



CAI 5 P's - Proper Planning Prevents Poor Performance

August 04, 2009 - Owners Developers & Managers

The chapter through its programs and publications including Condo Media magazine, often espouses a philosophy of 5 P's for community associations: "Proper Planning Prevents Poor Performance." While those community associations who heed these words can be well served by them, CAI -NE and Condo Media are also well advised to practice what is preached. In the years I have been involved with CAI, I have never seen any of the chapter volunteer leaders that I have had the good fortune to work with throughout New England live by the proverb, "do as I say and not as I do," but instead they have each embraced every opportunity to apply good management techniques, seek out sound information and develop volunteer skills to ensure that the chapter is and continues to be all that it can be.

And the coming months will once again prove out the determination of these volunteers in their mission to ensure that the chapter continues to develop valuable benefits and services that address the ever changing needs and developing concerns and challenges of the industry as well as CAI members and Condo Media readers. With the appointment of Strategic Planning Task Force chair Tony Chiarelli and members Paul Carroccio, CMCA, AMS; Pete Garrett, CMCA, AMS; Frank Lombardi, Esq.; Bob McBride, CMCA, AMS, PCAM; Charles McNamara; Fred Scherneck; and Scott Wolf, CMCA, AMS, PCAM, we will carefully reconsider our mission, directions and strategies implemented in the original plan as approved by the board in 2005 to ensure that they remain timely and vital for members today and over the next several years.

In the coming months, surveys, phone interviews, face-to-face meetings and a host of other member as well as non-member communications will be orchestrated to seek out information to help the chapter shape goals and objectives into a new frontier of technological advancements, economic challenges and industry developments. Into the next decade, CAI-NE will be challenged to continue to bring to members cutting edge solutions that will include legislative advocacy as well as advanced education and management resources. The 5 P's are alive and well at CAI-NE.

Federal Laws Impact Condominiums

Economic turbulence this year has produced several measures with the potential to affect condominiums nationally and CAI has focused on three issues in particular.

*The so-called "cram down" legislation, which would have given bankruptcy judges authority they currently lack to restructure the terms of residential mortgages.

*The American Clean Energy and Security Act, calling for, among other changes, mandatory energy efficiency ratings for all homes and the creation of a national building code.

*The new underwriting criteria Fannie Mae (and Freddie Mac) have established for condominium loans.

Cram Down

Of the items on this list, the cram down measure, which would have given bankruptcy judges

authority they currently lack to restructure the terms of residential mortgages, generated the most rhetorical heat and the most intense lobbying activity - so far. Opponents of the measure warned that allowing judges to rework mortgages would discourage mortgage lending activity by creating uncertainty for lenders and investors about their ability to enforce the terms of mortgage loans. Supporters, including President Barack Obama, argued that the legislation would give struggling homeowners leverage they need to persuade lenders to negotiate with them and modify the terms of their loans.

CAI weighed in, arguing that the legislation, as written, would allow bankruptcy judges to "cram down" a homeowner's common area assessments as well as their mortgage payments. While the senate ultimately defeated the measure, some legislative observers have cautioned, however, that obituaries for the cram down measure may be premature.

Clean Energy and Security Act

CAI strongly supports government efforts to address climate change and encourage energy conservation but is concerned about two provisions in this legislation, enacted by the house but pending in the senate. One, an amendment that would override community association covenants regulating the installation of solar panels and another that would establish a national building code with standardized requirements applicable in all states. The national code transfers to the federal government decisions state lawmakers are better equipped to make about the standards best suited for their climates, their architecture, and their lifestyles. The solar panel provision, similarly, challenges the ability of property owners to make decisions affecting their communities.

Condominium Loan Criteria

CAI is supporting proposed amendments to the federal Truth-in-Lending-Act, legislation aimed at financial institutions, because the measure contains a provision directing Fannie Mae to rethink - and seek public comments on - the new underwriting standards Fannie Mae and Freddie Mac (which purchase most of the residential mortgages lenders originate) are now applying to condominium loans. The requirements creating the most concern prohibit loans on condominiums in communities where the delinquency rate for common area fees exceeds 15% and require lenders to verify that associations are allocating at least 10% of their annual revenues for reserves.

Jared McNabb, CMCA, AMS, PCAM, is the 2009 president of CAI N.E. and director of acquisitions at Crowninshield Management, Peabody, Mass.