



What's are Community Associations?

Your Guide to Homeowners and Condos Associations



Community Associations—HOAs, condos, co-ops, and mixed-use communities—offer choices, lifestyles, amenities, services, and efficiencies that people value.

An estimated 70 million Americans choose to live in 345,000 planned communities, and that number continues to grow.

Many community associations offer services and amenities that most Americans can't afford on their own—swimming pools, tennis courts, playgrounds, lakes and ponds, professional security, and even golf courses. These communities also provide some degree of protection against neighborhood degradation and deterioration—cars on cinder blocks, dilapidated homes, or yards that are not maintained.

But with all of their inherent advantages, community associations occasionally face complicated issues, none more common than the challenge of balancing the best interests of the community as a whole with the preferences of individual residents. Issues often arise because of unrealistic expectations, misinformation, and misunderstanding.

You can help ensure a more positive and fulfilling community experience by learning all you can about a community association before you buy a home.

WHAT IS A COMMUNITY ASSOCIATION?

A community association may have any number of names:

- Homeowners association (HOA)
- Property owners association (POA)
- Condominium association (Condo association)
- Cooperative (Co-op)
- Council of homeowners
- Common-interest development
- Mixed-use community

While there can be substantive differences among these types, the fundamental responsibility of an association is to preserve the nature of the community and protect the value of the property owned by members.

In virtually all cases, the association is administered by a board of directors—volunteer homeowners elected by their fellow residents to set policy. Larger communities typically hire full-time, on-site managers. Others contract with management firms for selected services, such as financial management and maintenance. Smaller associations with more limited budgets often rely on resident volunteers for all management and oversight.

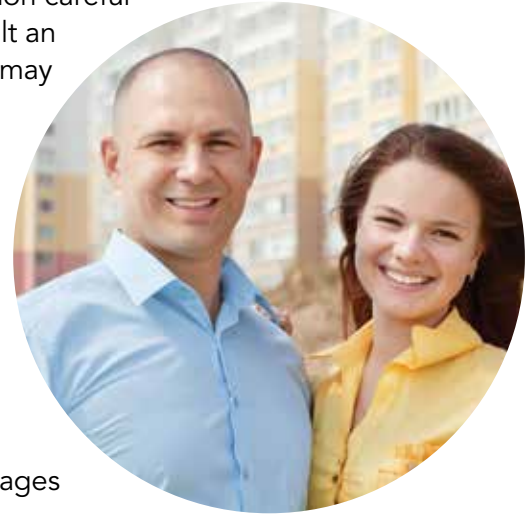
Whether a community is self-managed or able to hire professional management services, homeowner involvement is essential.

» What You Need to Know

When you have your eyes on a particular home, the first thing you should do is ask your real estate agent if it's part of a community association. If so, try to obtain copies of the governing documents, including the Covenants, Conditions & Restrictions (CC&Rs), and read the information carefully. If you don't understand something, discuss it with your agent or consult an attorney for guidance. Ask your agent how to get these documents. You may have to pay a fee.

It's essential that you—a prospective buyer—remember that homeowners agree to comply with CC&Rs when they move into an association-governed community. These rules typically apply to assessments, architectural guidelines (such as additions, decks and paint colors), landscaping, maintenance, satellite dishes, clotheslines, fences, flags, parking, pets, patios, and more.

You can also talk to people who live in the community. Find out how they feel, not only about the neighborhood, but also about how the community is governed and managed. Ask to talk to the president of the association, a member of the elected board or the professional who manages the community.

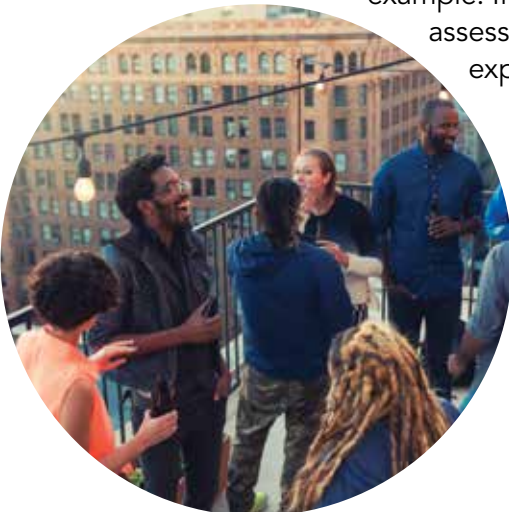


ASSESSMENTS: YOUR FAIR SHARE

Before buying a home in an association-governed community, you should view the association budget because it sets the level of assessments and services. Collected monthly, quarterly or annually, assessments are not voluntary. They are mandatory homeowner dues that must be paid or the association can take legal action, like placing a lien against your property, an action that can lead in rare cases to foreclosure. More importantly, as a member of that community, it's your obligation to pay your fair share of the costs.

Determine what the assessment covers and what it doesn't cover. Assessments typically cover expenses for items such as maintenance of common areas, trash collection, snow removal, private streets, recreational facilities, and other amenities. In some communities, assessments cover exterior maintenance to units.

Determine if the budget includes a reserve fund for major costs. Most communities will require large expenditures at some time—roofs replaced or private roads and parking areas resurfaced, for example. If there is no reserve fund, the association may have to impose special assessments when major projects become necessary—and that can be an expensive and unanticipated financial burden.



» How to Manage Your Expectations

You've identified your ideal home. You've done your homework. You're ready to buy. But there's one more thing on your checklist: Plan to manage your own expectations. With all their advantages, community associations are not perfect. Judgments are subjective and subject to change. Decisions are not always met with unanimous approval. Mistakes are made.

As you think about your own expectations, remember that some personalities are not cut out for community association living. Some people cringe when faced with rules that must be enforced to maintain established community standards. Ask yourself if you're likely to have buyer's remorse the first time you run up against a rule you don't like.

Be sure to ask the most important questions:

- Is it the right kind of community for me and my family?
- Does it fit my lifestyle and sense of community?
- Does it provide the amenities I want—a community pool, recreational opportunities, attractive common grounds, ample parking, and proximity to schools?
- It is a good investment?

Finally, once you're in your home, make the decision to get involved in your community. Attend annual meetings, serve on a committee, or even seek a seat on the association board. It's your community, your investment, and your home!

SPECIAL ISSUES AND CIRCUMSTANCES

■ Newly developed communities

Determine not only when but also how the developer plans to transition control of the community to homeowners.

■ Resale

Consult a community association manager or association officer to determine if there are unresolved issues pertaining to that property, delinquent assessments, or unapproved architectural changes.

■ Buying to Rent

Examine the CC&Rs with respect to regulations affecting your ability to rent your home for both full-time and part-time vacation rentals like Airbnb and VRBO. Remember, if your association approves renting, it will be your responsibility to educate your renters and ensure they abide by the association's rules.

■ Condominium Conversions

You need to be especially diligent to make sure you know exactly what you're buying. Appearances can be misleading. Old buildings are old buildings. A sleek, refurbished lobby does not necessarily mean that the heating system, elevators, and roof aren't due for expensive overhauls.



» HOA Checklist: Questions You Should Ask

At a minimum, you should be able to answer the following questions before you buy a home in a community association:

- How much are the assessments, and when are payments due?
- What do the assessments cover?
- What is not covered—meaning, what are my individual responsibilities as a homeowner?
- What procedures are in place to collect delinquent assessments?
- How often can assessments increase, and by how much?
- Does the community have a healthy reserve to fund major, long-term maintenance and repairs?
- Have special assessments been levied by the association on homeowners? If so, for how much and for what purpose?
- Are there restrictions on renting property?
- Do the architectural guidelines align with my preferences?
- Is the community age restricted? If so, what's the policy on underage residents?
- Are there communication issues between homeowners and the elected board?
- What are the rules related to pets, flags, outside antennas, satellite dishes, solar panels, clotheslines, fences, patios, parking, and home businesses?
- How and how often does the association communicate with residents?

