



## What are HOA assessments?

**A:** Ownership of a unit in a condominium project or other residential common interest development (CID) includes compulsory membership in the project's **homeowners' association (HOA)**. The HOA is in charge of managing and operating the entire project.

The obligations you undertake when you purchase a unit in a CID, and the HOA's documentation of those obligations, fall into two classifications:

- *use restrictions* contained in the HOA's:
  - articles of incorporation;
  - by-laws;
  - Covenants, Conditions and Restrictions (CC&Rs) of record;
  - age restriction statements; and
  - operating rules.
- *financial obligations* to pay assessments as documented in annual reports which include:
  - pro forma operating budgets;
  - a Certified Public Accountant's (CPA's) financial review;
  - an assessment of collections and the collections enforcement policy;
  - an insurance policy summary;
  - a list of construction defects; and
  - any notice of changes made in assessments not yet due and payable.

There are two types of assessment charges to fund the expenditures of the HOA:

1. **Regular assessments** fund the operating budget to pay for the cost of maintaining the common areas. Regular assessments are set annually and are due and payable in monthly installments.
2. **Special assessments** are levied to pay for the cost of repairs and replacements that exceed the amount anticipated and funded by the regular assessments. Special assessments are generally due and payable in a lump sum on a date set by the HOA when making the assessment or added to the regular assessment monthly installments for a specified amount of time.

Annual increases in the dollar amount levied as *regular assessments* are limited to a 20% increase in the regular assessment over the prior year. An increase in *special assessments* is limited to 5% of the prior year's budgeted expenses.

It is recommended you review all readily available HOA information with your agent before making an offer. With this information, you and your agent are able to better determine the price you will pay for the unit and whether or not you have the ability (and desire) to carry the cost of ownership after acquisition.