

To: Our new Board member,

Congratulations on your appointment to our Board of Directors. We have prepared this booklet for your orientation to serving on the associations' Board of Directors.

This booklet assumes the new director may have limited knowledge in the operation of a Michigan non-profit corporation, such as our Homeowners Association. We request that you read the articles contained within Session I - Boot Camp describing the basic purpose and function of our association.

As you read through this manual it may give rise to questions whose answers are not covered in this Session. As our association is a active member to the United Homeowner Associations of Bloomfield Township, we benefit from their HOA Reference Library containing many articles and videos covering a wide range of association topics, which you are free to access at:

<http://www.united-homeowners.org/Association-Representatives.html>



Homeowner Association Text Articles

The articles and videos listed within this library are gathered from outside sources and are not necessarily developed under the laws or common usage of the State of Michigan. In most cases it is generally best to consult a specialized attorney. The reference material listed is for familiarization and general knowledge only.

Booklets

- [Introduction to Serving on Board - Session 1](#)
- [Workings of a HOA Board - Session 2](#)

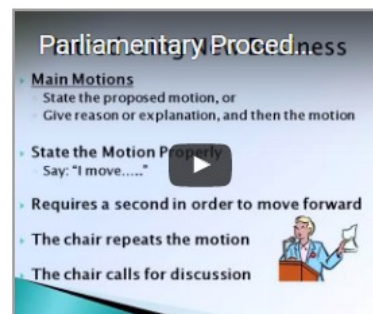
Articles

- [Advantages of a HOA](#)
- [HOA Overview](#)
- [What is the Value of a HOA](#)
- [How to Start a HOA](#)
- [Association Checklist](#)
- [Beginners Guide of HOA Duties & Responsibilities](#)
- [Board Meeting Minutes Template](#)
- [Effective Meeting Agenda](#)
- [Association Website](#)
(See below)

more - - - -



How to Find Your Deed Restrictions



Roberts Rules of Order Basics

more - - - -

Orientation to serving on a Homeowners Association Board of Directors

Formal name of our Homeowners Association is:

The _____ (subdivision) contains _____ residences.

Of those properties _____ are members of our association.

The Association website URL: _____

The webmaster is: _____

Information checklist:

- Membership in our HOA is mandatory.
- Membership in our HOA is voluntary.
- Membership list, attached.
- Association By-Laws, attached.
- Subdivision deed restrictions, attached. (if mandatory)
- Association Rules & Regulations, attached. (if any)
- Current Treasurers report, attached.
- Last 12 months of HOA meeting minutes, attached.
- List of Officers & Directors with contact information, attached.
- UHOA - Session One, attached.
- Other.



Board Meeting

BOOT CAMP

Introduction to Serving on a
Homeowners Association Board of Directors

Session One



United Homeowner Associations
of Bloomfield Township, Michigan

<http://uhoa.org>



Advantages of a Homeowners Association

Homeowners associations (HOA) are becoming increasingly common in neighborhoods throughout the country. Complaints are often heard regarding the strictness of homeowners associations and the many rules that homeowners must follow. However, it is important to understand the many advantages that come with involvement in an HOA.

Amenities

Most homeowners associations have the benefit of providing the neighborhood with numerous amenities such as tennis courts, golf courses, pools, a protective gate and many others. Furthermore, HOA fees can be used for ground maintenance, which can help maintain the appearance of the entire neighborhood. As a result, the neighborhood develops a community oriented atmosphere. The addition of amenities can substantially increase the enjoyment of living in a community.

Increase in home value.

The presence of a highly functional HOA can dramatically increase the value of homes in the neighborhood. The rules and regulations established by an HOA are designed to protect the value of each property. The primary purpose of the homeowners association is to ensure that an individual or group cannot negatively impact the market value of homes in the neighborhood. As a result, rules become a necessity. While many people may be turned off by rules and regulations, it is one of the primary reasons that homeowners associations remain popular. Without rules, homeowners would be able to act without consequences. As a result, one or a few homeowners would have the ability to negatively impact the majority.

Deters detrimental members of the community

While an HOA is responsible for enforcing rules and regulations, the mere existence of an HOA can prevent unruly behavior. Homeowners who are unable to comply with rules and regulations will be less likely to purchase a home that includes an HOA. As a result, the community will be more likely to share similar goals and values.

Overall, the advantages of having an HOA far outweigh its disadvantages. Homeowners associations hold the community to a higher standard, thereby improving the experience for everyone.

Introduction to Serving on a HOA Board

What Value is a Homeowners Association?



Ever wondered why people form a homeowners association?

The short answer is: *"The preservation of property values"*.

The homeowners association, or often referred to as an 'HOA', may be your best tool to protect the value of your home and the quality of your neighborhood. Community associations do any number of different things, such as setting and collecting the maintenance fees required to run an association, maintaining landscaping or recreation centers, organizing social events, and providing for meeting places for neighborhood functions. That being said, one of the most important functions of an association is to enforce deed restrictions and protect the value of the community assets among those being your home.

Mandatory versus Voluntary Membership

Many times people ask if they have a mandatory homeowners association. What makes an association mandatory? There are several factors to consider and a complete review of the governing documents of the association are required to provide a definitive answer. There is no one size fits all answer to this question.

First, in order to create a mandatory association there has to be 100% participation in the association. That is to say the deed restrictions creating an association must have been recorded before any property was sold to a buyer or any property which was sold would have to sign a consent and joiner agreeing to be a member of the association. A mandatory association cannot have less than 100% participation because that would mean not everyone is a mandatory member.

In addition to having recorded deed restrictions, those deed restrictions must include language of the intent to create a mandatory association and preferably contains language assigning the rights to enforce those restrictions and impose assessments from the developer to the association after turnover (i.e., the developer turns over control of the association to the membership).

Many older deed restrictions do not contain this language and a recorded assignment is required to authorize the association to impose assessments and enforce restrictions. Many of these older deed restrictions are nothing more than land use restrictions (no livestock, no chain link fencing, etc.) and do not have language authorizing the creation of an association. Many associations with these older documents claim to be mandatory and get away with it because homeowners are unaware of the requirements for creating an association.

A mandatory association can be created after the fact (after the sale of lots) if 100% of the lot owners agree to be bound to the association.

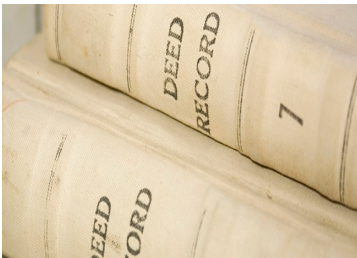
Volunteer HOA

If the association membership is on a volunteer or optional basis the HOA doesn't possess any rights or powers to administer or enforce the conditions of the deed restrictions, other than the rights as a individual property owner. The HOA function is primarily that of a neighborhood organizer of social and community events.

It may collect fees to pay for maintenance or common areas, signage and alike, from its' members but cannot compel performance, payment or levy liens or fines for non-payment from non-members, unless a the non-members have joined in a separate agreement with the association for those purposes.

If you think your association might not actually be a mandatory association, hire a condo/HOA lawyer to review the governing documents (Declarations, Bylaws and Articles of Incorporation), as well as performing a research of the county records to look for missing documents.

What are Deed Restrictions?



Short Answer: It's the covenant, or promise, each property owner makes to all other property owners within the subdivision. They made this promise when they accepted the deed to the property, which states;

"Subject to the easements and restrictions (deed restrictions) of record".

They accepted title to the property stating they would be governed by the deed restrictions. Unfortunately, many eager buyers are not aware of this inferred promise and their attorney, or title company don't take the time to make them aware of this important document.

Long Answer: Deed restrictions are legally binding covenants, filed with real property records, usually conceived and drafted by the original property developer, which provides for the building, maintaining, and using of homes in the neighborhood. The deed restrictions control how homes look and what limits can be done to alter them within the subdivision. Traditionally, during the development phase of the subdivision the developer will assist in the formation of a HOA among the early home buyers. When the developer completes the build-out he will assign his control rights to the restrictions to the newly formed Homeowners Association and it takes over the role of enforcer of the terms and conditions of the restrictions. There are many versions of Deed Restrictions, but the main difference is whether the restrictions mandate whether membership to the association is mandatory or volunteer by the property owners.

Examples

Deed restrictions vary widely and usually depend on the community the property is in and the type of property it is. Some common building and renovation deed restrictions can prohibit or limit the following:

- The size and number of additional rooms and structures
- What materials the structures can be made of
- Proximity to other structures, properties, or streets
- The density of buildings per acre
- Style of homes allowed
- Landscaping
- Exterior paint colors

- Rules about pets (such as how many you can keep and under what conditions)
- Fees for road maintenance or amenities
- How or if you can run a business from home
- How or if you can rent out your home
- No outdoor storage
- Rules for maintaining your yard

Why do so many homeowners buy their home in a community association? Perhaps they liked the curb appeal of the house or its floor plan, but they most assuredly considered the entire neighborhood - how the house looked next door as well as down the street. Purchasers make a decision to buy into a lifestyle and surroundings which include so many things outside the home itself, encompassing everything from the subdivision entries, school system, the recreation center, to the general condition of all the other homes in the neighborhood. They purchased with an expectation that their property, and those in their community, would be protected by deed restrictions and maintained to a certain reasonable standard.

If deed restriction violations are not corrected, there can be very negative results over time. Estimates are that property values in a subdivision with an inactive association can fall as much as twenty percent due to failure to enforce restrictions. To illustrate, multiply an average home price of \$200,000.00 times the number of lots in an average subdivision of 100 homes. This yields total property value of \$20,000,000.00. This is the value of the assets that the association is trying to protect. If that property value is reduced by twenty percent, the homeowners in the neighborhood collectively lose \$4,000,000.00. Even if home prices only lose ten percent in value due to a moderate failure to enforce deed restrictions, homeowners lose \$2,000,000.00. The association, acting through its board of directors, can control the appearance of the neighborhood by taking deed restrictions seriously and by vigorously enforcing any

significant infraction of those restrictions.

Here's What HOA Residents Have to Say

Americans who live in community associations are overwhelmingly pleased with their communities, expressing strong satisfaction with the board members who govern their associations and the community managers who provide professional support.

More than seven in 10 community association residents expressed satisfaction with their community experience, according to a survey conducted by Zogby International, a leading public opinion research firm. Almost 40 percent of community association residents say they are "very pleased," with only 10 percent expressing some level of dissatisfaction. Almost 20 percent express neither point of view.

Here's what community association residents say:

- 88 percent believe their governing boards strive to serve the best interests of the community.
- 90 percent say they are on friendly terms with their association board members, with just 4 percent indicating a negative relationship.
- 86 percent say they get along well with their immediate neighbors, with just 5 percent reporting a negative relationship. Of those who reported issues with neighbors, the most common problems were pets, general lifestyle, noise, and parking.
- 78 percent believe community association rules "protect and enhance" property values, while only one in 100 say rules harm property values. About 20 percent see no difference.
- 88 percent of residents who have interacted with professional community managers say the experience has been positive.

Nonprofit organization

A nonprofit organization (NPO) (also known as a non-business entity) is an [organization](#) with the purpose of which is something other than making a profit. A nonprofit organization is often dedicated to furthering a particular social cause or advocating for a particular point of view. In economic terms, a nonprofit organization uses its [surplus revenues](#) to further achieve its purpose or mission, rather than distributing its surplus income to the organization's shareholders (or equivalents) as profit or [dividends](#). This is known as the non-distribution constraint. The decision to adopt a nonprofit legal structure is one that will often have taxation implications, particularly where the nonprofit seeks income tax exemption, charitable status and so on.

The terms “**nonprofit**” and “**not-for-profit**” are not consistently differentiated across [jurisdictions](#). In [layman's terms](#) they are usually equivalent in [concept](#), although in various jurisdictions there are [accounting](#) and [legal](#) differences.

The nonprofit landscape is highly varied, although many people have come to associate NPOs with charitable organizations. Although charities do make up an often high-profile or visible aspect of the sector, there are many other types of nonprofit organization. Overall, they tend to be either member-serving or community-serving. Member-serving organizations include mutual societies, cooperatives, trade unions, credit unions, industry associations, sports clubs, retired serviceman's clubs and peak bodies – organizations that benefit a particular group of people i.e. the members of the organization. Typically, community-serving organizations are focused on providing services to the community in general, either globally or locally: organizations delivering human services programs or projects, aid and development programs, medical research, education and health services, and so on. It could be argued many nonprofits sit across both camps, at least in terms of the impact they make. For example, the grassroots support group that provides a lifeline to those with a particular condition or disease could be deemed to be serving its members (by directly supporting them) and the broader community (through the provision of a service for fellow citizens).

Many NPOs use the model of a [double bottom line](#) in that furthering their cause is more important than making a profit, though both are needed to ensure the organization's sustainability.

Although NPOs are permitted to generate surplus revenues, they must be retained by the organization for its self-preservation, expansion, or plans. NPOs have controlling members or a [board of directors](#) Many have paid staff including management, whereas others employ unpaid [volunteers](#) and executives who work with or without compensation (occasionally nominal) In some countries, where there is a token fee, in general it is used to meet legal requirements for establishing a contract between the executive and the organization.

Designation as a nonprofit does not mean that the organization does not intend to make a profit, but rather that the organization has no 'owners' and that the funds realized in the operation of the organization will not be used to benefit any owners. The extent to which an NPO can generate surplus revenues may be constrained or use of surplus revenues may be restricted.

What are Bylaws for a Corporation?



Bylaws (sometimes spelled as "by-laws") are the rules of a corporation, established by the [board of directors](#) during the process of starting a corporation. When a corporation is formed (a process called incorporation), one of the first tasks of the new corporation is to have corporate bylaws formed.

In the process of creating a corporation, first the company files Articles of Incorporation with the state in which it

wants to do business.

Then, a [board of directors](#) is established. The bylaws are then created to direct the board in its duties.

The bylaws cover such topics as:

- Location of the corporation
- Location of annual meeting and special meetings of the corporation
- For a [stock corporation](#), information about stockholders and voting of shares of stock
- Date and place of the [annual meeting](#)
- Corporate officers and their duties
- Board of directors membership, meetings, compensation, selection and removal of board members
- Information about corporate records

How are the Bylaws Created?

Corporate by-laws are written by the owners of the corporation at the time of its founding your articles of incorporation need to be filed with the state in which you incorporate, but the by-laws do not need to be filed with the state or federal government, unless the corporation is applying for non-profit status, but they should be kept with other corporate records in case of audit.

What is Included in Corporate Bylaws?

The by-laws should include:

- The corporation's identifying information: name, address, and principal place of business; designation of the corporation as public or private.
- Number of directors and corporate officers authorized for the corporation and their qualifications
- If the corporation is a [stock corporation](#), the number and type of shares and stock classes that the corporation is authorized to issue.
- Procedure for director and shareholder meetings -- including frequency, location, and protocol.
- Procedure for corporate record-keeping -- including rules for preparation and inspection of records and location of [corporate record book](#).
- Procedure for amending articles of incorporation and bylaws
- Title and compensation of corporate officers
- The fiscal (financial) year of the corporation
- Rules on approval of contracts, loans, checks, stock certificates, and other types of corporate resolutions.
- Financial audits and inspection of the corporate records.

How are the Bylaws Used by the Board of Directors?

After you or another corporate director or a committee of your board of directors has prepared, or revised the corporate by-laws, they must be approved by the board. The by-laws are part of your corporate records and must be in a place where they can be viewed by the Internal Revenue Service, or your state, or another entity which might want to audit your records.

Do I Need an Attorney to Prepare Bylaws?

Bylaws are complex documents and they contain many pitfalls and requirements in order to comp

THE ROLE OF TODAY'S HOA BOARD OF DIRECTORS

To be effective, a homeowners association needs a strong board of directors that understands its role and pursues it with passion and a concise mission in mind. The following outline provides an overview of board roles and responsibilities.

To form an effective board, directors must have a clear understanding of the strengths and weaknesses of the association, its history and what is to be accomplished. Every homeowner association should have responsibility for its assets as well as its operation in accordance with standards established by state and federal law, local ordinances, and the governing documents upon which the entity itself was created. To the extent that the association has such authority and control, it is the board of directors that makes certain these responsibilities are fulfilled.

Understanding the homeowners association concept

The homeowners association is the cornerstone of a planned residential community. It brings continuity and order to the community, it preserves the architectural integrity and it maintains the common elements. Properly run, the association promotes the concept of “community” and protects the neighborhood’s property values. In many cases, it collectively makes available recreational and other facilities that might not otherwise be affordable or available to homeowners and residents on an individual basis.

Deed-initiated homeowners associations have become an essential part of the overall concept of residential property ownership in today’s marketplace. Purchase of a home or lot often brings with it mandatory membership in an association which then provides the structure for operation and management of the residential development. With membership comes certain maintenance obligations, financial responsibilities, and a commitment to abide by use restrictions and other rules of the association. To a degree, it necessitates individual conformity for the good of the whole.

The association’s responsibilities may be limited to basic maintenance functions or they may be expanded to include sophisticated and extensive upkeep of the property as well as delivery of special services to individual homes (e.g. back door trash pickup). To be successful, its officers and directors must uniformly and fairly govern the community, and it must have a reasonable level of participation by each of its members over time.

Board of Directors

The association has responsibility for its common elements as well as the management and operation of the association’s business affairs – all in accordance with standards established by the governing documents created when the community was first developed. To the extent that an association

(typically a non-profit corporation) has such authority and control, it is its board of directors that carries out these duties and responsibilities.

Members of the board of directors of an association serve without compensation unless the bylaws of the association provide to the contrary. The board's authority includes all of the powers and duties enumerated in general law, as long as these powers are not inconsistent with the provisions of the documents governing the association.

Officers of the Association

President

The president of an association is vested with all the powers generally given to the chief executive officer of a corporation. While specific by-law provisions may vary the president's duties, it is generally presumed that he or she will preside at all meetings of the board and the membership. The president will execute contracts, orders and other documents in the name of the association as its agent. When signing documents, the president should indicate the capacity in which he or she is signing in order to avoid any personal liability since the president's signature, under most circumstances, will bind the association under a doctrine of inherent powers.

The president also assumes general charge of the day-to-day administration of the association and has the authority to order specific actions in furtherance of the board's policies. The president serves as spokesman for the board of directors in most matters relating to general association business. Like all officers of the association, the president has an affirmative duty to carry out the responsibilities of the office in the best interests of the association. Unless otherwise specified in governing documents, the president serves at the will of the board of directors and can be removed with or without cause at any time by a majority of the full board.

Vice President

The vice-president is vested with all the powers which are required to perform the duties of the association president in the absence of the president. The vice president does not automatically possess inherent powers to act in the capacity of the chief executive officer, and may act for the president only when the president is actually absent or otherwise unable to act. The vice-president may assume such additional duties as are defined by the board of directors. Often, the vice-president will chair one or more substantive committees like that of architectural review.

Secretary

The secretary of the association is responsible for keeping and maintaining a record of all meetings of

the board and the membership and is the custodian for most of the official records of the association. The position of secretary is not simply a clerical position. In many cases, the secretary will not actually keep the minutes of the meetings, but will be responsible for obtaining someone who will do so as a recorder or assistant secretary. As the custodian for the minutes and other official records of the association, the secretary is responsible for insuring access to those records by the members of the association and their authorized representatives.

Treasurer

The treasurer is the custodian of the funds, securities and financial records of the association. When the association has a manager or management company that actually handles the funds on a daily basis, the treasurer's duties will include overseeing the appropriate people to insure that the financial records and reports are properly kept and maintained. Unless the by-laws otherwise specify, the treasurer is responsible for coordinating the development of the proposed annual budget and for preparing and giving the annual financial report on the financial status of the association.

The treasurer does not have the authority to bind the association or the board of directors in dealings with third parties unless the board has provided express authority for the treasurer to do so. As with the association's secretary, the treasurer does not have to perform the day-to-day record keeping functions of the association when this responsibility is transferred to a management company, but the treasurer will ultimately be responsible for insuring that the financial records of the association have been maintained properly in accordance with sound accounting practices.

The association acts through its officers and agents. The board of directors makes the policies for the association, but the officers and agents carry out these policies and administrative functions for the community. Some of the officers are clerical while others carry out substantive functions based on policies established by the board of directors. All of the officers have an affirmative obligation to act with utmost good faith towards the association and cannot deal in the funds or the property of the association to their own self advantage. Each association typically has a president, secretary, and treasurer and may have one or more vice presidents. However, an association may officially conduct its business with fewer officers than these, depending upon the laws of a given state.

Fiduciary Relationship and Responsibility

The members of the board of directors and each officer of the association have a fiduciary relationship with the members of the association. This fiduciary relationship imposes obligations of trust and confidence in favor of the corporation and its members. It requires the members of the board to act in good faith and in the best interests of the members of the association. It means that

board members must exercise due care and diligence when acting for the community, and it requires them to act within the scope of their authority.

The fact that the association is a not-for-profit corporation, or that the members of the board are volunteers and unpaid, does not relieve them from the high standards of trust and responsibility that the fiduciary relationship requires. When a member accepts a position on the board of directors, he or she is presumed to have knowledge of the duties and responsibilities of a board member. Board members cannot be excused from improper action on the grounds of ignorance or inexperience and liability of board members for negligence and mismanagement exists in favor of the association and the property owners.

Each board member must recognize the fiduciary relationship and the responsibilities that the board has to the association and each of its members. The board's duties must be performed with the care and responsibility that an ordinary prudent person would exercise under similar circumstances, and the ultimate responsibilities of these unique positions cannot be delegated to a manager, a management company or other third party.

A Recap of the Board Member's Role:

Acting through the board as a whole, a board member should:

- Enforce the documents
- Establish sound fiscal policies and maintain accurate records
- Develop a workable budget, keeping in mind the needs, requirements and expectations of the community
- Establish reserve funds
- Act on budget items and determine assessment rates
- Collect assessments
- Establish, publicize, and enforce rules and penalties
- Authorize legal action against owners who do not comply with the rules
- Review local laws before passing rules or sending bylaws to membership for approval
- Appoint committees and delegate authority to them

- Select an attorney, an auditor, insurance agent and other professionals for the association
- Provide adequate insurance coverage, as required by the bylaws and local governmental agencies
- Inform board members of all business items that require their vote
- Inform members of important board decisions and transactions
- See that the association is protected for the acts of all parties with fiscal responsibilities
- Attend and participate at meetings

Operating a homeowner association carries with it many of the very same duties and responsibilities as overseeing any other business. Serving as a board member is a valuable and rewarding experience that should be undertaken by those who see it as an opportunity to serve their fellow neighbors while protecting and enhancing the assets of the community. It is serious business, but also a task worth doing well in order to safeguard the investments of all.