

Service Provides Report Cards on Condo Associations

Understand The Risk

BY PATEE L. BARTA, EDITOR



Rin a recent article in the *Inman News*, it was reported by Association Insights President Robert Nordlund that one of every three community associations is financially unprepared for the future and those purchasing a condo may lack understanding of the financial risk and responsibilities of higher association fees and special assessments.

Associations Insights is a newly launched company of Association Reserves, led by Nordlund in Calabasas, California, that is designed to assess the financial condition and predict possible special assessments of a community association thereby helping buyers understand their risk factors. A new owner's townhouse or condo could be hit with thousands of dollars of fees they were not prepared for. Association Insights charges \$89 for the report. The overall purpose is to stratify, organize and rate community associations.

What is the Report?

Risk eValuator is a report with 12 specific questions to figure out the association's financial health. A comprehensive story about the specific association's history is included. This gives the buyer "the percentage of owner-occupied units, the percentage of 60-day delinquencies and the percentage of reserves funded," according to Nordlund.

The report is one page and gives information on earthquake insurance coverage, tax filing history and management capabilities along with other statistics the buyer may be interested in.

Grading and Example of Report

"With this report, the mystery in the community association world can go away – no more surprises," said Nordlund of his company's new grading system. The grading goes like this:

- A = Among the Best**
- B = Better than Most**
- C = Customary (average)**
- D = Disturbing Trends**
- F = Fails in significant categories**

The Risk eValuator Report distills financial information about the Association into a clear, concise, one-page profile. The Special Assessment scale goes from lower risk (green) to higher risk (red) and predicts the Risk of a Special Assessment within the next fiscal year. Areas of financial strength are highlighted in green and areas of weakness are "red-flagged."

When Did the Report Emerge?

President Robert Nordlund has been pitching the report and its value to local real estate offices since mid-2002. There have been adjustments to the information and data along the way. He has also been working with condominium management companies and industry attorneys on agreement and compliance.

Who is Interested in this Service?

- 1. Buyer, Seller and Real Estate Agent** — This report card communicates the financial health of the association and gets these three entities "on the same page."
- 2. Board Members** — Shows how their association is rated by ordering the Risk eValuator Report. This helps the board

members to, says Nordlund, "run the show." It gives them a benchmark each year so they can work together to improve the financial status of their particular association.

3. Management Companies —

Can most effectively allocate staff to associations that require the most management expertise. Example: A management company, based on a newly acquired association's D or F rating might assign a more experienced manager who might compare each year's rating until a desired A or B financial rating is achieved.

What Effect Does the Report Have on the Industry?

According to a subscriber, Scott J. Miller of American Home Realty & Loans, "The report takes the liability off the agent's shoulders... and provides research into the worthiness of a particular association." He also stated that without it he [in the Real Estate Business] may not have been able to tell the buyer about the financial risks.

In an association, unlike single-family home purchases, the buyer has fewer evaluation options. Board member meeting notes and financial details can be found on an association, however that information can be hard to extract and can prove to be expensive. This report answers many questions that were unavailable in the past and gives association's financial status that has not been rated or interpreted for home buyers before.

Find out More and Order the Report

Association Insights can be reached at their toll-free number 1-888-527-1700 or go to their Website at www.ainsights.com where you can view sample reports, learn more and order Risk eValuator online. This community association report card system is available in 12 states.

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