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CAI - NE president's message: Getting financials in order

June 30, 2010 - Owners Developers & Managers

Considering the changes to lending requirements handed down last year by Fannie Mae, Freddie Mac and FHA which have greatly influenced condominium homebuyer lending, it is imperative that every New England condominium association have its financial house in order. In addition to sound financial management, associations should also ensure that a current or updated reserve study has been done so that board members are able to make solid long term financial decisions for their community. You can't make those decisions without knowing where you're at right now and what it's going to take, financially, to be prepared for future capital expenditures.

One of the biggest mistakes that associations make is to only focus on the large capital projects without budgeting for proper maintenance of property components. Deferred Maintenance is an oxymoron. It's the same as sticking your head in the sand like an ostrich and then 10 years from now wondering why the property looks so bad. When an association is planning its financial future it is critical that large maintenance items like seal coating of paved areas, clear coat sealers for concrete and masonry surfaces, and paint and staining of wood components is done regularly so as to extend and preserve the useful life of those components. It's just like changing the oil in your car. If you don't do it regularly then you can expect to pay for a new engine every year or so.

CAI Best Practices Report

It is CAI's purpose to foster vibrant, responsive, competent community associations that promote harmony, a sense of community and responsible leadership. The responsibility for an association's finances rests with the board, but there are several areas in which advice should be sought from qualified professionals. CAI's Best Practices Report on financial operations can provide some of that advice. The condominium board, particularly the treasurer, is ultimately responsible for the association's funds and may not abdicate their fiduciary responsibility. In addition to banking, planning, disclosure, policies and record keeping, the financial operations best practices report also details the budgetary responsibilities of the board members, treasurer, owners and community association manager. The financial best practices report provides an outline of the responsibilities of volunteers and professional staff typically charged with developing community association budgets.

CAI and the Foundation for Community Association Research are dedicated to conducting research and acting as a clearinghouse for information on community association innovations and best practices. For a free download of this and other best practices reports visit www.cairf.org.

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