



Board Member Tips: How to Handle Conflicts of Interest



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As a member of a homeowners' association (HOA) board of directors, you must know that both real and apparent conflicts of interest can occur while conducting HOA business. A conflict of interest is a situation in which a board member may have a personal gain from decisions he or she makes in their official capacity as a board member. With a fiduciary duty to act in the association's best interest, no decision should ever be made to only benefit yourself or a select group of people. To learn more about conflicts of interest and how to handle them when they do occur, read on.

Board of Directors Code of Professional Ethics

Most boards have a mandated Board of Directors Code of Professional Ethics. This code should outline expected behavior regarding integrity and objectivity, technical standards, conflicts of interest, and more. To avoid getting into a situation in which a conflict of interest may arise, be sure to fully understand the Code of Professional Ethics and how it impacts the decisions you make.

Types of Conflicts of Interest

To help identify a potential conflict of interest, ask yourself this question: Would a reasonably informed person perceive my actions as a board member to be motivated by my financial or material gain? If the answer is yes, you might have to dig deeper into the source of conflict. Here are a few ways conflict may appear:

- **Self-dealing.** Self-dealing is apparent when a board member makes decisions on behalf of the association that financially or materially affects them—or their immediate family—directly as private citizens.
- **Accepting benefits.** Conflict may arise when a board member accepts substantial gifts, bribes, services, or other significant benefits that may be perceived to influence their decision making on official business.
- **Using confidential information.** If a board member uses confidential information acquired from their role as an association leader to their advantage, there's potential for conflict.

How to Handle Conflicts of Interest

While specific guidelines for handling conflicts of interest may be highlighted in your association's **bylaws** (<https://hub.associaonline.com/blog/hoa-101-rules-regulations>), these steps can help streamline the process for those without a solid plan in place.

STEP 1: DISCLOSE INFORMATION.

Immediately disclose the existence of any conflict of interest to the board president in writing.

STEP 2: DECIDE AS A BOARD.

As a board, decide whether the board member-in-question may participate in any discussions or votes on the issue at hand.

STEP 3: WITHDRAW OR REMOVE.

The board member-in-question should withdraw or be removed from those meetings and discussions in which they have a financial or material interest. However, if they must remain in meetings to fulfill their administrative responsibilities, they shouldn't participate in any discussion regarding the issue at hand.

STEP 4: EVALUATE FUNDING PROPOSALS.

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Any proposal for funding submitted by a director in which they, their relatives, or their friends have a financial interest must be fully disclosed and forwarded to a minimum of two directors for evaluation.

STEP 5: SEEK LEGAL ADVICE.

When in doubt as to whether a conflict exists, advice from **legal counsel** (<https://hub.associaonline.com/board-member/how-to-find-the-right-lawyer-for-your-association>) should be obtained. Should a director be found in a conflict of interest that has not been disclosed to the board, the board may require the director to fully reveal the nature of the conflict of interest or, by special resolution, remove the director from the board.

How to Avoid Board Member Mistakes

Being a board member isn't an easy task, especially when you're keeping up with the rules, regulations, and best practices that come with the role. While board members often put forward their best effort to succeed in their positions, sometimes they still make big mistakes that can result in serious repercussions for themselves, the board, and the community. Read our ebook, **"8 Mistakes Board Members Make & How to Avoid Them"** (<https://hub.associaonline.com/ebooks/8-mistakes-board-members-make-how-to-avoid-them>), to learn how to avoid costly mistakes and become a more effective board member in the process.

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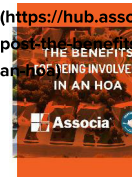
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(<http://www.associationsinsuranceagency.com/>)

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(<http://hoacollectionservices.com/>)

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