



# A Beginner's Guide to HOAs






Opting for a home within a homeowners' association (HOA) governed community is a significant choice. Common knowledge about HOAs often revolves around their established rules and mandatory fees.

However, these guidelines and dues serve a critical purpose: they ensure that every neighborhood is not just visually appealing, but a truly exceptional place to reside.

Your property management company and their representative(s) should emphasize the importance of comprehending the workings of an HOA.

This understanding is vital for safeguarding your investment and enhancing your lifestyle.

In the realm of HOAs, knowledge is power. Continue reading to uncover everything from the fundamental principles of HOAs to the advantages of living in such communities and beyond.





# HOA BASICS

## What's an HOA?

A Homeowners' Association (HOA) is a non-profit entity established to administrate, manage, and uphold the standards of a community, whether it be a residential neighborhood, an apartment building, or a similar collective of residences.

## HOA Primary Objectives

The primary goals of a Homeowners Association (HOA) encompass a range of responsibilities, key among them being:

- Efficient administration of association business activities.
- Upkeep and maintenance of communal property areas.
- Augmentation and improvement of residential real estate development.
- Establishment and implementation of a structured system of property rights.
- Development and enforcement of community rules and regulations.

## 3 Things HOAs Have in Common

Every HOA varies slightly in character and atmosphere, reflecting the unique charm of its community. Yet, amidst these differences, three universal elements are consistent across all associations:

### 1. Mandatory Membership

A hallmark of any HOA is its inclusive membership model, automatically encompassing all residents. This approach ensures equitable cost distribution across the community, facilitating smooth HOA operations.

### 2. Binding Documents

HOAs are backed by legally binding governing documents, granting them the authority to function effectively. These documents also ensure homeowner accountability for dues, fines, and assessments.

### 3. Lien-Based Assessments

Assessments with liens empower HOAs to enforce their rules and governing documents effectively. This lien grants the HOA authority to claim ownership of a property in cases of unpaid charges or persistent rule violations.

# TYPES OF ASSOCIATIONS

The term 'HOA' broadly refers to various types of community associations, each uniquely tailored to different community styles, like planned communities, condominiums, and cooperatives. These types differ less by architecture and more by ownership structure. Let's explore each:

**Planned Communities:** Here, individuals own their residence and its land, while the association manages common areas like pools, parks, and roads. These are also known as owner associations, townhouse associations, property owner's associations (POA), or planned unit developments (PUD).

**Condominiums:** In a condominium association, owners hold their unit plus a share of communal spaces, like lobbies and gyms. The association itself doesn't own real estate within the community.

**Cooperatives (Co-ops):** In co-ops, there's collective ownership of both individual units and shared spaces. Members don't buy property but instead purchase stock or membership certificates, granting them rights to lease or occupy a unit.



# WHO'S WHO IN HOAS

## Board of Directors

Every HOA must have a board, serving as the community's authorized representative. Composed of elected volunteers, these boards play a crucial role in shaping and enforcing community guidelines, setting objectives, and safeguarding homeowner rights. The key roles and responsibilities of an HOA board encompass:

### PRESIDENT

- Schedules and runs board meetings
- Serves as main contact for partners
- Signs association documents

### VICE PRESIDENT

- Acts for president when they're absent
- Chairs important committees
- Helps run meetings

### TREASURER

- Oversees billing and collections
- Leads annual budget efforts
- Manages financial reports

### SECRETARY

- Takes meeting notes
- Maintains official records
- Files annual corporate reports

## Committees

A committee in an HOA represents a dedicated team concentrating on distinct facets of community life needing extra supervision, strategic planning, and implementation. Typical committees include Architectural Control, Neighborhood Welcome, Social, and Finance Committees.

## HOA Management Company

The board engages a management company to handle tasks beyond the capacity of its members. Typically, these firms assist with maintenance, accounting, and various other operational needs.

## Community Association Manager (CAM)

The Community Association Manager (CAM) serves as the visible representative of the management company, overseeing the association's operations and providing guidance to the board.

## Property Manager

Property managers are responsible for the upkeep of physical properties, primarily focusing on rental units. They collaborate with tenants and owners to ensure the property remains in excellent condition.

## Professional Advisors

Associations rely on the knowledge of professional advisors to safeguard and future-proof the community. Commonly, HOAs collaborate with attorneys, insurance agents, and Certified Public Accountants (CPAs).

## Service Providers

HOAs often engage with various vendors to maintain and improve the community. Typically, these include services like landscaping, pool maintenance, general upkeep, waste management, and construction and restoration efforts.

# HOA TERMS & DEFINITIONS

Similar to other organizations, HOAs have their unique jargon. Below are some frequently used HOA terms and their meanings.



## Homeowners' Association (HOA)

An HOA, short for homeowners' association, is a non-profit organization dedicated to managing, operating, and maintaining a community.

## Architectural Review

This process involves homeowners submitting proposed property modifications for approval. The board then reviews and either approves or rejects these plans, often providing additional feedback.

## Quorum

A quorum represents the minimum number of owners required for a meeting. It's essential for conducting official business, altering rules, or holding votes.

## Fiduciary Responsibility

This term signifies the board's ethical and legal duty to make decisions that benefit the entire community, rather than individual homes.

## Governing Documents

These are the legally-binding documents that include the declaration, bylaws, rules and regulations, articles of incorporation, and other operational guidelines.

## HOA Fees

These are contributions collected monthly, yearly, or quarterly from residents. The fee amounts can differ, but they primarily fund HOA operations and contribute to the HOA reserve.

## HOA Reserve Fund

This is a mandatory savings account established by the board for the community. It's amassed to finance significant capital improvements, such as resurfacing parking lots and building painting.

## Budget

A budget is the financial blueprint of an association, projecting its income and expenses for a designated timeframe.

## HOA Special Assessments

These are extra charges levied to cover budget deficits or unforeseen expenses. The board must approve these assessments before imposing them.

## HOA Fines

These are penalties for violating HOA rules or regulations. The amounts are determined by the governing documents and applicable laws.

# HOA FAQs

## How much are HOA fees?

The cost of HOA fees differs based on the community's location and the amenities offered. On average, monthly fees are around \$125, but for condominiums or townhomes, where the fees also cover insurance and shared wall maintenance, the amount is typically higher.

## Do I have to pay even if I don't use the common areas?

Yes. When you purchase a home in an HOA, you commit to paying its fees, irrespective of your use of shared amenities like parks and pools. It's important to inquire about mandatory HOA payments and understand what these fees cover before finalizing your home purchase.

## What kind of things can an HOA regulate?

HOAs typically play a key role in maintaining neighborhood standards, ensuring that homeowners keep their properties in good condition and the community retains a cohesive aesthetic. This may involve guidelines on permissible house colors or lawn maintenance frequency. All rules are detailed in the governing documents, available for review before you purchase a home.

## What happens if I break the rules or don't pay?

Many homeowners appreciate the security and order an HOA brings. While each association has its own approach, usually, late payments or rule breaches are met with a courteous reminder. Often, this is enough to resolve the issue, though repeated offenses might lead to more serious measures.

## How does an HOA enforce rules?

HOAs have a defined escalation process for ongoing non-payments or infractions. Effective communication is crucial, and most HOAs aim to collaboratively resolve issues. However, in extreme situations, legal action may be necessary against owners persistently disregarding guidelines.

## Can an HOA board change or add rules?

HOA rules are adaptable. The board typically holds the power to implement new regulations. Yet, if these rules bring major changes to the governing documents, a vote involving all association members might be required.



# 4 BENEFITS TO LIVING IN AN HOA

Buying a single-family home, condo, or townhome within an association involves additional costs, but it comes with many advantages. Here are some key benefits of residing in an HOA-managed community.



## 1. HOA's protect property values.

The worth of your home is influenced by the neighboring properties. Consistent upkeep of each home and yard by homeowners collectively safeguards property values. HOAs maintain a standard look within their jurisdiction, preventing any individual homeowner from adversely affecting the neighborhood's overall value.

## 2. HOA's give you access to better amenities.

A portion of your HOA fees is usually allocated to the creation and upkeep of communal facilities, accessible to all members. These amenities can differ but often encompass:

- Clubhouses
- Parks
- Gyms
- BBQ Pits
- Pools
- Walking Trails

## 3. HOA's provide rules and regulations that promote good community citizenship.

A proficiently managed HOA lays the groundwork for an exemplary living environment. By implementing rules that address issues such as loud music, barking dogs, and untidy lawns, it fosters harmony. Guidelines on shared spaces and amenities usage ensure that all neighbors have equal chances to interact, socialize, and support each other, thereby nurturing a sense of community-wide citizenship.

## 4. HOA's can resolve community disputes.

In situations where community conflicts arise, your HOA can be a crucial ally in finding a resolution. Whether it involves enforcing current rules or assisting homeowners in reaching a mutual agreement, the HOA serves as a champion for the well-being of all residents within the community's guidelines.

