

## New Buyer HOA Check List



## City of Boulder Housing & Human Services

Many homes that are part of the Permanently Affordable program are part of a Home Owner Association (HOA) or Owner Associations (OA). The association and association board is made up of owners in the community who make decisions for the community. In most cases, all owners in the community are voting members of the HOA. A more detailed description of an HOA can be found in the Colorado Division of Real Estate's "[Before You Purchase in an HOA.](#)" HOAs can have an impact on a buyer's day-to-day life and personal finances so it is important to understand the HOA they are buying into.

- What pet or other limitations are part of the HOA?** Some HOAs have limits around the number and types of pets an owner can have. There may also be limits related to parking, running a business out of a home, overnight guests, quiet hours and/or other limitations on how a home can be used. A buyer should understand these limits and determine if they can live with them.
- What is the monthly HOA fee(s)?** A buyer needs to make sure their budget can support this expense.
- What is covered by the HOA?** Some HOAs cover utilities, trash, exterior insurance, exterior building maintenance, and/or amenities such as a pool, playground or park. Not having to pay these expenses personally could offset the cost of the HOA fees within a buyer's personal budget.
- When were HOA fees last increased and by how much?** Generally, fees increase over time as costs increase. A buyer needs to make sure they plan for these increases. If fees have not changed in a while it is good to understand why. It is possible the HOA is not being properly funded. It is also important to understand how the decisions to change fees are made so these increases can be planned for.
- Are there any pending special assessments?** A special assessment is a one-time fee that needs to be paid by owners for unplanned one-time expenses. Special assessments are generally larger than the monthly fee(s) and can have an impact on an owner's personal savings.
- Should owners get special assessment insurance coverage?** Special assessments can be several thousand dollars. There is extra insurance, sometimes called loss assessment coverage, that can cover an owner's requirement to pay for some special assessments. Generally, this coverage is limited to damage to common property or liability claims in common property. In most cases it will not cover maintenance or improvements. One should check with their insurance agent for details.
- Has a reserve study been done and are their reserves?** Reserves are money from monthly dues that are saved by the HOA for larger future expenses (replacing a roof, painting the building exterior, etc.). Many HOAs hire a consultant to conduct a reserves study. The consultant will review the complex to identify future needs and provide estimates for this work. The HOA uses this to determine how much it should be saving for these future expenses. If an HOA does not save enough for these future projects a special assessment could be issued to cover the costs.

- ❑ **What is the condition of the property maintained by the HOA?** A buyer can do a general evaluation of the property and determine if there are things they think need to be fixed or will need to be fixed in the near future. Determining if these are in the work plan for the HOA can help a buyer evaluate the quality with which the HOA is managed.
- ❑ **Is there a history of special assessments?** If there are special assessments issued for items which could be planned for (roof replacement, painting, etc.) this may be an indication the HOA is not being properly managed. There are of course some things that happen that are unexpected, and a special assessment is appropriate.
- ❑ **What does the HOAs insurance cover?** In a multi-unit building the HOA will likely have hazard insurance to cover parts of the building (exterior, grounds, etc.). However, this insurance will likely not cover the owner's personal property or the interior of their home. Buyers should understand the limits of the HOA insurance so they can make arrangements to cover where the HOA insurance does not.
- ❑ **Does the HOA budget balance?** Buyers can examine the budget to confirm the dues coming in are enough to cover the operating expenses of the HOA and also allow for reserve savings. If this is not the case it may be an indication the HOA is not being properly managed.
- ❑ **What are the current issues in the community?** HOAs have meetings to discuss issues happening in the HOA community and make decisions on how to address these. There should be minutes from these meetings. A buyer can review these to understand the current topics and make inferences as to how they will affect the buyer.
- ❑ **Is the HOA involved in any current or recent litigation?** This could affect an owner's experience in the HOA and/or create future obligations.
- ❑ **What is the track record for the management company?** Many HOA's hire a management company to manage the tasks of the HOA (arrange for lawn care, snow removal, building maintenance, communication with owners, etc.). The historic performance of the management company can provide an indication of how well they will perform for the HOA in the future.
- ❑ **What is in the documents that govern the HOA?** Reviewing the following documents will give a buyer an in-depth understanding of the HOA.
  - Declaration (also referred to as the Declaration of Covenants, Conditions and Restrictions or CC&R's). Contain the restrictions owners in the HOA need to follow. These will contain descriptions on how common space is used and rules related to what the owner does with their home and how they use it.
  - Rules and Regulations. Additional guidelines that may create restrictions in the community.
  - Bylaws. Dictate how the HOA is run including how members vote for board of directors and how long their terms are. The bylaws also describe the duties of the board of directors.

This list is not all inclusive, it is meant to assist in assessing an HOAs health before purchasing a home in an HOA.