

Frequently Asked Questions

ASSOCIATION MANAGEMENT

- **Assessments**

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- **Question:** What is an Assessment?

- **Answer:** Homeowner associations can compel homeowners to pay a share of common expenses, usually per-unit or based on square footage. These expenses generally arise from common property, which varies dramatically depending on the type of association. Some associations are, quite literally, towns, complete with private roads, services, utilities, amenities, community buildings, pools, and even schools. Many condominium associations consider the roofs and exteriors of the structures as the responsibility of the association. Other associations have no common property, but may charge for services or other matters.

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- **Question:** Are 'Dues' different than 'Assessments'?

- **Answer:** A predetermined set of fees usually referred to as 'Dues' are collected by HOAs, Community Associations, or divisions of property management for the upkeep of said organizations or neighborhoods in general. These fees are billed at intervals, sometimes by month, quarter, or annually.

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- **Association Types**

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- **Question:** What is a Homeowners Association (HOA)?

- **Answer:** A Homeowners' Association (HOA) is a legal entity created by a real estate developer for the purpose of developing, managing and selling a community of homes. It is given the authority to enforce the covenants, conditions & restrictions (CC&Rs) and to manage the common amenities of the development. It allows a developer to end their responsibility over the community, typically by transferring ownership of the association to the homeowners after selling. Generally accepted as a voluntary association of homeowners gathered together to protect their property values and to improve the neighborhood, a large percentage of U.S neighborhoods where free standing homes exist have an HOA. Most homeowners' associations are non profit organizations and

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- are subject to state statutes that govern non-profit corporations and homeowners' associations.

- **Question:** What is a Community Association?

- **Answer:** A community association is a nongovernmental association of participating members of a community, such as a neighborhood, village, condominium, cooperative, or group of homeowners or property owners in a delineated geographic area. Participation may be voluntary, require a specific residency, or require participation in an intentional community. Community associations may serve as social clubs, community promotional groups, service organizations, or quasi-governmental groups.

- **Question:** What is a Neighborhood Association?

- **Answer:** A Neighborhood Association (NA) is often a subdivision of homes within a larger community. Most have their own Board or Representatives. Some neighborhood associations in the United States are incorporated, may be recognized by the Internal Revenue Service as 501(c)(4) nonprofit organization, and may enjoy freedom from taxation from their home state.

- **• Association Management Questions**

- **Question:** What is Association Management?

- **Answer:** Association management is a distinct field of management because of the unique environment of associations. Associations are unique in that the 'owners' are dues-paying members. Members also govern their association through an elected board or other governing body, along with association committees, commissions, task forces, councils and other units. Typically, the board selects, retains and evaluates a chief executive officer or an executive director who is responsible for the day-to-day management of the association and paid staff. Managers within the association environment are responsible for many of the same tasks that are found in other organizational contexts. These include human resource management, financial management, meeting

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management, IT management, and project management. Other aspects of management are unique for association managers. These include: membership recruitment and retention; tax-exempt accounting and financial management; development of non-dues revenue and fundraising. Association managers must also be familiar with laws and regulations that pertain only to associations. To attain the knowledge needed to effectively operate in association management, its practitioners may choose to pursue the Certified Association Executive designation.

Question: What is an Association Management Company and what do they do?

Answer: A property management entity contracted by a Board of Directors or community to provide a variety of services including but not limited to collecting assessments, sub-contractor endeavors, financial advisement and statement/reports preparation and analysis, general maintenance and problem resolution, and advisement on legal and other property related matters. Some of these companies manage hundreds of properties simultaneously, while others focus on individual properties.

Question: Does my community have an Association Management Company, and if so, how do I contact them?

Answer: If your community is not self managed, the Association Management's contact information can be located on the website, and most Association Management companies have contact information listed on their company websites or in the phone book. Generally, a management company can be contacted online or by telephone by community or Board members, or individuals whose communities are seeking a management company for representation.

Question: What is a 'Managing Agent'?

Answer: A Managing Agent is a person or entity hired specifically to assist the board of directors in enforcing the documents and managing the assets, funds, and interests of the association.

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o **Question:** What is a 'Proxy?'

o **Answer:** An individual appointed to act or vote on behalf of another person by representing them at a meeting of the association. The title can also refer to the written piece of paper granting that power.

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o **Question:** What is a 'Quorum?'

o **Answer:** A Quorum is defined as the minimum number of owners required to hold an official meeting of the association. The number of owners required can vary greatly according to the corresponding association's governing documents.

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o **Question:** What is a 'Recuse?'

o **Answer:** the act of initiating a Recuse involves the temporary removal of an association member or board member, or the act of disallowing his or her participation in a particular vote or proceeding.

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• Board Of Directors

o **Question:** What is a Board of Directors?

o **Answer:** In relation to an HOA, Community or other formal organization, a director is an officer charged with the conduct and management of its affairs. The directors collectively are referred to as a board of directors, and are generally elected or appointed. Sometimes the board will appoint one of its members to be the chair, making this person the President of the Board of Directors or Chairman.

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o **Question:** How do I contact my Board of Directors?

o **Answer:** If your community has a Board of Directors, contact information, meeting times, minutes, and other information can be obtained through checking the Board information area of your website.

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• CAI

o **Question:** What is CAI?

o **Answer:** Founded in 1973, CAI is Community Associations Institute, a national and chapter-based membership organization dedicated to fostering successful common-

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- interest communities. In addition to state and national legislative advocacy on behalf of associations, CAI provides education, tools and resources to those who govern and manage association-governed communities. CAI members include association board members and other homeowner volunteer leaders, community managers, association management firms and other professionals who provide products and services to associations, such as attorneys, accountants and reserve specialists. CAI is committed to being the worldwide center of knowledge and expertise for people seeking excellence in association operations, governance and management. Visit www.caionline.org or call (888) 224-4321 for more information.
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- **Question:** Is CAI a national organization or are they local to my area?

- **Answer:** CAI is a national organization with almost 60 local and state chapters. CAI members enjoy automatic membership in the chapter of their choice. [Find a CAI chapter in your area.](#)
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- **Association Legal Documents**

- **Question:** What are CC&Rs?

- **Answer:** The term CC&R refers to 'Covenants, Conditions & Restrictions.' A real covenant is a legal obligation imposed in a deed by the seller of a home and or property upon the buyer of the real estate to do or not to do something. Such restrictions frequently 'run with the land' and are enforceable on future buyers of the property. Examples might be to maintain a property in a reasonable state of repair, to preserve a sight-line for a neighboring property, not to run a business from a residence, or not to build on certain parts of the property. Many covenants are very simple and are meant only to protect a neighborhood from homeowners destroying trees or historic things or otherwise directly harming property values. Some can be more specific and strict, outlining everything a homeowner can do

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- to the exterior of their home, including the number of non-familial tenants one may have, acceptable colors to re-paint the home, exactly when holiday decorations are allowed up, automobile placement or repair on property, satellite placement, etc.

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- **Question:** What Are 'ByLaws?'

- **Answer:** A set of rules or guidelines regarding the operation of a non-profit corporation such as a Board. Bylaws generally set forth definitions of offices and committees involved with the Board of Directors. They can include voting rights, meetings, notices, and other areas involved with the successful operation of the Association.

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- **Question:** What are Governing Documents?

- **Answer:** The declaration, bylaws, operating rules, articles of incorporation or any other documents which govern the normal operating procedures of an association.

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- **Question:** What is a Lien?

- **Answer:** A monetary claim levied against a property for unpaid mortgage, taxes, contractor work, or other charges. A lien is attached to the property, not the owner, but legally must be recorded in the property records of the county of residence. If a Lien is in place, the property owner has very limited ability to do anything involving the property until the Lien is satisfied or removed.

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- **Question:** What is the 'Declaration?'

- **Answer:** The Declaration is sometimes referred to as the 'master deed,' 'documents,' or 'declaration of covenants, conditions, and restrictions' [CC&Rs]. It describes an owner's responsibilities to the association which can include payment of dues and assessments as well as the association's various duties to the owners. It is common viewed as somewhat of a 'constitution' of the association. The person or group of persons who either signs the original declaration governing the development and association or acquires the original developer's rights is referred to as the 'Declarant.'

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Question: What is an Estoppel letter?

Answer: An estoppel letter is used in a transfer or conveyance of real property prior to the Closing transaction. The document is sent to a bank (or other lender), to an HOA (or Condo Association), to a city/municipality, or a tenant requesting payoff of a mortgage, assessments or taxes due, or rental amounts due on a lease, to incorporate these amounts into the Settlement Statement for the buyer and seller of the real estate. Assessments and payments due must be incorporated into the amounts due at Closing and paid at the time of the Closing. Some amounts may be pro-rated, but all must be included in the Settlement Statement. The estoppel letter is the document that facilitates this process.

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Question: What is an 'Easement?'

Answer: An interest or a right in real property which grants the ability to a landowner to use the land of another for a special purpose or endeavor. An association may for example have an easement for slope maintenance or other repair purposes. A public utility may also have an easement for maintenance or repair work to be executed at a future date.

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Question: What is a 'Notice of Noncompliance?'

Answer: Similar in essence to a lien, the Notice of Noncompliance is a document sometimes authorized under the CC&Rs and may be recorded in the county property records. It's essential purpose is to notify prospective buyers that the property is in violation of the documents.

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• General Terms

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Question: What is a 'Common Area?'

Answer: Any area of improved real property intended for shared use by the members of an association.

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Question: What are Ordinances?

Answer: An Ordinance is an individual or set of laws adopted by local government at the county and city level.