

HOMEOWNERS

54 million Americans live under the rules of a homeowners association

By SUSAN SULLIVAN
BUILDERS ASSOCIATION OF GREATER INDIANAPOLIS

Thinking about purchasing a home in a new development? If so, you'll likely join the ranks of more than 54 million Americans who live in neighborhoods governed by a home owners association or HOA, according to the National Community Association Institute.

In Indiana and across the country, HOAs deliver services once provided by municipal government, including street lighting, trash pick-up, snow removal and sidewalk maintenance. As demand for housing strains the ability of many cities to provide residential services, privatization is proving economically efficient for city officials and home owners.

"The curb appeal of a community and its common areas, combined with the amenities that are offered, is one of the main factors leading homeowners to choose one home over another. Many Indianapolis communities feature well-designed homes and professionally landscaped common areas. They include water features like lakes or ponds as well as swimming pools, tennis courts, golf courses, club houses, play grounds and walking trails. Some also offer security systems or other safety features," said Lesley Stoeffler, of Indianapolis-based Genesis Real Estate Services.

As a result, HOAs are also responsible for maintaining the physical appearance of communities. The powers and obligations of an HOA are outlined in documents, including by-laws, articles of incorporation and covenants, defining its role.

According to Indianapolis real estate attorney Steven Earnhart, most developments built since the 1980s include mandatory HOAs.

"These neighborhoods have covenants which are a part of a resident's title to the property. Homeowners are actually shareholders entitled to the same rights and responsibilities as any other shareholder in a corporation," he said.

Services provided to residents via the association vary, Stoeffler said.

"If the community has a pool, tennis court

or security features, association dues are used to pay for those services. Street lighting is often leased, so the dues cover the cost of the lease and maintenance of the lights. Landscaping costs to mow, trim, control weeds, mulch flower or shrub beds in common areas and maintain drainage easements are paid through dues," she said.

Earnhart said HOAs are intended to preserve property values.

"If homeowners seek an environment in which they are somewhat protected from disruptive behavior of neighbors — like painting a house hot pink or decorating a property with junk cars — the covenants provide a level of conduct and a method of enforcement for the association."

"In general, covenants and restrictions create uniform standards for upkeep and are intended to prevent instances of unkempt lawns or poorly constructed out buildings, for example, from having a negative impact on the neighborhood," Stoeffler added.

If you've purchased a home in a new development, the construction phase will eventually wind down as the last few lots are sold and homes are built. When the last roof is shingled, management of the neighborhood usually transfers from the developer or builder to the HOA.

HOAs are composed of residents elected by their neighbors to serve as officers and board members who oversee finances, long-term planning and conflict resolution. They are guided by covenants, which address guidelines and standards for dealing with issues such as room additions, decks, fencing or exterior paint and siding colors. Most covenants also cover things like parking and pets.

This year, about 1.3 million Americans will serve on community association boards. Another 300,000 are committee members who address landscaping needs, architectural guidelines, budgets, social activities and more. Industry experts estimate community associations will manage \$35 billion on behalf of homeowners.

Stoeffler said associations collect and administer funds.

"The cost of property taxes and insurance for common areas is covered by dues, as are administrative costs for property

management, mailings and billings. Costs for legal filings and collections, if necessary, are also paid by dues or fees," she said.

Earnhart said HOAs must hold meetings to make financial records available to shareholders and inform them of needs or problems.

"HOAs are also the 'prosecutors,' if you will, of laws set forth in covenants. They can, and do, enforce rules and may notify residents of violations. Some covenants permit HOAs, or one of their contractors, to remedy violations like overgrown grass and weeds. They may then seek damages in a court of law for the cost to perform the remediation," Earnhart said.

Earnhart added, however, that most HOAs are reluctant to sue.

"They all live in the same neighborhood, but some conduct is so egregious that litigation is needed to resolve disputes."

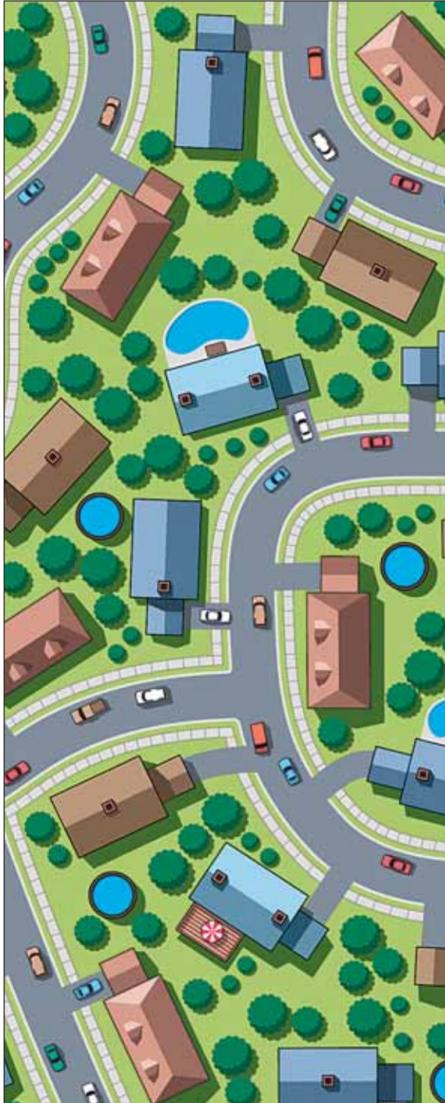
To help eliminate problems, Stoeffler encourages residents to get involved in their neighborhood association.

"Those with flexible schedules find becoming part of the decision-making group is a great way to participate. But even those with busy work or family schedules can volunteer a couple of hours a month and make a big difference. With several people pitching in, it doesn't take long to plan a community garage sale, summer barbecues, initiate a neighborhood crime watch or compile a directory with the phone numbers and contact information for all residents," she said.

A free publication can help you understand the basics of home owner associations.

"Community Matters — What You Should Know Before You Buy" explains the nature, benefits and obligations of a community association, addressing governance, rules, assessments, homeowner expectations, and more.

Developed by Community Associations Institute (CAI), the brochure describes the typical nature of association-governed communities and highlights questions potential buyers should be able to answer before buying. For more information, see www.caionline.org



MAINTENANCE

There's no insurance against pests

By JENNY C. McCUNE
BANKRATE

Who do you call when you've discovered that termites have gnawed their way through your attic and you need a new roof?

Probably not your insurance agent.

Most pest infestations and accompanying damage are considered maintenance issues by insurance carriers. In other words, the insurance company's position is that you could have prevented the mishap by eradicating the pesky bugs before they ate you out of house and home.

So the homeowner, not the insurance company, pays for any repairs.

"Homeowners insurance coverage extends to 'sudden and accidental,'" explained Greg Baumann, technical director with the National Pest Management Association in Dunn Loring, Va. "For example, if you have a pipe that bursts, your insurance will cover it. If you have a slow leak that causes mold, the damage won't be covered."

But all might not be lost. While your insurance probably won't cover damage to your home after a couple of years of termite munching, if the pests dine on a crucial support beam of your house and that in turn causes your roof to collapse, the collateral damage is covered. You can usually count on your insurance to help pay for repairs to walls, floors and roof trusses that went when the beam buckled because that damage is considered sudden and accidental.

The cost of replacing the pest-infested crucial beam, however, remains your problem.

A long and growing exclusion list

Termites have company when it comes to insurance coverage or lack thereof. Damage caused by bats, rats, birds and other vermin usually isn't covered by your homeowners policy either.

In fact, exclusion lists keep getting longer and pest damage isn't the only thing not covered by home insurance.

"One trend we're seeing is that insurance policies are getting more specific about what's not covered and they're excluding more and more pest damage," said Mike McCartin, an insurance agent with Joseph W. McCartin Insurance in College Park, Md. "The policies are getting really specific and serve notice to the homeowner that the insurer's intent is not to cover it."

Insure.com reports that other common home concerns not covered by the average homeowners policy include:

- Cracks, settling or pet damage, which are all considered typical wear and tear.
- Flood or earthquake damage.
- War or nuclear explosion damage.

- Water or ice damage to fences, pavement, patios or swimming pools.
- And if you leave your home unoccupied for 30 days or more, don't look for insurance help to pay for any repairs if pipes freeze or thieves or vandals damage your property.

Homeowner, help yourself

"A lot of people are surprised that pest damage isn't covered by their insurance," Baumann said. "Unfortunately, most of the time it isn't."

That means that homeowners have to help themselves. When it comes to creepy-crawlies,

here are five ways to lessen the financial bite of a pest infestation:

- Thoroughly read your homeowners insurance policy.

It's not pool-side reading, but being forewarned is being forearmed.

"Homeowners that understand their coverage are better prepared and are less likely to be caught unaware," Baumann said.

He also recommends asking questions about anything you don't understand.

"A super deal on insurance may turn out to be a policy that doesn't cover anything."

- Know what pests are the biggest threat.

Figure out what you need to prepare for. If you live in Montana, termites are a relatively low threat because they don't thrive in the state's dry, summer heat or very cold winters. You have more odds of a bear breaking into your home than termites munching on your home's wood siding. However, if you live in Maryland, termites are a real possibility, but your home is probably safer from browsing bears.

- Get your home inspected.

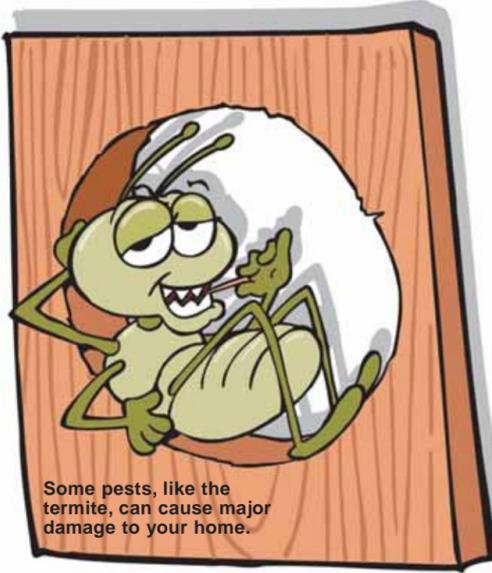
Most states and mortgage brokers require inspections before they'll give you a mortgage. If you happen to live somewhere that doesn't require a home inspection, get one anyway before you buy and make certain the inspection covers pest and vermin infestations. An expert can alert you to pest problems so you can take the findings into consideration in making an offer, know what corrective action will be needed or begin looking at other houses.

- Contract for annual inspections and spraying.

The latest trend in pest control is warranted sprays, according to Baumann. The pest-control firm will inspect and eradicate pests and then give you a year's warranty. Then the firm comes out a year later and the process starts all over again. What's key is to prevent or catch infestations early, which these annual inspections should do.

- Hire the right firm for the job.

Homeowners will sometimes hire a termite firm, thinking the company will not only look for and eradicate wood-eating insects but will also give a heads-up if mold or other problems are present. Don't count on it. These firms are specialists, so the pest-control guy isn't likely to point out your home's water damage.



Some pests, like the termite, can cause major damage to your home.

REAL ESTATE WATCH

You can track your neighborhood's 'real-estate microclimate' online

You have to know how much your house is worth before you put it up for sale. That means paying attention to your neighborhood's real-estate microclimate — a task that has become easier, thanks to the Internet.

"Up to now, really, when you and I wanted to find a house, find out what was happening in a neighborhood, you would have to ask everybody around and trust the answers they give, or go to the courthouse" to look up property records, said Manuel Iraola, founder of Homekeys, a Web site that offers information about home values. Now, he said, Web sites and the people who use them are becoming sophisticated.

All sorts of information about home values can be gleaned online, but you usually have to chase the data in more than one place:

- Go to the government source.
- Visit Web sites that estimate home values.
- Track asking prices and amenities at Realtor.com.
- Finally, step away from the keyboard and visit comparable homes for sale.

The first step, getting information from the local government, can be complicated because states and counties have differing degrees of openness. For example, the Palm Beach County property appraiser's Web site tells you that Ann Coulter paid \$1.8 million for her home in Palm Beach, but the Dallas County appraiser's Web site doesn't tell you how much Mavericks owner Mark Cuban paid for his palace in Big D.

So, the best government source isn't always a Web site. Sometimes you have to visit the county courthouse and look through property records in computers and books.

Start out by looking for your county's property appraiser, tax assessor, recorder or clerk online.

If you can't find the information you want, call the appropriate office and ask where you need to go to get it.

The next step is visiting Web sites that estimate home values.

A new site called Zillow.com has grabbed a lot of attention, although it's not the first of its kind. The site lets you get estimates of home values by typing addresses into a box.

On Zillow, an estimate is called a "Zestimate," and if the information about a home is incomplete or inaccurate, you can update the information and get a revised estimate.

Zillow's chief financial officer, Spencer Rascoff, said that if he were getting ready to sell his home in Seattle, he would refine the estimate by including a new garage roof and making sure that the comparables are, in fact, comparable.



Holden Lewis

Real Estate Watch

"Then I might well print my Zestimate out and distribute it to prospective home buyers."

Zillow was preceded by Homekeys and Redfin, which provide estimates of home values and are real estate brokerage services, too.

Whereas Zillow is national, Homekeys and Redfin are local. Homekeys' scope is limited to three South Florida counties — Miami-Dade, Broward and Palm Beach. Redfin so far covers King County, Wash., where Seattle is.

Next, it's a good idea to track asking prices and amenities at Realtor.com, a Web site run by the National Association of Realtors that gives details about the homes for sale that are listed in local Multiple Listing Services. It doesn't estimate home values, but lets you know how much your home-selling neighbors are asking.

Bankrate reader Troy Kleve peruses MLS data on the Web site of his local newspaper, The Sacramento Bee.

"If you check the site frequently, you can stay on top of any price reductions and see how fast homes are selling after they hit the market," he said.

Visitors to Realtor.com can do the same. It's not enough to let your fingers dance across a keyboard and mouse. You've got to expend shoe leather and tire rubber by visiting comparable houses that already are on the market.

Linda Lenox said she does a number of things to monitor the climate of her Bay Area neighborhood. She peruses the classified ads in the newspaper, gathers fliers from "for sale" lawn signs, attends open houses to chat with real estate agents, visits new housing developments, keeps real estate advertisements that arrive in her mailbox and looks at real estate Web sites.

"I then look through these fliers and papers once a month or so to get the feel of prices and how long the houses are on the market," she said. "I don't tabulate anything, but I do get a feel of what is happening."

That's fine. Keeping track of your neighborhood's real estate is an art, not a science.

Related links:

- Zillow: www.zillow.com
- Homekeys: www.homekeys.net
- Redfin: www.redfin.com
- Realtor.com: www.realtor.com

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