

## 10 HOA Issues That Can Save your self Time, Money and Stress

### 1) WHY ARE MY HOMEOWNER DUES GOING UP?

Your homeowner's dues are based off the operating budget for the subdivision. Budgets are generally prepared on a "break-even" basis; that's, income should equal expenses. What goes on when this does not occur and expenses exceed the projected income? You can find then only two methods to balance the budget; increase income or decrease expenses. The budget process is an essential event in the financial life of an association. At budget review time, there is the opportunity to re-evaluate the obligations, needs and expectations of the association in relationship to its membership. It is also an occasion to check out cost reducing techniques and determine which are right for your association. In the end, the Homeowner Association's Board determines if the dues will go up or stay the exact same based off of 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, evoking the association serious financial hardship, which, is offered to one other homeowners in the shape of higher budgets and increased assessments. Bankruptcy is said 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 a computerized stay which prevents attorneys from proceeding with the lawsuit or acquiring the debtors assets. This gives the debtor some breathing room and allows the debtor to obtain back on his/her feet. Despite popular belief, it does not always signify the association cannot collect the delinquent assessments. We realize that collecting delinquent assessments is an arduous job. After all, these delinquent owners may also be your neighbors. That you do not wish to confront people at the mailbox or at the pool to pay their assessments. But managers and board members can't disregard the problem. Bankruptcy costs everyone, such as the HOA and it members by lowering the quantity of dues collected. The only method to pay for lower collections consequently of bankruptcies or foreclosures is always 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 proper execution of homeowner dues. The entire budget is derived off the dues collected. The budget is established to anticipate the dues and anticipated expenses the HOA Board needs to pay for throughout the year, 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 state that the HOA dues is likely to 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 each year and notification is mailed on January 1st. The assessment isn't typically applied until January 31 which leaves about 30 days to cover or make arrangements.

### 5) WILL THE DUES GO UP EVERY YEAR?

Fall is the full time when most homeowner associations feel the ritual of counting last year's income and expenses, and then crunching next year's numbers. If the expenses to provide basic maintenance service increases, it is probable the dues should go up. Here are a few of the ways to really make the cash flow more freely. Often next year's budget is based on last year's; therefore, execute a alongside comparison of the last three year's budgets. You might see large and unnoticed utility cost variances, or increases in landscaping services. The Board, three years ago, might have been entirely different and indifferent to the budget. You may 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? If not, budget for and obtain it installed before another irrigation season.

\*\* Control Pool Temperature: A solar blanket can buy itself very quickly. A 3-5 degree decrease 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 total amount of the annual assessment is initiated every year by the association's board of directors, based upon the board's adoption of the annual budget. Typical governing documents may include language allowing the board to increase the dues with a specific percentage (%) without owner approval. The dues are established by taking the full total expected cost, and divided that amount by the amount 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 could be  $(\$10,000/50= \$200.00)$  \$200.00 per year.

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

You can't "Opt-Out" of the association, as every property in the HOA is susceptible to the restrictions recorded against them when the deed was recorded. Those restrictions follow the property everytime it comes, similar to an energy easement.

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

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

#### 9) HOW ARE THE BOARD MEMBERS ELECTED?

Annually at the annual meeting, elections are held. Some subdivisions are put up, so the term is limited to year so that all position is open each years. Others will specify a 3 year rotating term, so that all term is for 3 years, but they're on a staggered schedule. Meaning, only one position is likely to be up for election each year. If you are thinking about serving on the board or wish to see the outcome from a recently available vote, we strongly encourage one to attend the annual meeting. Notices are mailed out before 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 possess the land and amenities, and in the event of condominiums, certain elements of the building exterior. Initially, the developer owns all the lots or units in the association and has most of the votes; therefore, the developer controls the association.

### About the Author

A board of directors typically consisting of the developer and other individuals regarding [Homeowners Association Management](#) professionally related to the developer is established to control the affairs of the association including not only the physical attributes, but in addition the financial and administrative issues such as collecting owner assessments, holding the annual meeting, and enforcing the deed restrictions.

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