

WHY ARE MY HOMEOWNER DUES GOING UP?

In the last two decades, we have been summarizing a listing of the most frequently asked homeowner association questions, and felt these questions best represent the concerns of members. This can be a snap shot which may 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 your subdivision. Budgets are usually 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 will find then only two ways to balance the budget; increase income or decrease expenses. The budget process is an important event in the financial life of an association. At budget review time, there's the chance to re-evaluate the obligations, needs and expectations of the association in relationship to its membership. It can be an occasion to consider cost reducing techniques and decide which are right for the association. Ultimately, the Homeowner Association's Board determines if the dues should go up or stay the same based off of the 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, in spite of the likelihood of success, a bankruptcy can stop a lawsuit or collection dead in its tracks, causing the association serious financial hardship, which often, is handed down to another homeowners in the form of higher budgets and increased assessments. Bankruptcy is allowed to be a debtor's last ditch remedy. It prevents a person 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. This gives the debtor some breathing room and allows the debtor to obtain 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 a difficult job. All things considered, these delinquent owners are also your neighbors. That 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, like the HOA and its members by lowering the amount of dues collected. The only way 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 form of homeowner dues. The whole budget is derived off the dues collected. The budget is established to anticipate the dues and anticipated expenses the HOA Board needs to cover throughout every season, such as for instance 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 is going to be established 30 days in advance of 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 pay or make arrangements.

5) WILL THE DUES GO UP EVERY YEAR?

Fall is the 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 supply basic maintenance service increases, it is probable the dues should go up. Listed here are some of the ways to make the cash flow more freely. Often next year's budget is based on last year's; therefore, perform a alongside comparison of the past 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 could catch a price 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 get it installed before another irrigation season.

** Control Pool Temperature: A solar blanket can pay for itself very quickly. A 3-5 degree decrease in pool temperature heating may result in significant savings.

** Lighting Conservation: In the event that you haven't already, swap all common area exterior incandescent lighting for compact fluorescent and 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 annually 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 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 there are 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 can't "Opt-Out" of the association, as every property in the HOA is subject to the restrictions recorded against them once the deed was recorded. Those restrictions follow the property everytime it is sold, just like a power easement.

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

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

9) HOW ARE THE BOARD MEMBERS ELECTED?

Every year at the annual meeting, elections are held. Some subdivisions are setup, so that the term is just for year so that each and every position is open each years. Others will specify a 3 year rotating term, so that each and every term is for 3 years, but they're on a staggered schedule. Meaning, only one position is going to be up for election each year. If you are thinking about serving on the board or would like to see the outcome from a recently available 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 your can purchase the land and amenities, and in case of condominiums, certain parts of the building exterior. Initially, the developer owns every one 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 linked to the developer is initiated to control the affairs of the association including not just the physical attributes, but also the financial and administrative issues such as for example collecting owner assessments, holding the annual meeting, and enforcing the deed restrictions.

About the Author

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