



5 Essential HOA Terms New Board Members Need to Know

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Whether you're a new member of your community association's board of directors or you've served for years, being familiar with basic HOA terminology is essential to the success of your role. Knowing these key HOA terms will help you get up to speed or serve as the refresher you need to improve as a leader of your community.

1. Fiduciary

The highest ethical and moral obligations and duty of good faith a person is charged with for fulfilling their responsibilities. The board of directors of a community association has a fiduciary responsibility to act in the best interests of the association.

"This is a fancy sounding term that applies to the board of directors of a community association. It boils down to trust. The straightforward definition of 'fiduciary' alone is stated as: involving trust, especially with regard to the relationship between a trustee and a beneficiary.

That definition is not very practical. In a nutshell, when you are a board member for a community, you need to act for the good of the community as a whole and not for yourself. You have a duty to make decisions for the benefit of all instead of just your home or your friend's homes nearby." - Jesse Dubuque, CMCA, Director of Client Development, Associa Minnesota

2. Governing Documents

The declaration, bylaws, operation rules, articles of incorporation or other documents which govern the operation of the association.

"Governing documents are, in essence, the constitution, law and regulations that spell out how your community is governed. Although the terminology varies from state-to-state, the general hierarchy of governing documents tends to follow similar structures. Plats and Plans, Declaration (also known as Codes, Covenants, and Restrictions or CC&Rs), Articles of Incorporation, Bylaws and Rules are the typical order. The higher the document is, the more likely it is to qualify, or even trump, lower documents." - Andrew Fortin, SVP, External Affairs

3. Quorum

The minimum number of owners required to hold a meeting of the association. The number of owners required varies according to the governing documents.

"Don't forget to show up to the board meeting. When someone prepares for a meeting with the expectation quorum will be met and business will occur and members of the board don't communicate scheduling conflicts beforehand, it reflects a lack of commitment to the board or to the association and the owners that live in your community and can cause **distrust between board members** (<https://cihost.uberflip.com/6-ways-to-change-the-attitude-of-apathy-in-your-community>). It can also delay very important, time-sensitive decisions. Outstanding board members are on time, prepared and reliable." - Erin Baker, Business Development Director, Colorado Association Services

4. Budget

The financial plan for an association which estimates income and expenses for a specific time period.

"Whether your finances are in disarray or you're trying to take them from good to great, get familiar with your budget. What specifically is the community spending money on and how much is it spending? Are you covering all your mandatory expenses? Are you in a deficit?" - Josie Flicek, CMCA, AMS. Business Development Manager, Cities Management

5. Reserves

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Funds set aside by a community association for the future repair of, replacement of, or additions to major components the association is obligated to maintain.

“The board is required to annually budget and fund a reserve account, which takes care of necessary capital improvements such as parking lot resurfacing, new roofs and painting. This is needed, as the budgeted operating account is only used for day-to-day operations in a community.” - John Hensley, MCA, FL-CAM, AMS, ARM, PCAM, President, Associa Tennessee

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