated above, his or her obligations under the residence contract or this Act in such a gross manner that eviction from the premises can be regarded as normal or necessary.

If the housing cooperative does not exercise its right of cancellation under the first paragraph within two months of the time when the cooperative becomes aware of the defaulting on the part of the residence rights holder, or if the residence right holder has completely repaired or rectified all the damage or deficiencies, then the housing cooperative's right to cancel the contract shall lapse. This shall not apply, however, when the residence rights holder has defaulted on his or her obligations in a deceptive manner or when the reason for cancellation is that the residence fee is in arrears (*cf.* indent 1 of the first paragraph).

#### Article 23

##### *Compensation claims in connection with cancellation.*

If a residence contract is cancelled for any of the reasons enumerated in Article 22, the residence rights holder shall then compensate the housing cooperative for the losses directly resulting from his or her default. In addition, the residence rights holder shall pay compensation equivalent to the residence fee for up to six months after vacating the apartment.

The housing cooperative shall take the necessary measures to allocate the premises as soon as possible to another residence rights holder, the residence fee received by housing cooperative from the new residence rights holder being deducted from the residence fee under the first paragraph. [In other respects, the disposal of residence rights shall be subject to the second or sixth paragraphs (*cf.* also the fifth paragraph) of Article 20 and the cooperative's articles of association, as appropriate; if disposal is made under the second paragraph of Article 20, then the highest bid for the residence rights shall be accepted. If no bid for the residence rights is received, the housing cooperative may let the residence apartment temporarily until a bid is received, providing that the residence rights are still for sale from the cooperative.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 21.

#### Article 24

##### *Final return of residence apartments.*

The residence rights holder shall return the residence apartment, together with its appurtenant chattels, in the same condition as it was in when it was delivered to him or her. The residence rights holder shall bear unrestricted compensatory liability for all deterioration in the condition of the premises or damage to them, to the extent that such is not regarded as the natural consequence of the normal or contractually agreed utilisation of the premises or does not result from events with which the residence rights holder was demonstrably not associated.

#### Article 25

...<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 22.

## **Chapter IV** **Residents' associations.**

### Article 26

#### *Establishment of residents' associations.*

Residence rights holders in a specific building shall establish a residents' association and elect a committee for it. Each residents' association shall function as a separate department within the housing cooperative and be responsible for the tasks to which it is expected to attend.

A residents' association may enter into a service contract with the housing cooperative, under which the cooperative is to attend, wholly or in part, to the tasks to which the residents' association is expected to attend under this Act.

Matters that are neither mentioned in the constitution of the residents' association nor addressed specifically in this Act shall, as appropriate, be subject to the Multi-Owner Buildings Act.

The residents' association shall submit endorsed and approved annual financial statements to the housing cooperative by 15 April each year.

### Article 27

#### *Role of the residents' association.*

The role of the residents' association is to supervise to ensure that the building is used in a normal way so that its value will be maintained.

In a building consisting solely of apartments owned by a housing cooperative, the residents' association shall set house rules on the utilisation of the property containing provisions on living in a building with other inhabitants, conduct and treatment of the premises and the use of the common parts, and the sharing of such use, as appropriate.

[In a building consisting solely of apartments owned by the housing cooperative, the committee of the residents' association shall decide how maintenance of the interior of the common parts, and of the car-park and grounds is to be carried out. The residents' association may make modifications or improvements to the interior of the common parts, and to the car-park or grounds if the housing cooperative has approved them and agreed to a division of the costs, where appropriate.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 23.

### Article 28

#### *The residents' association's fund.*

[The housing cooperative shall determine in its constitution the fee to the residents' association's fund for the building and how this is to be amended (cf. indent 2 of the second paragraph of Article 12).]<sup>1)</sup>

The costs of maintenance of the car-park, grounds and interior of the building, and other costs relating to communal management, cleaning, etc., shall be paid from the residents' association's fund. 'The interior of the building' here includes all indoor areas, excluding the apartments, to which all or some of the residence rights holders in the building in question have access or which they are entitled to use.

The committee of the residents' association shall be elected at the association's annual general meeting; the committee shall be in charge of the association's affairs between its annual general meetings, which shall be held before the end of March each year.

<sup>1)</sup> Act No. 29/2016, Art. 24.

## **[Chapter IV A** **Annual financial statements, auditing, monitoring and dissolution.]**

<sup>1)</sup> Act No. 29/2016, Art. 25.

[Article 28 a

#### *Annual financial statements and report of the board.*

The Financial Statements Act shall apply regarding the annual financial statements and report of the board of a housing cooperative.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 25.

[Article 28 b

*Auditing.*

A certified public accountant shall audit the accounts of the housing cooperative.

The auditor of a housing cooperative may not sit on the cooperative's board, be an employee of it or work in its service in any capacity other than as an auditor.

The Financial Statements Act shall apply to the auditing of housing cooperatives, as appropriate, unless other provisions are made in this Act.

If an auditor becomes aware of serious defects or irregularities in a housing cooperative's operations or in matters regarding its internal monitoring, the handling of funds or other matters that may weaken the cooperative's financial standing, or has reason to consider that laws, regulations or rules applying to its operations have been violated, he or she shall immediately inform the cooperative's board. This provision is not in violation of the auditor's non-disclosure obligation.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 25.

[Article 28 c

*Dissolution of a housing cooperative.*

A housing cooperative shall be dissolved if the person competent to take the decision to dissolve it under its articles of association puts forward a resolution to this effect at a meeting of the cooperative and the resolution is approved by two successive quorate meetings of the cooperative with the support of not less than 2/3 of the members of the meetings who are entitled to vote.

A housing cooperative shall also be dissolved if the number of members falls below fifteen and the minister has not given permission for exemption from the requirement regarding a minimum number of members. In addition, a cooperative shall be dissolved if it neglects to send to the register of cooperatives the notifications it is obliged to send under this Act and the Cooperative Societies Act.

The board of the housing cooperative shall be obliged to deliver the cooperative's estate for administration proceedings under the Bankruptcy (Etc.) Act.

Housing cooperatives shall be dissolved in accordance with the provisions of their articles of association. If any assets remain when a cooperative has discharged its obligations in full, the remainder shall be disposed of to the residence rights holders in proportion to the residence rights fees they have paid, updated by reference to the consumer price index to the date of payment. If the assets suffice to pay the residence rights holders this sum in full, then any remainder shall be disposed of to public housing activities in the housing cooperative's operational area or to recognised relief or charity activities as specified in its articles of association. Other matters concerning the dissolution of housing cooperatives shall be subject to the Cooperative Societies Act, as appropriate.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 25.

## **Chapter V**

### **Miscellaneous provisions.**

#### **Article 29**

*Issue of regulations.*

[The minister]<sup>1)</sup> shall issue regulations containing further provisions on the application of this Act.

<sup>1)</sup> Act No. 126/2011, Art. 369.

[Article 29 a

*Prohibition on the waiving of rights.*

No agreements may be made by which a residence rights holder undertakes more extensive obligations and acquires lesser rights than are specified in this Act (*cf.* also the Cooperative Societies Act, as appropriate), unless the provisions of these Acts contain special concessions to that effect.]<sup>1)</sup>

<sup>1)</sup> Act No. 29/2016, Art. 26.

#### **Article 30**

*Sanctions.*

Violations of this Act and of regulations issued hereunder shall be punishable by fines.

## Article 31

### *Commencement and conflict of laws.*

This Act shall take effect on 1 July 2003. ...

Articles of association of housing cooperatives and constitutions of individual residents' associations which [the ministry]<sup>1)</sup> has approved during the period covered by earlier legislation shall retain their validity.

Residence contracts made on the basis of earlier legislation shall retain their validity. If the parties to articles of association, constitutions and residence contracts made during the period covered by earlier legislation wish to have their affairs dealt with under the provisions of this Act and of articles of association approved hereunder, the board of the housing cooperative shall be obliged to comply with such requests.

Maintenance funds which are now in the keeping of residents' associations shall be merged with the housing cooperative's joint maintenance fund.

<sup>1)</sup> Act No. 162/2010, Art. 27.

### **Interim provision.**

When the residence rights fee is repaid to those who entered into residence contracts prior to the commencement of this Act (*cf.* Articles 9 and 25), the sixth paragraph of Article 76 of the State Housing Institute Act, No. 97/1993, shall also be taken into account.

*[This translation is published for information only.  
The original Icelandic text is published in the Law Gazette.  
In case of a possible discrepancy, the original Icelandic text applies.]*