***RESIDENCE CONTRACT***

**The Housing Co-operative Búmenn, ID No. 660499-2299,
Lágmúli 7, 108 Reykjavik**

1. **Parties, description of residence apartment and available data and information**
	1. The undersigned parties, **Búmenn hsf.**, ID No. 660499-2299, Lágmúli 7, 108 Reykjavík (hereafter referred to as “Búmenn” or “the company” in this contract),

and

[**NAME OF PERSON**], ID No. [...] [Address, Location] (hereafter referred to as “the residence right holder” in this contract),

hereby conclude the following residence contract for the property at [**STREET, MUNICIPALITY**, **cadastral no.**] (hereinafter referred to as “the residence apartment” in this contract).

* 1. Description of residence apartment: The apartment has X rooms and a parking space in the basement garage. According to the Land Registry Database and the registration with Registers Iceland, which is available at the time of the conclusion of this residence contract and with which the right holder has become acquainted, the apartment is XXX m2. The right holder has examined the residence apartment through a detailed inspection prior to the conclusion of this residence contract and accepts its condition in all respects. The residence apartment includes those accessories that were in the apartment when inspected by the residence right holder.
	2. When this residence contract is concluded, the company's Articles of Association, rules that have been established on their basis, and the company's most recent annual financial statements are available; the residence right holder has received, reviewed and fully accepts these. The parties also declare that Búmenn has informed the residence right holder of the company's general situation, as well as the rights and obligations of the residence right holder, including the nature of the residence right fee and the basis for the residence fee.
1. **Residence right fee, delivery of apartment and contract validity period**
	1. The residence right holder took possession of a residence apartment on [day month year] in return for the payment of a residence right fee in the amount of **[ISK XXX].**
	2. This contract is valid indefinitely.
	3. Regarding the residence right holder's authority to dispose of the residence right under this contract, reference is made to Art. 8 of the contract, cf. also Art. 19 of Act No. 66/2003, on Housing Co-operatives, as subsequently amended.
	4. Regarding termination of this residence contract, reference is made to Articles 8 and 9 of this contract, cf. also Art. 20 of Act No. 66/2003.
	5. Regarding the parties’ authority to rescind this contract, reference is made to Art. 11 of the contract, cf. also Art. 21 - Art. 23 of Act No. 66/2003.
2. **Delivery of the residence apartment, condition and right of use**
	1. Búmenn shall ensure that a residence apartment is delivered to the residence right holder at the agreed time and in satisfactory condition for its intended use. Upon delivery, the residence apartment shall be accompanied by the accessories that were present when the residence right holder inspected the apartment, cf. Art. 1.2. Búmenn shall ensure that upon delivery the residence apartment is clean, windows are intact, locks and switches in working order, together with sanitary facilities and household appliances, as well as water, electricity and drainage pipes.
	2. Should the residence right holder have any objections concerning the condition of the residence apartment, they must inform Búmenn in writing thereof within four weeks of delivery, stating what improvements are requested. Otherwise, the residence right holder is assumed to have accepted the condition of the premises. The residence right holder shall inform Búmenn in writing of any defects that may later appear in the residence apartment and were not visible during normal inspection within 14 days of the residence right holder becoming aware of them.
	3. Should Búmenn fail to begin to remedy deficiencies in the residence apartment within four weeks of the company receiving the written notification referred to in Art. 3.2, the residence right holder is authorised to remedy the same and deduct from the residence fee, cf. Art. 4, the resulting costs, provided that an inspection of the residence apartment has been carried out and the opinion of the inspector has been sought on the necessity of the repair and the estimated costs involved.
	4. The residence right holder shall have indefinite use and possession of the residence apartment, provided that they do not violate the provisions of the Articles of Association of Búmenn, the rules of the residents’ association, Act No. 66/2003, on Housing Co-operatives, and/or other applicable laws and regulations.
	5. The residence right holder is not permitted to use the residence apartment in a manner other than that agreed upon in this residence contract. The residence right holder shall in all respects treat the residence apartment in a manner that is consistent with good practice for the treatment of residence property and its intended use, including with regard to cleanliness, hygiene and health. The residence right holder shall comply with accepted customs of occupancy and take care not to disrupt the normal utilisation by others who use the building or to cause them inconvenience or annoyance. The residence right holder must also comply with the rules of occupancy that have been established in the building. The residence right holder is liable to other residents for any damage they may suffer as a result of an accident in the right holder's residence apartment, such as a failure of appliances or connections pertaining to the residence apartment.
3. **Residence fee**
	1. The residence right holder shall pay a monthly residence fee to Búmenn. The fee must be paid in advance and is due on the 1st of each month. If the due date falls on a public holiday, payment shall be due the following business day. If the residence right holder has not paid the residence fee within 7 days of the due date, Búmenn is entitled to demand the maximum authorised penalty interest on it from the due date until the date payment is made.
	2. Upon signing this residence contract, the residence fee that the residence right holder must pay to Búmenn, pursuant to Art. 4.1, is ISK [XXX].
	3. Landsbankinn will provide services to Búmenn’s residence right holders regarding payment and collection services for monthly residence fees.
	4. The amount of the residence fee in each instance is determined by the Board of Directors of Búmenn. Further provisions on how the residence fee shall be determined and how it shall be adjusted are laid down in Búmenn’s Articles of Association, which the residence right holder has read and accepted. With regard to the residence fee in other respects, reference is made to Art. 12 of Act No. 66/2003, on Housing Co-operatives.
	5. The residence right holder shall pay heating and electricity costs of the residence apartment if it is equipped with a separate meter. If this is not the case, heating and electricity costs are included in the residence fee, together with the residence right holder’s share of the property's common heating and electricity costs.
	6. Búmenn may adjust the amount of the residence fee if there is an urgent need due to unforeseen expenses and on the basis of authorisations in Búmenn's Articles of Association. The residence right holder must be informed of all changes one month in advance, with the exception of those resulting from indexation.
4. **Inspection of the residence apartment**
	1. The seller and purchaser of a residence right may request an inspection of the condition of the residence apartment prior to its delivery. Parties are obliged to have an inspection carried out if either party requests it, in which case the cost of the inspection shall be divided equally between the parties. The parties agree that no inspection of the residence apartment is requested prior to its delivery in connection with this residence contract.
	2. If an inspection of the condition of a residence property is requested in cases other than those provided for in Art. 5.1, the party requesting it shall pay the cost of the inspection unless otherwise specifically agreed between the parties.
	3. Búmenn is authorised to request an inspection of the condition of a residence apartment in cases other than those provided for in Articles 5.1. and 5.2, as provided for in the company's Articles of Association and Act No. 66/2003.
	4. The residence right holder shall grant the inspector access to the residence apartment if a request for an inspection has been made pursuant to Articles 5.1-5.3.
	5. The parties shall endeavour to agree on an inspector. If this is not successful, the person requesting an audit can obtain a court-appointed inspector.
	6. In other respects, an inspection pursuant to this provision shall accord with Art. 14 of Act No. 66/2003.
5. **Maintenance and renovation of a residence apartment – obligations of the residence right holder.**
	1. The residence right holder shall, at their own expense, carry out all maintenance and renovation of their residence apartment, including its accessories, such as floor and wall materials, woodwork, furnishings, doors, sanitary facilities and household appliances. Furthermore, the residence right holder shall, at their own expense, be responsible for the replacement and maintenance of locks, water taps and faucets, electrical connections and other small items, as well as maintaining furnishings they have themselves installed.
	2. All repairs and maintenance that the residence right holder is required to carry out must be done promptly and in a manner consistent with good practice. If the residence apartment or its accessories are damaged by the residence right holder, household members or other persons whom they have permitted to use the premises or have granted access to them, the residence right holder shall take steps to repair the damage as soon as possible. Should the residence right holder neglect these obligations, Búmenn is authorised to have repairs carried out at the expense of the residence right holder, provided that an inspection of the residence apartment has been carried out and the opinion of the inspector has been sought on the necessity of the repairs and the estimated costs involved. Before doing so, however, Búmenn shall give the residence right holder a time limit of four weeks to complete the repairs. Búmenn is entitled and obliged to monitor whether the residence right holder fulfils their obligations regarding repairs and maintenance of a residence apartment.
	3. The residence right holder is authorised to make alterations or improvements to the residence apartment, including its accessories or lot, if Búmenn has approved them and agreed to the division of costs and how they should be handled upon the conclusion of the residence contract; in addition, construction work must comply with laws and regulations and the required permits for it obtained. Otherwise, Búmenn shall acquire the improvements without any special consideration at the end of the residence contract unless the company elects at that time or before to require the residence right holder to restore the premises to their original condition.
	4. The residence right holder is obliged to provide Búmenn with access to the residence apartment for maintenance and/or renovation, as well as for oversight of the property and its use.
	5. Keeping pets is not permitted in Búmenn’s multi-unit buildings, including the residence apartment covered by this residence contract.
6. **Maintenance and renovation of the residence apartment – obligations of Búmenn.**
	1. Búmenn shall be responsible for maintaining the exterior of the building, as well as its equipment, systems and connections.
	2. Búmenn shall purchase homeowners' insurance, which shall be included in the residence fee provided for in Art. 4 of this residence contract.
	3. Under Art. 16 of Act No. 66/2003, Búmenn shall operate a maintenance fund under the supervision of the company's Board of Directors.
	4. The obligations of Búmenn’s maintenance fund and the carrying out of maintenance are governed by Búmenn’s Articles of Association and operating rules that have been established on the basis of the company's Articles. The residence right holder is bound by any amendments that may be made to the Articles of Association and operating rules in this regard during the term of this contract.
	5. The manner in which the maintenance fund fee shall be determined and how it shall be amended is governed by Búmenn's Articles of Association. The maintenance fund shall pay for the costs of maintaining the exterior of the building, as well as equipment, systems and connections.
7. **Disposal and subletting of residence right**
	1. The residence right holder is not permitted to transfer their residence right or sublet the residence apartment without the written consent of the Board of Directors of Búmenn. If the residence right holder requests that the apartment be sublet to someone else, the Board of Directors of Búmenn shall respond to that request within 30 days. If Búmenn's Board of Directors refuses the request of the residence right holder, it must provide objective reasons for this. Renting is not permitted unless the residence right holder has a cogent need for this, such as due to temporary employment or study elsewhere. The rental period shall be a maximum of one year at a time. Búmenn must sign the lease contract to indicate consent.
	2. It is not considered a rental if the residence right holder allows close relatives or in-laws to live in a residence apartment with them or their family, provided that the number of household members is within reasonable limits considering the size and type of the apartment.
	3. The residence right holder retains the rights and obligations of a residence right holder under this contract, Act No. 66/2003, and Búmenn’s Articles of Association during the rental period if they have received the approval of the Board of Directors of Búmenn to sublet their residence right.
	4. Inheritance of a residence right and retaining undivided possession of an estate is governed by inheritance law. Heirs are permitted to enjoy the residence right unless the Board of Directors of Búmenn presents valid reasons against this. If an heir intends to exercise their residence right, they must inform Búmenn thereof in writing without undue delay after probate of the estate has taken place. If the heir does not exercise their residence right, they shall sell it as provided for in Art. 9 of this contract and the Articles of Association of Búmenn. The Board of Directors of Búmenn may authorise the transfer of a residence right to a spouse upon divorce or under a pre- or postnuptial agreement.
	5. A person who acquires a residence right under Art. 8.4 shall concurrently acquire membership in Búmenn instead of the previous residence right holder, provided that the person exercises the right and dwells in the residence apartment. Búmenn may then re-determine the residence fee, as provided for in Art. 4 of this contract and the company's Articles of Association, as if the person were a new residence right holder. Búmenn must notify the residence right holder if the company intends to exercise this authorisation within 14 days of the person informing the company of their intention to exercise their residence right under Art. 8.4.
	6. A residence right holder is not permitted to mortgage their residence right.
	7. In other respects, Art. 19 of Act No. 66/2003 shall govern the disposition and subletting of a residence right.
8. **End of residence contract**
	1. Búmenn may not terminate this residence contract.
	2. If the residence right holder wishes to sell their residence right under this residence contract, they must notify Búmenn thereof and the sale of the residence right shall then be carried out in accordance with the Articles of Association of Búmenn, with which the residence right holder has become acquainted, including how the residence right shall be advertised among members of Búmenn, what deadline for making an offer shall be, how the purchase price of the residence right shall be determined at the time of purchase, the form of payment and the determination of the residence right fee. The holder of the residence right retains the rights and obligations of a residence right holder, including responsibility for payment of the residence fee, while the sale of the residence right is underway and until it has been sold. Búmenn shall handle the sale of the residence right. The sales price of the residence right shall be paid to Búmenn and is considered part of the residence right fee determined by the company in accordance with Act No. 66/2003, and the company's Articles of Association. Búmenn shall then pay the sales price of the residence right to the residence right holder, cf. however, Art. 9.5.
	3. When a residence right is sold, an agreement shall be reached on the delivery of the residence apartment; the residence right holder may require a period of three-months from the date of sale until delivery unless otherwise agreed by the parties. The residence right holder must have vacated the apartment on the day of delivery; Articles 3 and 12 of this residence contract apply to the condition of the residence apartment upon delivery, in addition to Búmenn's Articles of Association, regarding vacating and final delivery of a residence apartment. Once the sale proceeds of the residence right have been delivered to the residence right holder, any other financial settlement based on this residence contract has been concluded, cf. also Art. 9.5, and the residence apartment has been delivered, the residence contract between the parties shall be null and void.
	4. If the residence right cannot be sold as provided for under Art. 9.2, the residence right holder shall retain the residence right and shall exercise the rights and obligations of the residence right holder under this residence contract, Act No. 66/2003, and Búmenn's Articles of Association. However, the residence right holder may request authorisation from the Board to sublet the residence apartment, cf. Art. 8.1, for up to one year at a time, provided that their residence right remains for sale with Búmenn. The residence right holder retains the rights and obligations of a residence right holder during the rental period. If Búmenn's Board of Directors refuses the request of the residence right holder to sublet as referred to above, it must provide objective reasons for this.
	5. The sale proceeds of the residence right may be set off against any debts owed by the residence right holder to Búmenn arising from non-fulfilment of this residence contract.
	6. Búmenn holds a pre-emptive right to purchase the residence right for the residence apartment covered by this contract. Should the company so desire, it shall then match an accepted purchase offer after the residence right has been advertised for sale under Art. 9.2. Búmenn may also purchase the residence right provided for in this residence contract if an agreement is reached with the residence right holder on the price of the residence right.
	7. The residence right holder may relinquish their residence right under this residence contract to Búmenn without compensation from the company. If a residence right holder decides to relinquish their residence right without requiring compensation for the right, they must notify Búmenn of this decision; it will then take effect six months after the first day of the month following the sending of the notification to Búmenn, at which time this residence contract will also expire. The notification must be in writing and sent in a verifiable manner to Búmenn. The residence right holder must have vacated the apartment by the end of the above period; Articles 3 and 12 of this residence contract apply to the condition of the residence apartment upon delivery, together with Búmenn's Articles of Association regarding vacating and final delivery of a residence apartment. The residence right holder may also request to sell their residence right as provided for in Art. 9.2 during the stipulated six-month interval. If the residence right is sold at that time, the sale will be governed by Articles 9.2 and 9.3 and the notification that the residence right holder relinquishes their residence right to Búmenn without compensation from the company is then cancelled.
	8. Should the residence right holder fail to fulfil their obligations during the sale of the residence right, Búmenn may terminate this residence contract under Art. 11 of the contract.
	9. Inspection of the condition of a residence apartment at the end of a residence contract shall be governed by Art. 5, cf. Art. 12, of this contract.
	10. In the event of a forced sale of a residence apartment, the residence right shall be cancelled once an offer for it is deemed accepted. If the residence right is cancelled in accordance with the above, Búmenn shall pay the residence right holder compensation for the residence right after twelve months have elapsed. In determining the compensation, consideration shall be given to the value of the residence right in a residence apartment comparable with the one provided for in this contract at the time compensation is to be paid.
	11. Should the estate of Búmenn be placed in liquidation, the residence right under this contract shall lapse upon the pronouncement of a ruling by a District Court judge to this effect.
	12. In the event of a forced sale of a residence right due to debts owed by the residence right holder, for example, by public auction, sale of the residence right shall be governed by the Articles of Association of Búmenn.
	13. In other respects, the conclusion of this residence contract shall be governed by Art. 20 of Act No. 66/2003.
9. **The residence right holder’s membership of the residents’ association and its obligations**
	1. By signing this contract, the residence right holder automatically becomes a member of the residents’ association of the residence apartment.
	2. The residents’ association oversees the proper utilisation of the association’s assets in accordance with rules, Articles of Association and laws. The residents’ association shall ensure that good order is maintained in the property. It adopts house rules that provide for residents’ shared occupancy obligations, conduct, use of common areas, and sharing of usage.
	3. The residence right holder is obliged to comply with the Articles of Association and house rules of the residents’ association.
10. **Non-fulfilment and grounds for rescission of a residence contract**
	1. The residence right holder is authorised to rescind this residence contract in the following cases:
		1. if there is a significant delay in the delivery of the premises;
		2. if the premises are damaged for reasons that cannot be attributed to the residence right holder or if it they are considered a health hazard in the opinion of the health authorities;
		3. if Búmenn fails materially to fulfil its obligations under this residence contract or Act No. 66/2003.
	2. Búmenn is authorised to rescind this residence contract in the following cases:
		1. if the residence right holder does not pay the residence fee on the due date and does not respond positively to Búmenn's written request for payment within seven days, provided that such request was sent after the due date and Búmenn has stated therein that the company will exercise its right of rescission;
		2. if the residence right holder uses the premises in a manner other than that prescribed by law or this residence contract and does not cease such misuse despite a written warning from Búmenn;
		3. if the residence right holder transfers their residence right or abuses their authorisation to sublet the premises, or if the sub-lessor is guilty of any conduct that would authorise Búmenn to rescind the residence right towards the residence right holder;
		4. if the residence right holder denies Búmenn access to the premises without valid reasons;
		5. if the premises are damaged in the care of the residence right holder due to poor treatment or carelessness by persons for whom the right holder is responsible and the right holder does not respond promptly to Búmenn's request for rectification;
		6. if the residence right holder, despite a written warning from Búmenn, neglects their obligation to ensure that good order and proper conduct are maintained in the premises or is guilty of personal injury towards Búmenn, the residents’ association or other residents of the building concerned;
		7. if the residence right holder fails to fulfil, in other respects than those described above, their obligations under this residence contract, the Articles of Association of Búmenn or the law to such a major extent that their eviction from the premises is considered normal or necessary.
	3. If Búmenn fails to exercise its right to rescind pursuant to Art. 11.2 within two months of the company becoming aware of the residence right holder's non-fulfilment, or if the residence right holder has fully rectified the breach, the company's right to rescind shall then lapse unless the residence right holder has failed to fulfil their obligations fraudulently or when the reason for rescission is non-payment of the residence fee.
	4. If Búmenn rescinds this residence contract, the residence right holder shall compensate Búmenn for all losses resulting from their non-fulfilment. In addition, the residence right holder shall pay compensation equivalent to the residence fee for up to six months after the vacating of the residence apartment, however, not longer than until the apartment is delivered to a new residence right holder.
11. **Return and delivery of a residence apartment**
	1. The residence right holder must return the residence apartment and its accessories in the same condition in which they took possession of it. The residence right holder bears unlimited liability for all deterioration of or damage to the premises, to the extent that such is not considered a natural consequence of the normal or agreed use of the premises or arises from events that were demonstrably not attributable to the residence right holder.
	2. A residence apartment must be fully vacated and cleaned upon return.
	3. No later than three working days before the delivery of the residence apartment, the seller of the residence right shall deliver the keys to the residence apartment to Búmenn along with a special inspection report, so that Búmenn can verify the condition of the apartment before delivery to the purchaser. Such an inspection shall accord with Art. 5 of this residence contract as applicable. If the condition of the residence apartment does not accord with normal use and maintenance, in the opinion of the inspector, Búmenn may carry out necessary repairs and improvements at the expense of the seller of the residence right.
	4. The residence right holder is liable for damages to and/or deterioration of the residence apartment, as provided for in Art. 24 of Act No. 66/2003.
12. **Public registration**
	1. Búmenn shall have this residence contract registered as an encumbrance on the residence apartment and pay the registration costs.
13. **Special provisions**
	1. The following documents are attached to this contract and are considered part of it:
		1. a statement providing statistical data about the price of the apartment and the amounts that are included in the price of the residence right;
		2. an inspection of the residence apartment if this has been carried out as provided for in Art. 5;
		3. the Articles of Association of Búmenn.
	2. In other respects than those specified in this contract, the legal relationship between the parties and their communications shall be governed by the Articles of Association of Búmenn, the rules of the residents’ association and Act No. 66/2003.

This contract is concluded in three identical copies, with each of the parties receiving one copy, while the third is intended for submission for registration. In confirmation of the contract, the parties hereby affix their signatures in the presence of two designated witnesses.

Reykjavík

**On behalf of Búmenn hsf. Residence right holder**

Name ID No. Name ID No.

Witnesses to the correct signature, date and financial competence:

Name ID No.

Name

ID No.