

HOA 101: What Is An HOA?



A homeowners' association (HOA) is a nonprofit organization that's set up to help run, manage, and maintain a neighborhood, building, or another collective of homes. People who belong to an HOA pay annual or monthly dues which the HOA uses to maintain shared spaces and carry out other association duties like rule enforcement, meeting management, and financial planning. An elected board of volunteers runs the HOA on behalf of all community homeowners. The HOA board works together with community partners, like a Community Association Manager (CAM), to ensure the responsibilities of the association are carried out according to their rules, regulations, governing documents, and all applicable local, state, and federal laws.

The History of HOAs in the United States

HOAs were formed in the United States during the mid-19th century as a way for land developers to market and sell their homes. They were relatively unheard of until the 1960s when the rapid growth of suburban developments led to a quick expansion of HOAs around the entire U.S. Today, more than 69 million Americans belong to an HOA, and that number is rising every single day.

3 Things All HOAs Have in Common

An HOA might look and feel slightly different depending on the community. However, there are three things all associations have in common. These similarities include:

1. Mandatory Membership

There are many kinds of associations all around the world, and for most, membership is voluntary. However, a defining characteristic of an HOA is mandatory and automatic membership for all homeowners. This mandate is necessary for an HOA to operate and to share the costs amongst a community equally.

2. Binding Documents

All HOAs have a set of governing documents that include binding legal documents. These documents give an association authority to operate and hold owners responsible for paying any fees, fines, and assessments that accompany membership.

3. Lien-Based Assessments

Lien-based assessments are what give HOAs the power to enforce its rules and governing documents amongst owners. The lien authorizes the HOA to take possession of a home if charges aren't paid or other rules and regulations are repeatedly ignored.

Primary Objectives of An HOA

HOAs operate a lot like a local government, small business, and community collective rolled into one. Their main objectives include, but are not limited to:

- Administering the business of the association.
- Maintaining the shared property of the community.
- Enhancing residential real estate development.
- Establishment of a system of property rights
- Creating and enforcing rules and regulations.

3 Different Association Types

Often, HOA is a blanket term used to describe many different types of community associations. However, different communities require uniquely structured associations that include planned communities, condominiums, and cooperatives. Each of these association types has less to do with their architecture and everything to do with how the ownership is structured. Below are some defining characteristics for each of these three main association types.

1. Planned Communities

In a planned community, individuals own their unit and the land it sits on. The association owns common areas such as pools, parks, and roads. Other names you may hear for planned communities include owner association, townhouse association, property owner's association (POA), and planned unit development (PUD).

2. Condominiums

Individual owners in a condominium association own their unit and a percentage of all shared property such as lobbies, pools, and gyms. The association doesn't have ownership of any real estate within the community.

3. Cooperatives

Cooperatives or co-ops have shared ownership among all members for both the units and shared spaces. Instead of purchasing a home or unit, owners buy a stock or membership certificate to become part of the cooperative. This stock or membership then gives the holder rights to a lease or occupancy for a given unit.

4 Benefits of Living in an HOA

While purchasing a single-family home, condo, or townhome that's part of an association isn't without extra cost; there are numerous benefits of being part of a well-run HOA. Below are some of the general **benefits of living in a managed community**.

1. HOAs help protect your property values.

The value of your home is affected by those surrounding it. When every homeowner helps keep up the appearance of their homes and yards, it helps protect everyone's property values. HOAs enforce uniformity within their area of authority and prevent one or two rogue owners from dragging down the value of the entire neighborhood.

2. HOAs give you access to better amenities.

Part of your HOA assessments or dues typically goes towards building and maintaining community amenities that are then shared equally among the association members. These amenities can vary, but may include:

- Clubhouses
- Gyms
- Pools
- Parks

- BBQ Pits
- Walking Trails

3. HOAs provide rules and regulations that promote good community citizenship.

A well-run association provides the proper framework for a great community living experience. They establish rules and regulations that help prevent many problems like loud music, **barking dogs**, and uncared for lawns before they become a real issue. They also provide common spaces, meetings, and activities where neighbors can come together, socialize, and help one another—promoting good citizenship across the community.

4. HOAs can help resolve community disputes.

If there's ever an issue **resolving community conflicts**, your HOA can be an invaluable resource for resolving the problem. Whether it's enforcing an existing rule or helping homeowners come to mutually agreed upon resolutions, your HOA can be an advocate for all homeowners living within the rules and regulations of the community.