

A good first step in home owner savings

HOA Home Owners can save \$350 or more when selling their home by avoiding costly and abusive HOA Home Sale Transfer Fees

Visit the Colorado HOA Forum's web site coloradohoaforum.com for a wealth of information on this property manager (PM) fee. The fee represents duplicate billings to home owners, is not justified by work completed, it is pay on demand with no questions asked or even a written receipt for work completed, is retained by the PM not HOA, is not a required charge to the home seller by either the HOA or by law, and if you don't pay it you will not be able to sell your home and/or a lien will be placed on your home that can lead to foreclosure. This abusive practice is easy to end and save home owners money simply by instructing the property management company (PMC) the fee is not allowed and the only mention of this fee in their contract will state that the fee can only be charged upon the sale of a home for unique charges only incurred by the management company due to the home sale and only for work completed that is necessary to meet demands for the sale of the home and no optional services unless authorized by the Board at time of sale. Note these fees average \$350 but often range from \$400—1,000.

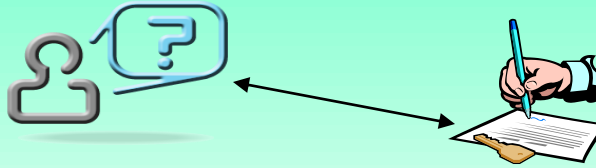
Note: Home Sale Transfer Fees are not charged by all PMCs with no detriment to the HOA or PMC!

NOTE: Request in writing to your HOA that want a copy of the documentation listed in our Documentation Guide provided to you either via a CD, computer file, or hardcopy: your costs should be nominal: \$35 or less vs \$350 to over \$1000 if provided via the management company. Provide the same information to the Title Company and save \$150-200 or more. Tell your Realtor *this has been done, work with them to provide this to the buyer and Title Company and then make sure the Transfer Fee is not included on the closing documents or you will have been charged twice and be sure the Title Company doesn't charge you on the closing documents, normally listed as an Administrative Fee or you will again be charged for that which you provided. Your Realtor must intervene on your behalf, ask them to do so, they represent you and you are paying them to represent you.*

HOA Property Management Companies (PMC) Supervising the Supervised: very costly

If the PMC is assessing charges on capital improvement, landscaping, snow removal or other contracted services to oversee/ supervise the work this is mostly double billing. The company performing the work for the HOA already has their own supervision and quality control and should, spelled out in their contract, and needs no additional supervision by the PMC. If this practice is tolerated by the Board they should make sure the PMC oversight is completed by someone with experience in the project! Note, some projects require upfront work by an expert for defining specifications but paying the PMC for oversight of project execution is generally not required.

A How-To guide for containing/reducing HOA Operating Costs and HOA Dues without negatively impacting the quality of life and home values within the community



HOA Cost Reduction Ideas and Best Practices

(the goal is to increase the efficiency & effectiveness in financially managing the community's resources without impacting the quality of life/property values in the community)

The most effective means for home owners to ensure cost effective and efficient financial management of an HOA is home owner involvement: review budgets and contracts, ask about contract bidding practices, evaluate policies concerning snow removal and landscaping, ensure maintenance schedules are developed and implemented, and review the contract with the property management company (ask about all fees for services, quality control oversight, extra charges to oversee capitol improvement projects, question home sale transfer fees, etc.) and up for renewal demand bidding.



**HOA Boards must take control in managing the HOA and their PMC: unfortunately most HOA Boards defer management and oversight of the HOA to the PMC
Read our guides Property Management Companies**

Guiding Principle of HOAs

**HOA Boards Must Manage the Community
Not the Property Management Company**

Most HOAs are managed by property management companies (PMC). Most HOA Boards are not exercising their fiduciary responsibilities of managing the PMC and its' contract limitations and responsibilities. Boards too often blinding allow PMCs to independently advertise contract offers, evaluate bids, and award contracts opening up questionable and costly business practices. Boards are too often directed/influenced to take on litigation that may have very low cost/benefit results and slim chances of winning with the only winner HOA lawyers with relationships to the PMC.

An HOA Board that blindly relinquishes responsibilities and financial decisions to PMCs will increase HOA operational costs.

Consider changing your HOA governing documents to limit independent action by an HOA Board to enter into litigation or make special assessments without home owner approval.



A good place to start is an audit of the HOAs contract with the PMC and related disbursements: how was it awarded, contract oversight & accountability, payments to the PMC or their staff by line item match charges to deliverables, total costs to date versus contract award, expectations vs deliverables, options to provide services currently with PMC by third party vendor, match snow removal billings to actual time and dates of on billings.

HOA Boards should notify home owners of alternative means to reduce their home sale closing costs. Specifically, the HOA home sale transfer fee tasks of providing a home buyer and Title Company documentation and the seller's final billing statement can be completed by the home seller or third party vendors to save hundreds of dollars vs that charged by PMCs.

Contact us: email coloradohoaforum@gmail.com

Supplement this guide with our Property Manager, Finance and other guides.

Cost Saving Opportunities

Gated Communities:

Remove Gate and save on paving, snow removal costs, sewage repairs, etc.

Install security cameras at gates to identify vandals, evaluate traffic patterns and security entrance procedures

Community Center:

Who and how many are using amenities: cost justification for all amenities, usage fees as applicable

Can service be provided at less cost elsewhere, hire a contractor to run, pay dues of home owners to use a club/community pool and vs keeping HOA pool

Operating hours and staff

Amenities provided: swimming pool, spa, appliances, internet, cable tv etc: review and compete all service contracts and seek out alternative providers

Bar-b-que areas: used, needed, or eye sore

Use of printers and faxes and supplies: monitor use/limit use/develop usage rules, secure equipment

Partner with nearby HOAs in bidding for trash pickup/recycling to take advantage of economies of scale

Take control of your newsletter and sell advertising

Eliminate mailing charges that could otherwise be completed by email

Mailing home owner monthly billing statements vs email or only on demand

Policy to replace security keys, remotes when home owner loses

Snow removal contract and policies: re-bid, when are roads plowed (inches on ground, not during snowfall, begin one hour after snowfall ends), when sidewalks are shoveled

Review Utilities usage policy: watering practices, xeriscape

Trash pick-up options and/or contract

Legal costs: apprise home owners of all current and anticipated legal actions/costs

Investment of reserve funds should be in very low risk but interest bearing notes/accounts

Contain administrative costs by purchasing copying machines, office supplies, stamps, etc. to avoid costly PMC reproduction and mailing costs

Review extra itemized costs in contract with PMC to negotiate price or eliminate items and use this information in reviewing bids for services

HOA Home Owner's Cost Reduction Ideas (and best practices)

Change governing documents as needed

Place limits on the amount of special assessment a Board can Independently complete without home owner vote



Require all litigation entered into by the HOA other than everyday requirements such as debt collection be approved by home owners

Place limits on the amount of any special assessment that can be made without home owner approval.

Pet restrictions: consider measures to ban vicious dog breeds or by size to reduce HOA community and individual home owners insurance and potential law suits concerning dog attacks

Home owner's insurance: don't over insure your residence, if the HOA has an master/umbrella policy that covers damages such as your roof and siding you may be eligible for HO6 insurance coverage

Maintenance responsibilities: ensure the HOA is not paying for home owner repairs and maintenance not identified in the governing documents



Review the contract with property management company (PMC): end non-essential services; end services that other staff or volunteers can complete; ensure PMC is not charging to supervise capital projects, snow removal, or landscaping jobs

Review the continuation of HOA community amenities: survey usage, cost to maintain, services provided elsewhere.

Charge for special parking needs such as RV parking
Rent out clubhouse

Property Management Companies (PMC):

Ensure bidding on contracts is open and not limited to PMC preferred list. Publicly advertise all solicitations.

Limit the cost of hiring consultants who study and supervise capital improvement projects

HOA lawyers should not be connected to PMC in any professional/business relationship

Change the management company as applicable to get more value and quality for contract services

When capital improvement projects are solicited for bid make sure the property management company doesn't have a business interest in award of contract

Preclude any contract award to a company that has a business relationship with the PMC and ensure that the PMC is not getting any kickback from any company awarded a contract with the HOA

Investigate history of the PMC prior to contract signing for violations

Avoid Legal/Court Costs
Settle Disputes Out of Court

Cost Avoidance/Enhance Income

If you are a small HOA with non-complex community needs consider self managing to reduce property management costs

Recognize volunteer work that saves all home owners on expenses owners on expenses

Curtail clubhouse/pool hours

Rent the clubhouse for added income

Develop maintenance schedules for community resources to avoid major repairs

ADA compliance to accommodate home owner needs and avoid legal problems

Transfer maintenance responsibilities to home owners and penalties for negligence

Apply for community/State/Federal grants on capital projects

Home owners should periodically inspect financial records for suspected misappropriation of funds

Safeguard capital projects with proper insurance, consider an owner controlled insurance policy ("OCIP") coverage

Fidelity insurance for crime: fraud, embezzlement

Be aggressive in collecting delinquent accounts

Contracts with management companies should preclude home sales transfer fees, contract oversight fees, require public competitive bidding

Condominium Questionnaire: save home sellers/buyers money by using a commercial service vs the property management company: \$25 vs \$75-100-175+

Install security camera, they can deter crime and identify request y those involved in crime or unreported accidents for cost recover

Review cable tv and Internet billings for alternatives

Charge for meeting room usage other than HOA related business Consider part-time vs full time employees

Request removal/replacement of any PMC employee that is not cooperative and serving the needs of the community

Avoid the hiring of relatives of the PMC owners

Avoid joining or paying memberships to any organizations such as the Community Association Institute (CAI) as your property Manager/HOA lawyer should be conveying any useful information from this organization to you as part of their contract and most such information can be obtained free via the State HOA Office. Also, know the CAI represents interests of the PMC industry first and foremost and not that of the home owner.

Every disbursement of funds should be reviewed by and approved by the HOA Board and not independently by the PMC

All decisions to complete snow removal should be approved by the HOA Board based on policy and not left to the PMC

Solicit bids for tree replacement: prices can vary greatly and ensure transplant/replacement is warranted

Consider resurfacing streets and parking areas vs replacement

Develop and comply with maintenance schedules and ensure all HOA assets are included such heating, A/C, gates, lighting, pools, ...