

7 ANSWERS TO THE MOST FREQUENTLY ASKED HOA QUESTIONS



ANSWERING COMMON HOA QUESTIONS

A growing number of families in the United States belong to a homeowners' association (HOA). In fact, the number of HOA communities has grown over 200% since 1970, according to the Community Associations Institute (CAI).

For homebuyers who have never belonged to an HOA, joining a managed community can be an overwhelming experience. We created this ebook to provide simple, straightforward answers to the most common questions our community association professionals receive.

Whether you're brand new to HOAs or you're a board member answering questions, this ebook can help you provide helpful answers to the following questions:

- 1. WHAT IS A HOMEOWNERS' ASSOCIATION?**
- 2. HOW MUCH WILL AN HOA CHARGE ME EVERY MONTH?**
- 3. DO I HAVE TO PAY EVEN IF I DON'T USE THE COMMON AREAS?**
- 4. WILL HOA FEES AFFECT HOW MUCH I CAN BORROW?**
- 5. WHAT KIND OF THINGS CAN AN HOA REGULATE?**
- 6. WHAT HAPPENS IF I DON'T PAY OR IF I BREAK THE RULES?**
- 7. HOW DO HOA BOARDS ENFORCE THE RULES?**



BASIC HOA TERMS & DEFINITIONS

Before we introduce the questions, it's important to review some words and phrases that are unique to HOA communities. Below are definitions of the most commonly used HOA terms to help homeowners better understand their new association.

BOARD OF DIRECTORS

To function correctly, an HOA is required to have a board of directors. This board is authorized to act on a community's behalf to create and enforce community guidelines and maintain shared spaces. Boards consist of volunteer homeowners from the community who are elected into the position by other members of the association.

BOARD MEMBER

Volunteers serving on the HOA board are called board members. Every board includes four central officer positions—president, vice president, treasurer, and secretary.

QUORUM

A quorum is the minimum number of owners required to be present to hold an official meeting for the association. Having a proper quorum is critical any

time an HOA board wants to conduct official business, change rules, or vote on new board officers.

FIDUCIARY RESPONSIBILITY

Fiduciary responsibility means the board has an ethical and moral obligation to make decisions for the benefit of everyone in the community, not just for a single home.

GOVERNING DOCUMENTS

This collection of documents includes the declaration, bylaws, operation rules, articles of incorporation, and other materials which govern the day-to-day operation of the HOA.



BASIC HOA TERMS & DEFINITIONS *(CONT)*

HOA FEES

HOA fees, sometimes referred to as assessments, are collected on a monthly or yearly basis. The amount can vary, but the average monthly HOA fee in the U.S. is around \$300 according to data from the American Community Survey. These fees cover community responsibilities like insurance, landscaping, and maintenance, and they contribute to the HOA reserve fund.

HOA RESERVE FUND

The board is required to fund a reserve account for the community, which is collected to cover necessary capital improvements including parking lot resurfacing, new roofs, painting, and more.

HOA TRANSFER FEE

When you purchase a home or condo that's part of an HOA, you may have to pay an HOA transfer fee. Transfer fees are different from the monthly or yearly fees owners must pay and cover the cost of documenting new ownership and sharing all the

necessary documents with the new homeowner. The average transfer fee is around \$250.

SPECIAL ASSESSMENTS

Special assessments are additional fees that are typically used to pay for budget shortfalls or unexpected costs. A board must vote on an assessment before charging homeowners additional fees.

HOA FINES

When an HOA rule or regulation is violated, a fine can be issued. HOA fine amounts depend on your community's governing documents and other local and state laws that regulate fees.



HOA FAQs

Below are some of today's most frequently asked question regarding HOAs. These answers provide a good baseline, but remember: all communities are unique—you should always consult local laws for the most accurate information.

1. WHAT IS A HOMEOWNERS' ASSOCIATION?

An HOA is a nonprofit organization that's set up to help manage, and maintain a neighborhood, building, or collective of homes. People who belong to an HOA pay annual or monthly dues which the HOA uses to maintain shared spaces and carry out other association duties like rule enforcement, meeting management, and financial planning. An elected board of volunteers runs the HOA on behalf of all community homeowners. The HOA board works together with community partners, like a Community Association Manager, or CAM, to ensure the responsibilities of the association are executed according to their rules, regulations, governing documents, and all applicable local, state, and federal laws.

2. HOW MUCH WILL AN HOA COST ME?

The fees that your HOA charges can vary depending on where you live and the amenities the community offers. The average monthly HOA fee is somewhere around \$125, but expect to pay more for a condo or townhome where HOA fees also include insurance and maintenance for buildings with shared walls. Before purchasing a home that's part of an HOA, do your homework. You can work with your realtor and the HOA board to identify exactly how much the particular HOA will charge each month and what those fees cover.



3. DO I HAVE TO PAY EVEN IF I DON'T USE THE COMMON AREAS?

Yes. Once you move into a home that belongs to an HOA, you must pay all associated fees regardless of how much you use the shared parks, pools, and other areas. Be sure to ask about required HOA payments before buying a home to get a better understanding of what is and isn't included with those payments.

4. WILL HOA FEES AFFECT HOW MUCH I CAN BORROW TO PURCHASE A NEW HOME?

Yes. When borrowing money to purchase your home, lenders look at potential taxes, insurance, and HOA payments. These factors may affect what you can afford and ultimately how much a bank will lend you. If you're on a tight budget, be mindful of any HOA fees that may be required once you purchase your home.

5. WHAT CAN AN HOA REGULATE?

In general, HOAs help ensure owners are properly caring for their homes, and that a consistent look and feel is maintained throughout the neighborhood. This can include regulating what color you can paint your house, or how often you should mow your lawn. Specific rules are outlined in the governing documents which can be viewed upon request before purchasing a home.

6. WHAT HAPPENS IF I DON'T PAY MY HOA FEES OR IF I BREAK THE RULES?

Most homeowners enjoy the protections that an HOA provides their home and community. Every association is run a little differently, but most of the time, any late payment or violation receives a polite reminder delivered via email, in-person, or by mail. Nearly all violations are resolved at this level and you may receive several warnings before further action is taken.



7. HOW DO HOA BOARDS ENFORCE THE RULES?

HOAs will outline an escalation process for continued non-payments or violations. Communication is key, and chances are your HOA will work with you to resolve any issues that arise. In extreme cases, an HOA may have to take legal action against owners who continue to violate community guidelines and place a lien on their property until issues are fully resolved.

