

COMMUNITY MANAGER LICENSURE

It's in the news when a manager embezzles funds or does something illegal. But what if you feel they have acted in an unethical manner or not in the best interests of your Community or Association?

The Community Management industry believes there should be accountability, ethical and performance standards set in place for the people who are responsible for helping you manage your community.


Several months ago, Community Associations Institute (CAI) asked Colorado's Department of Regulatory Agencies (DORA) for an objective outside view as to whether the industry needs to be regulated and, if so, how that might be accomplished.

CAI members are homeowners, Board members, Community Managers, Property Managers, and other service industry professionals. These are the people who are involved day-to-day in the intimate business of Property and Community Management.

Currently, there are no statutory regulations of Community Management. One of the solutions DORA is looking at is the state licensing of Community Managers, similar to the licensing of other service professionals, i.e. real estate, mortgage, and insurance brokers. This would provide their clients with assurances of knowledge and professionalism, as well as formal avenues of action for those who do not adhere to the stan-

dards that could be developed.

At Client Preference, each member of our staff is a licensed real estate broker and thereby already bound by DORA regulations. We are encouraged by the Community Management industry's commitment to a high standard of ethics and service.

Should Community Managers be licensed? In early 2012, DORA will complete their investigation and make a recommendation as to possible licensure. 

INSURANCE: OURS AND YOURS

Everyone generally understands liability and property insurance, but there are other types of insurance that are vital to HOAs, homeowners, and Board members.

Directors & Officers Liability Insurance (D&O Insurance)

This insurance protects volunteers like Board and Committee members from personal liability for unintentional acts during their service to their Association.

Fidelity/Crime Insurance

Generally, fidelity/crime insurance

protects an Association from loss of money as the result of a crime, such as employee dishonesty, embezzlement, robbery, etc.

Property Insurance

Covers loss or damage for common structures or property from flood, storms, fire, or other natural events. For condominiums and/or townhomes, this also covers the common structures such as roofs, siding, etc. as required by a community's governing documents.

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Unless otherwise specified, all articles in this newsletter have been prepared by Association Manager Barbara Finch. Sources of research background include CAI publications and internet sources.



BUDGETS, LIENS, AND FORECLOSURES ... OH, MY!

In an ideal world, no one would ever face foreclosure - for any reason. But that world does not exist. Banks and other lenders foreclose on homes when owners default on their loans. Although relatively rare, Association-initiated foreclosures are occasionally required to recover delinquent assessments.

You've heard the stories of HOAs foreclosing on properties and have likely wondered how that can happen. While some HOAs seem to do this as part of a set of cookie-cutter procedures, it should only be undertaken after serious, thorough consideration.

Remember that by choosing to live in a covenant-controlled community, homeowners accept the *personal legal* responsibility to meet their financial obligations to the Association and their neighbors. Not fulfilling those obligations places an unfair burden on their neighbors and, ultimately, the Association as a whole.

Association Budgets

Associations rely on homeowner assessments to pay bills (landscaping, snow removal, utilities, repairs, etc.). Annual budgets are based on careful cost projections and anticipated income from assessments.

When a homeowner doesn't pay their assessments, the bills don't change. Their neighbors must make up the difference or services and amenities must be curtailed. The former is an issue of fairness; the latter can lessen the appeal of the community and erode property values.

Liens and Foreclosures

Knowing that people occasionally face financial hardship - a lost job, for instance - Boards and Management Companies try to work with homeowners to bring accounts up to date. But if those attempts fail to produce results, a lien may be placed against a delinquent property. This ensures the Association gets paid to

some extent once title to the property transfers.

Sometimes the threat of foreclosure is often the only tangible leverage an Association has when residents would simply choose to default on their obligation. How many Americans would pay taxes if the government had no means of enforcement?

When the number of delinquencies increases, the Association's financial position becomes increasingly precarious.

When all other attempts fail, the Association may look at the final - and unfortunate - option of foreclosure.

Association leaders have a *fiduciary responsibility* to make sure the Association is financially stable. That means sometimes they have to make tough, unpopular decisions to protect property values for the community as a whole.



the upcoming expenditures of all reserve study components. This is critical because it defines timetables for repairs and replacements.

Lastly, a reserve study will tell an Association if they are contributing too much money or not enough and will make a reasonable recommendation based on the components in the study.



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WHY HAVE A RESERVE STUDY?

By Richard Hirschman, RS

There are several reasons why an Association would want a current reserve study. The main reasons are to view their current funding status, view upcoming expenditures and to determine if the association is properly funded.

The most frequently asked question I get from Associations is "How well funded is our Association compared to other Associations?" This is a valid question but very difficult to answer because no two Associations are exactly the same.

Advanced Reserve Solutions, Inc.

conducted a study in 2010 on percent funded by State (listed below). The results show that the sooner an Association starts using a reserve study, the higher their percent funded. California passed a law in 1986 making it mandatory for Associations to have a reserve study conducted. Nevada passed a very similar law in 2000, and Colorado is using HB 1359. In that study, California's Associations were 81.74% funded; Nevada, 70% funded, and Colorado 38.06% funded.

A reserve study should provide you with a 30 year "window" showing

INSURANCE (CONTINUED FROM PAGE 1)

Homeowners Insurance: Single Family Homes

Coverage depends on your individual policy, but should generally include structure, belongings, loss of use (incurring additional living expenses while your home is repaired), and may include riders for flood, earthquakes, etc. at additional costs.

HO-6 Policy

An HO-6 policy is a must for those homeowners in condos or townhouses, high-rises or patio homes. **Your HOA's insurance DOES NOT COVER YOUR HOME OR BELONGINGS!** Some lenders require this type of coverage before lending.

An HO-6 policy provides coverage for personal property (furniture, computer equipment, clothing, etc.); personal liability; interior walls and floor coverings; improvements or upgrades; and some liability coverage. It's also known as "studs in" coverage. It can also provide gap coverage caused if your master in-

urance policy has a high deductible. This type of coverage is vital for anyone living in a building where walls, ceilings, floors, etc. are shared with others. Consult with your insurance agent to be sure you are adequately covered, including loss assessments and additional living expenses while your home is being repaired!

Loss Assessment

This type of insurance is for "common" property (swimming pools, clubhouses, playgrounds, etc.), to cover homeowners in case of damage to those areas resulting in an assessment to all homeowners.

On the property side, there are generally two conditions that must be met: it must be a direct loss to property, and must be something that would be covered if the property were solely owned by the insured. (Example: Fire burns the clubhouse. This is a direct loss of property, and if the insured owned the clubhouse it

would be covered.) There are limits that should be explored with a licensed insurance agent.

On the liability side, assessments generally come from one of two causes: bodily injury or property damage, or the act of a person elected by the Association but who receives no income from the Association, such as a Director, Officer, or Trustee.

Loss assessment insurance can be confusing, but it is important. Unexpected assessments do occur in common interest communities, and homeowners need protection. Also, not all types of loss assessments are covered. Be sure you talk to your insurance agent for what is included in your specific policy.

Your home is likely your most valuable asset; you want to do everything you can to minimize risks.



WHO YA GONNA CALL?

When you own a home, condo, or townhouse and you receive services from a municipality and at least one HOA, it can be tough to know who provides what services.

Take a few minutes and make an "emergency" phone list. On that list should be phone numbers for your plumber, handyman, HOA management company, trash company, power company, landscape contact, snow removal contact, etc.

Call your HOA manager. They can tell you who to contact for different things. Who takes care of the landscaping? Who is responsible for removing the snow? Who picks up

your trash? Who do you call if the roof leaks? What happens if your irrigation system springs a leak? Client Preference homeowners have community information sheets available to help answer these questions.

Living in a single-family home, some of these questions won't pertain to you. But you might be surprised when you start asking the questions - and find who is actually responsible for your services!

Sometimes responsibilities overlap. A barking dog or illegally parked car may be HOA covenant issues, but can likely be more quickly dealt with if you contact law enforcement or

animal control. Then notify your HOA manager as well.

Determining who does what before an emergency situation arises can save you frustration and result in a quicker response from the appropriate entity.



CHIMNEY SAFETY

There's nothing as warm and welcoming as a crackling fire on a cold winter night. There's also nothing more dangerous if your chimney is damaged.

Broken or cracked chimneys can let heat, smoke and toxic gasses, such as carbon monoxide, into your home. Your home could even catch fire.

Chimney damage can sometimes be hidden. Here are some items to check to help avoid problems or a disaster:

- Have bricks fallen?
- Is the chimney leaning?
- Can you see exterior metal chimney pipe?
- Are there cracks at joints (firebox, roofline, attic)?
- Has debris fallen into the fireplace?

- Is the mortar between bricks/stones crumbling?

When in doubt, consult a licensed engineer or contractor. For the name of an inspector, call your local building department.

Disasters can happen in any home. Some good preventive measure are:

- Install carbon monoxide and smoke detectors in sleeping areas and on every level.
- Interconnected smoke alarms are best: If one sounds, they all sound.
- Test smoke alarms monthly.
- Change alkaline batteries at least once a year.
- Prepare and practice a fire escape route with everyone in your home, including children.

WHO'S SIGNING YOUR CHECKS?

Do you approve invoices before they are paid?

Some management companies send out your checks before you ever see them, so all you receive is a list of the things that have already been paid.

At Client Preference, we believe our clients should know where their money is going, so all invoices are available for online approval. A simple click of the mouse by a Board member authorizes payment and puts YOUR signature on the check.

Are you signing your checks, or is someone else spending your money?

ICE IS NICE - BUT NOT IN YOUR PIPES!

Every winter the pipes in your home are at risk of damage from freezing conditions. Low temperatures can cause water pipes to freeze and sometimes burst. What can you do before, during and after a pipe freezes?

Prevention

- Disconnect garden hoses.
- Install outside faucet covers.
- Keep your house temperature at 68°F or higher (even if you're leaving for an extended period).
- Open cabinet doors below sinks for heat circulation.
- Know where the main water valve and the water heater valve are.
- Wrap pipes close to exterior walls and in crawl spaces with pipe insulation or heating tape.
- Close windows near water pipes.
- Cover or close open-air vents.

- Heat basements.
- Weather seal windows and doors.
- Insulate outside walls and unheated areas of your home.
- Shut off water supply valves to your washing machine if you will be away for an extended time.

Monitor Freezing Conditions

- Allow a faucet to drip slightly (lukewarm water). Reduced water flow from a faucet is the first sign of freezing
- Check faucets for water flow and pressure before bed and in the morning.
- Check pipes around water meters, in unheated areas and crawl spaces, and near exterior walls.
- Identify drafts coming from flues or chimneys.
- Caulk gaps near pipes.

Oops ... The Pipes Froze

You can thaw frozen pipes by:

- Using a good hair dryer. (Avoid operating a hair dryer around standing water.)
- Heating water on the stove, and wrapping soaked towels around cold sections of pipe.

When thawing a pipe, start nearest to the faucet. Make sure the faucet is turned on so water from melted ice can drip out.

Burst Pipes

- Shut off water at the main valve.
- Close the water heater valve if the break is in a hot water pipe.
- Call a plumber. Keep an emergency number nearby for quick access.

