

## Buy A Home; Buy An HOA

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Most purchasers do not realize their purchase extends beyond the boundaries of the home or lot they are considering. Surprise; this is definitely a case of, "What you don't know CAN hurt you--very badly."

You really have to do your homework, but where do you start? If you do not know the hazards, or even the questions to ask, it can be extremely difficult. Alabama offers very little in the way of consumer protection when it comes to purchasing real estate, but this is where a REALTOR® comes in.

Create a fiduciary relationship by signing a Buyer Agency agreement; this allows exclusive representation by the agent. It costs nothing and can reap huge rewards for you.

There are many well-run, well-capitalized HOAs which represent a safe investment; but, be aware of those that are not. It is important to choose a licensed agent who is versed in potential pitfalls HOAs can represent and the baggage you may be purchasing.

Simply focusing on curb appeal, location, schools, and nearby amenities is not enough. If you decide to go it alone by relying on the seller's agent, a new homes sales person, or navigating the For-Sale-By-Owner process, there are internet resources you can explore. Try searching keywords like HOA, Alabama and disclosure, or visiting [www.AlabamaHOA.org](http://www.AlabamaHOA.org).

Obtaining a copy of a community's covenants and by-laws is also not enough; they will not tell you the full story of the state of the HOA.

There are many considerations which might adversely affect your decision to purchase; though, you must first be made aware of them.

There is no statutory requirement in Alabama to disclose the following, but you can make your purchase offer contingent upon receipt and approval of responses to the following:

- Covenants & Bylaws for all portions of the community, including all updates
- Contact information for the management company, Developer and HOA Board, along with incorporation details
- Even though residents are currently bound by restrictive covenants; will establishment of HOA be at discretion of homeowners AFTER community completion
- Current budget, checking, savings, and reserve fund details, including expense projections
- HOA debt level and projected shortfalls
- HOA dues and other expenses to be paid by the homeowner; history of special assessments and future expected assessments
- Two-year summary of capital improvements to amenities
- Number and percentage of delinquencies and liens
- Pending litigation by or against the HOA and/or unpaid judgments or disputes
- Are amenities complete; are homeowners required to fund current or future amenities
- Has control of HOA been turned over to homeowners; if so, provide date
- Expiration date of Declarant authority, including extensions
- Developer's right to retain control of amenities; if so, identify
- Identify property located within, or adjacent to, community boundaries zoned for commercial or multi-family use
- Does HOA maintain any property they do not own
- Date amenities are scheduled to be deeded to HOA
- Is community subject to additional phasing (community expansion); if so, will current architectural theme be continued
- Summary of insurance coverage, fidelity bonds, and acknowledgement of annual tax filings
- Is subject property in compliance with Architectural Control rules and covenants

These are simply suggestions; they are not a substitute for professional advice.

Some may tell you a Seller will not accept a contingent offer based on these disclosures; an appropriate response to this statement might be, "NEXT!", while continuing to search for a community or agent that takes no issue with disclosure.

Purchasers should exercise care and due diligence while shopping for a new home. They should also look for a real estate agent who will protect the purchaser's interests when purchasing in an HOA community, as the risk for loss in your investment could be substantial.

As Purchasers become better educated consumers, they are asking more questions and feel they have an inherent right to Disclosure, Accountability and Protection. While disclosure is the norm in many states in the US, remember Alabama is a "Buyer Beware" state; the only way to protect yourself is to REQUIRE disclosure. Do not let anyone talk you out of getting the answers you need to make an informed decision.

