

10 HOA Questions That Could Save Time, Money and Frustration

Over the past two decades, we've been summarizing a list of the most frequently asked homeowner association questions, and felt why these questions best represent the concerns of members. This can be a snap shot which might help you understand the dynamics of association management.

1) WHY ARE MY HOMEOWNER DUES GOING UP?

Your homeowner's dues are based off the operating budget for the subdivision. Budgets usually are prepared on a "break-even" basis; that's, income should equal expenses. What goes on when this doesn't occur and expenses exceed the projected income? You can find then only two ways to balance the budget; increase income or decrease expenses. The budget process is a significant event in the financial life of an association. At budget review time, there's the opportunity to re-evaluate the obligations, needs and expectations of the association in relationship to its membership. It is also a time to look at cost reducing techniques and determine which are right for the association. In the end, the Homeowner Association's Board determines if the dues will go up or stay the exact same based off with this budgeting process.

2) WHY DO I HAVE TO PAY MORE DUES WHEN THERE ARE PEOPLE WHO DON'T PAY THEIR DUES AT ALL?

The association has case law and statutes on its side, making the collection process success extremely likely. However, regardless of the likelihood of success, a bankruptcy can stop case or collection dead in its tracks, inducing the association serious financial hardship, which, is handed down to one other homeowners in the proper execution of higher budgets and increased assessments. Bankruptcy is supposed to be a debtor's last ditch remedy. It prevents an individual from becoming destitute upon the filing of a petition with the bankruptcy court by automatically stopping all collection procedures. The petition triggers an automatic stay which prevents attorneys from proceeding with the lawsuit or acquiring the debtors assets. Thus giving the debtor some breathing room and allows the debtor to have back on his/her feet. Despite popular belief, it doesn't always signify the association cannot collect the delinquent assessments. We know that collecting delinquent assessments is an arduous job. All things considered, these delinquent owners are also your neighbors. You do not want to confront people at the mailbox or at the pool to pay for their assessments. But managers and board members can't disregard the problem. Bankruptcy costs everyone, including the HOA and it members by lowering the total amount of dues collected. The only method to compensate for lower collections as a result of bankruptcies or foreclosures is to divide this up among the remaining members of the HOA.

3) WHAT DO THE DUES PAY FOR?

The association's income consists mostly of fees in the shape of homeowner dues. The whole budget is derived off the dues collected. The budget is set up to anticipate the dues and anticipated expenses the HOA Board needs to cover throughout every season, such as landscaping maintenance, insurance, electricity, management, postage, irrigation, taxes, and repairs to sprinkler lines and/or pumps.

4) WHY WASN'T I TOLD SOONER THAT THE DUES WOULD BE GOING UP THIS MUCH?

Most association's governing documents declare that the HOA dues will soon be established 30 days before the assessment period. Because most HOA's fiscal year runs from January 1 to December 31, the HOA dues are set by December 1st of every year and notification is mailed on January 1st. The assessment is not typically applied until January 31 which leaves about 30 days to pay or make arrangements.

5) WILL THE DUES GO UP EVERY YEAR?

Fall is the full time when most homeowner associations have the ritual of counting last year's income and expenses, and then crunching next year's numbers. If the expenses to offer basic maintenance service increases, it is likely the dues should go up. Listed below are a few of the ways to make the cash flow more freely. Often next year's budget is dependant on last year's; therefore, execute a side by side comparison of the last three year's budgets. You may see large and unnoticed utility cost variances, or increases in landscaping services. The Board, four years ago, may have been entirely different and indifferent to the budget. You could catch a cost savings that got passed through un-scrutinized.

** Irrigation Water Costs: Does your system have a rain override that kills the sprinkling cycle when appropriate? Or even, budget for and obtain it installed before the next irrigation season.

** Control Pool Temperature: A solar blanket can buy itself very quickly. A 3-5 degree reduction in pool temperature heating can lead to significant

savings.

** Lighting Conservation: In the event that you haven't already, swap all common area exterior incandescent lighting for compact fluorescent or other higher lumen/lower wattage alternatives.

6) DOES A HOMEOWNER HAVE A SAY IN THE AMOUNT OF THE DUES INCREASE?

The quantity of the annual assessment is set up annually by the association's board of directors, in relation to the board's adoption of the annual budget. Typical governing documents may include language allowing the board to boost the dues by a specific percentage (%) without owner approval. The dues are established by taking the sum total expected cost, and divided that amount by the number of homeowners in the subdivision. i.e. expected budget of the HOA is \$10,000.00, and you will find 50 homeowners, therefore, the dues will be $(\$10,000/50 = \$200.00)$ \$200.00 per year.

7) CAN I "OPT-OUT" OF THE HOMEOWNER'S ASSOCIATION?

You cannot "Opt-Out" of the association, as every property in the HOA is susceptible to the restrictions recorded against them once the deed was initially recorded. Those restrictions follow the property everytime it comes, much like a utility easement.

8) ARE THE VACANT LOTS BOUND BY THE CC&RS?

If they're owned by the developer/grantor they are not subject to the covenants, conditions and restrictions (CC&Rs); however, because the lot is vacant does not mean that it is owned by the developer. Upon the very first sell of the property out from the hands of the developer, the property becomes subject to the CC&Rs. (sometimes a contractor will build on the developer's lot without purchasing the lot. This property is not at the mercy of the CC&Rs until the property and the house are sold together for the very first time.)

9) HOW ARE THE BOARD MEMBERS ELECTED?

Each year at the annual meeting, elections are held. Some subdivisions are create, so the term is only for year so that every position is open each years. Others will specify a 3 year rotating term, so that all term is for 3 years, but they are on a staggered schedule. Meaning, only one position is going to be up for election each year. If you're interested in serving on the board or would like to see the outcomes from a recent vote, we strongly encourage you to attend the annual meeting. Notices are mailed out prior to the meeting.

10) WHAT DOES IT MEAN WHEN OUR HOA IS DEVELOPER CONTROLLED?

Community associations are conceived by the developer who typically forms a non-profit corporation to own the land and amenities, and in case of condominiums, certain parts of the building exterior. Initially, the developer owns all of the lots or units in the association and has all of the votes; therefore, the developer controls the association. A table of directors typically consisting of the developer and other individuals professionally related to the developer is initiated to manage the affairs of the association including not just the physical attributes, but additionally the financial and administrative issues such as for instance collecting owner assessments, holding the annual meeting, and enforcing the deed restrictions.

About the Author

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