**Ridgmar Crossroads Condominiums, Inc.**

Homeowners Association (HOA)

**Glossary of HOA Terms**

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| **Accounting –** A system of recording, verifying and reporting the value of an association's assets, liabilities, income and expenses in the books of account (or ledger) to which debit and credit entries recognizing transactions are chronologically posted to record changes in value or overall balance of the HOA.**Act in Good Faith –** An intangible and abstract quality that encompasses an honest belief of intention to abstain from taking any unconscientious advantage of another.**Actual Cash Value** – This is the cost of replacing damaged or destroyed property with comparable new property, less depreciation and obsolescence. For example, a 5-year-old carpet would not be replaced at the current fair market value because of depreciation.**Aggregate Limit** – Generally refers to liability insurance. It’s the total amount of insurance coverage the insured has under the insurance policy, during the contract period, regardless of the number of claims.**Annual Meetings –** Conduct at least one membership meeting annually, providing at least two weeks’ notice to homeowners and more than two weeks if specified in the governing documents or dictated by state statute.**Assessments –** Are collected, along with other fees, from homeowners in a timely and equitable manner and in accordance with state statutes and board-approved procedures.**Associate** - A member of an institution who’s granted only partial status or privileges, A person united with another or others in an act, enterprise, or business; a partner or colleague, To join in or form a league, union, or association; i.e.: property management associate.**Association –** A non-profit corporation or unincorporated association created for managing a common interest development organized pursuant to the Texas Non-Profit Corporation Act.**Binding Agreement –** A contract that is enforceable, such as an offer to buy or sell when person to whom it’s made accepts and communicates that acceptance.**Board Meeting** – Includes any congregation of a majority of the board members at the same time and place to hear, discuss or deliberate upon any item of business scheduled to be heard by the board, except those matters that may be discussed in executive session.**Board of Directors** – The governing body of a corporation such as an association. The members of the association elect the board. The board, in turn, elects the officers. The directors and officers have a duty to comply with the governing documents of the association and all applicable laws.**By-laws** – The rules adopted for governing a corporation such as an association. The by-laws address such things as elections of both directors and officers, the holding of meetings, rights to notice and the powers of directors and officers.**Capital Reserves** – The board has the obligation to repair and replace major capital facilities, buildings and equipment of the association. The ideal method of providing for these future expenses is the establishment of a capital reserves system and budget to assure that such funds are available when needed. **Cash Method** **of Accounting** – An association's accountant may use this method, which dictates that income and expenses are only, recorded when cash changes hands. Financial reports only reflect cash transactions. This is a relatively simple system for simple situations, or smaller sized HOAs. Because not all obligations are recorded until cash changes hands, this method doesn’t provide an accurate portrayal of the true financial condition of the association at any given time.**Catastrophe** – An event that causes major losses to many insureds simultaneously. Examples of these losses are hurricanes, earthquakes and fires.**CC&Rs (Covenants, Conditions & Restrictions)** – A legal obligation imposed in a deed by the seller of a home or property upon the buyer of the real estate to do or not to do something. Such restrictions frequently *run with the land* and are enforceable on subsequent buyers of the property. **Common Area(s)** – The entire common interest development, except for separate interests. The association must maintain the common areas, unless otherwise provided for in the founding documents. The common areas typically include, but are not limited to landscaped areas, driveways and pools.**Communication –** An HOA must provide at least one form of regular communication with residents and use it to report substantive actions taken by the board – be it by paper or electronic means.**Condominium** – Consists of an undivided interest in real property, which is the common area, coupled with a separate interest in space called a unit, the boundaries of which are described in the condominium plan. **Conflicts of Interest –** Disclosure of all personal and financial conflicts of interest must be made before assuming a board position. Moreover, once on the board, such a declaration by a member must be made before participating in any board decisions.**Corporation** – A company or group of people authorized to act as a single entity (legally a person) and recognized as such in law.**Coverage Amount** – The amount of protection in dollars provided by an insurance company towards the replacement of the insured’s property.**Declaration** – The declaration of CC&Rs is recorded with the county register of deeds in the initial phase of development of a townhome or planned community. The CC&Rs govern what an owner may, may not, or must do with respect to the real estate.**Deductible** – The amount the insurance company deducts from a claim settlement. The insured must pay the amount. The deductible can be either a fixed dollar amount or a percentage of the insured’s loss.**Domain Name** – A domain name is an identification string that defines a realm of administrative right, autonomy, or control on the Internet. **Dues** - A predetermined set of fees collected by an HOA for the upkeep of the organization or neighborhood in general. These fees are billed at intervals, sometimes by month, quarter, or annually.**Easement** –An interest or right in real property that grants a right to a landowner to use the land of another for a special purpose. An association may often have an easement for slope maintenance or other repair purposes, or a public utility may have an easement for maintenance or repairs.**Elections –** Hold fair and open elections in strict conformance with governing documents, giving all candidates an equal opportunity to express their views and permitting each candidate to have a representative observe the vote-counting process.**Eminent Domain -** The power to take private property for public use by the state, municipalities, and private persons or corporations.**Exclusions** – Items or conditions that are not covered by the general insurance contract.**Executive Session –** A board meeting session that is closed to the membership with discussion items that are regulated by state statues.**Fiduciary** – The legal, moral and ethical obligations a person has to fulfill responsibilities to another. In a homeowners’ association, directors of the HOA have a fiduciary duty to act in the best interests of the owners.**Financial Transparency –** Share critical information and rationale with residents about budgets, reserve funding, special assessments and other issues that could affect their financial obligations to the association. Give members an opportunity, before final decisions are made, to ask questions of a representative who is fully familiar with these financial issues.**Foreclosure –** Initiate lien and foreclosure proceedings only as a last step in a well-defined debt-collection process and only after other less disruptive measures have failed to resolve a serious delinquency issue in a specified period.**General Liability Insurance** – Such insurance protects a homeowner association from personal injury and property damage claims. Importantly, a general liability insurance policy doesn't protect board members from claims that their actions have damaged the association or its members. **Governance and the Law –** Govern and manage the community in accordance with all applicable laws and regulations. Conduct reviews of governing documents to ensure legal compliance and to determine whether amendments are necessary.**Governing Documents** – The CC&Rs, by-laws, rules, regulations and articles of incorporation, or association.**Grievances and Appeals –** Allow residents to bring grievances before the board or a board-appointed committee, and follow well-publicized procedures that give residents the opportunity to correct violations before imposing fines or other sanctions.**Hazzard** – A factor that increases the likelihood or probable severity of a loss. For example, storing gasoline in a garage is a hazard that increases the probability and probable severity of a loss.**HOA By-laws** – Governing guides. By-laws relate to the government of the corporation. They cover things like how often the board meets, how many people are on the board, how elections are conducted, voting procedures and what constitutes a quorum.**Hold Harmless Agreement –** A contractual arrangement whereby one party assumes the liability inherent in a situation, thereby relieving the other party of responsibility.**Homeowners Association** - An organization in a subdivision, planned community or condominium development that makes and enforces rules for the properties in its jurisdiction. HOAs also collect monthly dues to pay for upkeep of common areas like walkways, planters and swimming pools. An HOA can levy special assessments on homeowners when the association lacks sufficient reserves to pay for unexpected repairs.  **Independent Contractor** – A worker hired to do a specific job over which the employer has no right to control the manner in which the work is done. The worker is generally licensed and offers services to the public. **Injunction** - A request for the court to require a party to stop doing something (or sometimes to do something) until the situation can be resolved legally.**Judgment** - A decision made by a court of law. In judgments that require the repayment of a debt, the court may place a lien against the debtor's real property as collateral for the judgment's creditor.**Lawsuit** - A civil action brought in a court of law in which a plaintiff, a party who claims to have incurred loss because of defendant actions, demands a legal or equitable remedy. The defendant is required to respond to the plaintiff's complaint. Although not as common, lawsuit may also refer to a criminal action, criminal proceeding, or criminal claim.**Liability Insurance** – Insurance that pays on behalf of an insured for defined losses arising out of certain acts or failure to act imposed by law or assumed by contract.**Lien** – A lien is a financial claim to property to secure a debt. When a lien is filed, property is said to be *encumbered by* a lien. If property is encumbered by a lien, it can't be sold until the lien is *satisfied*, which means that the debt must be paid off. A lien can be satisfied with a portion of the proceeds of a sale or refinancing. A lien is filed with the land records office of the county in which the property lies.**Maintenance Assessment** – A fee that is charged to property owners in a community to upkeep the property and to maintain or increase property value.**Majority vote –** Vote by more than half of the voters for a candidate or other matter on the ballot.**Mortgage** – A first lien deed of trust as well as a first lien mortgage on one or more condominiums.**Mortgagee** – A beneficiary under or holder of a mortgage who’s given to the HOA written notice that it’s the beneficiary affecting all or any part of a project.**Neighborhood Watch** – An organized effort to streamline human resources and communication within the residents within a community, coordinating with local law enforcement to ensure safety and eliminate crime and suspicious activity. **Open Meeting** – Open Meeting refers to the portion of a board meeting that permits any member of an association to attend, except when the board adjourns to executive session to consider litigation, matters relating to the formation of contracts with third parties, member discipline, personnel matters, or to meet with a member, upon the member's request, regarding the members payment of assessments.**Owner** – Every person or entity who is a recorded owner of an undivided interest in a condominium. This isn’t intended to include persons who hold an interest merely as security for the performance of an obligation.**Planned Development** – A common interest development other than a condominium, or stock cooperative. The association often owns the common area; however, it may also be owned in common by the owners of the separate interests. The separate interest is a lot, parcel, area or space, not a unit.**Premises Liability Claims** – people who suffer injuries on association property bring Claims against an HOA. Generally, for an association to be found liable, it must be shown that the association had actual or constructive knowledge of a dangerous condition that it failed to correct.**Proforma Budget** – Proforma Budget is an annual budget for the association setting forth the estimated revenue and expenses along with a summary of the association's reserves. A copy must be distributed to all HOA members not less than 30 days nor more than 90 days prior to the beginning of the fiscal year.**Project** – The property and all structures and improvements, together with all additions that may be made.**Property** – The land, together with the property easements.**Proxy** – The power granted by one person to a representative to vote for the person. An owner who is unable to attend an HOA meeting so that a quorum can be achieved at a meeting often completes a proxy form. **Quorum** – The smallest number of board members necessary to legally conduct the business of an HOA. Most, but not all, groups define a quorum as a simple majority of the members. It must be defined in the HOA's by-laws. Without a quorum, a vote can’t be taken and the status quo can't be changed.**Record date –** A term used for the purposes of the annual meeting of the members. A specific date that locks in the membership roster.**Records –** Allowing homeowners reasonable access to appropriate community records, including annual budgets and board meeting minutes.**Reserve Accounts** – Also referred to as *reserve funds* or simply *reserves* are funds set aside by the homeowner association to pay for the replacement or repair of community property. Reserves are intended to prevent the need for special assessments.**Rules –** Enforce of rules, including architectural guidelines, uniformly, but only after seeking compliance on a voluntary basis. Proposals for new rules and guidelines must be distributed to all homeowners and non-owner residents. Tenants are to be advised when the board will consider new rules and invite input. Once adopted, new rules and effective dates are to be published and distributed to every owner and resident.**Special Assessment** – An assessment made usually for a special project or in response to a large unbudgeted expense.**Statutory Agent –** Corporate agent entitled to receive legal documents in litigation and other legal notices for the corporation.**Structural** – Refers to the load-bearing components of a building as opposed to the screening or ornamental elements. Structural lumber is generally, at least a 2 x 4.**Unit Owner Policy** – The policy a condominium unit owner purchases to provide coverage for those items that are not covered by the master policy. This is also referred to as an HO-6 policy in the insurance industry. **VA** – Veterans Administration**Waiver** – The voluntary relinquishment of a right, claim, or privilege. |

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**Warranty** – A stipulation, explicit or implied, in assurance of some particular aspect in connection with a contract, as of sale (home warranty).

**Zoning** – A comprehensive system of land use controls normally reserved for city or county governments.