ASSOCIATION RESERVES™

www.reservestudy.com

ASSOCIATION RESERVES™

Est. 1986

Planning For The Inevitable™

How Much Should we have in Reserves?

Presented By:

Co-Lee Grev AMS, PCAM, RS

Key Takeaways

- What is a Reserve Study?
- Why would you want one?
- How does it help me?

Reserve Study Basics

1. Full
2. Update With Site Visit
3. Update No Site Visit

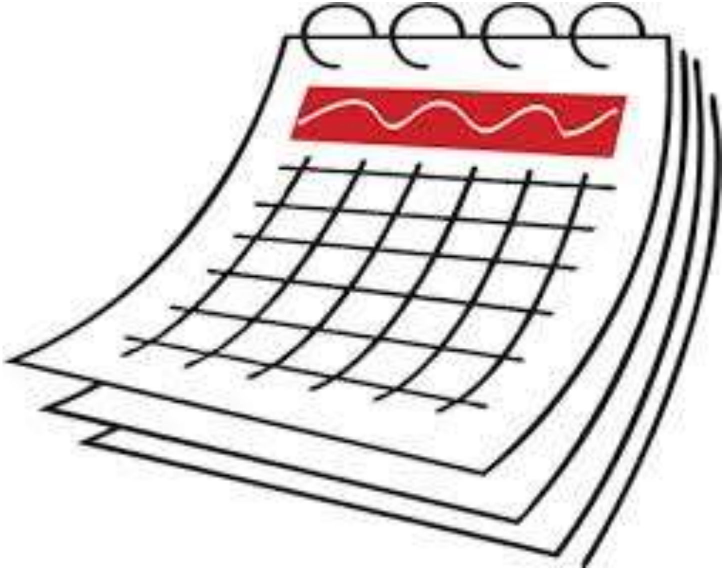
Reserve Study Issues

Full	Only once
WSV	Every Three Years*
NSV	In-between years

Getting that Reserve Study

When to get a proposal?

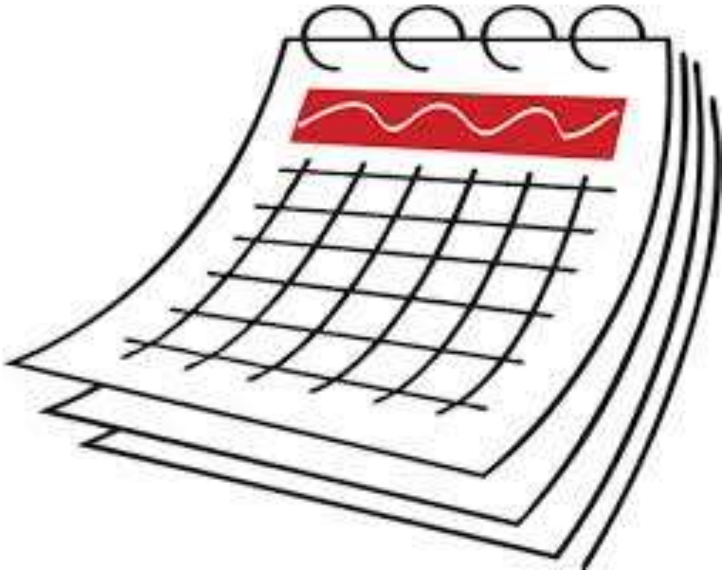
- Six months in advance of your Fiscal Year End



Getting that Reserve Study

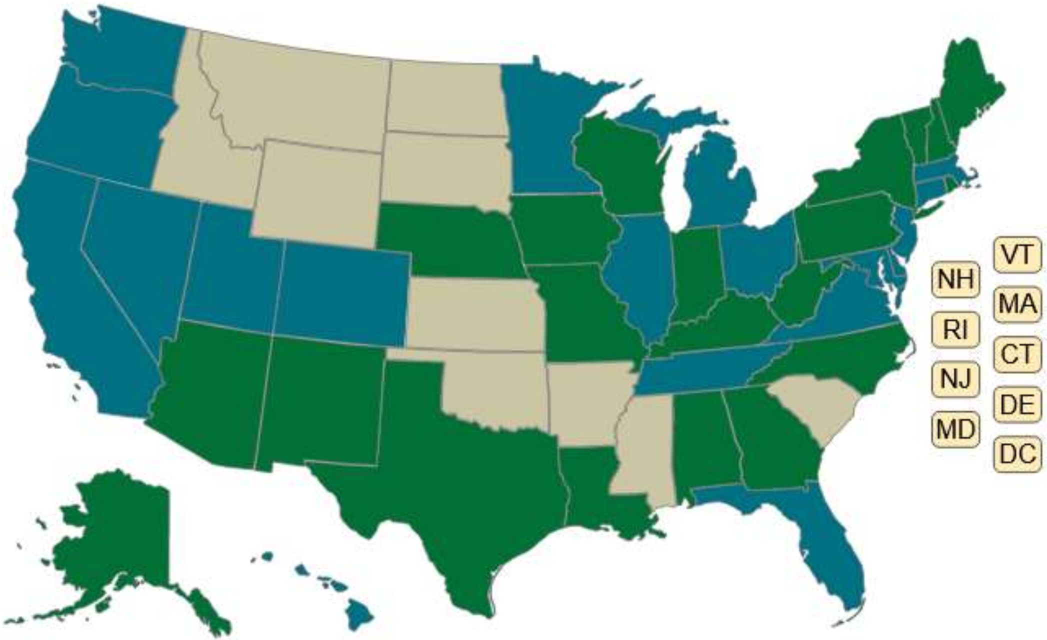
How Long does it Take?

- Standard turnaround is about two months



Why?

New legislation in TN, NJ (and other states across the country)



Why?

But there are many other reasons to get a Reserve Study…

- To prevent another traumatic Special Assessment

Why?

But there are many other reasons to get a Reserve Study…

- To prevent another traumatic Special Assessment
- Board desire to make informed budget decisions

Why?

But there are many other reasons to get a Reserve Study…

- To prevent another traumatic Special Assessment
- Board desire to make informed budget decisions
- Recommended by manager

Why?

But there are many other reasons to get a Reserve Study…

- To prevent another traumatic Special Assessment
- Board desire to make informed budget decisions
- Recommended by manager
- Recommended by attorney

Why?

But there are many other reasons to get a Reserve Study…

- To prevent another traumatic Special Assessment
- Board desire to make informed budget decisions
- Recommended by manager
- Recommended by attorney
- Recommended by insurance agent

Why?

But there are many other reasons to get a Reserve Study…

- To prevent another traumatic Special Assessment
- Board desire to make informed budget decisions
- Recommended by manager
- Recommended by attorney
- Recommended by insurance agent
- But the biggest reason of all…

The Why

Deterioration is expensive, predictable, and ongoing.

Mother Nature and Father Time don't negotiate!

The Why

Important:

<u>Deterioration</u> defines the "cost"

<u>It's up to the Board to set a budget that keeps up</u>

The Why

Your Choice: how to pay

Special Assessments & loans

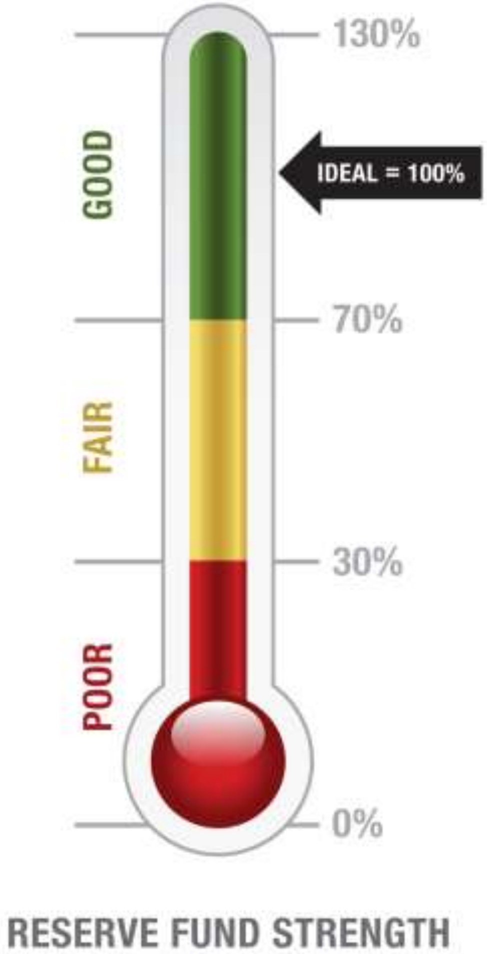
Budgeted Funding

Do we have Enough?

<u>Value of Deterioration</u>

<u>Reserve Cash</u>

Seeking Balance



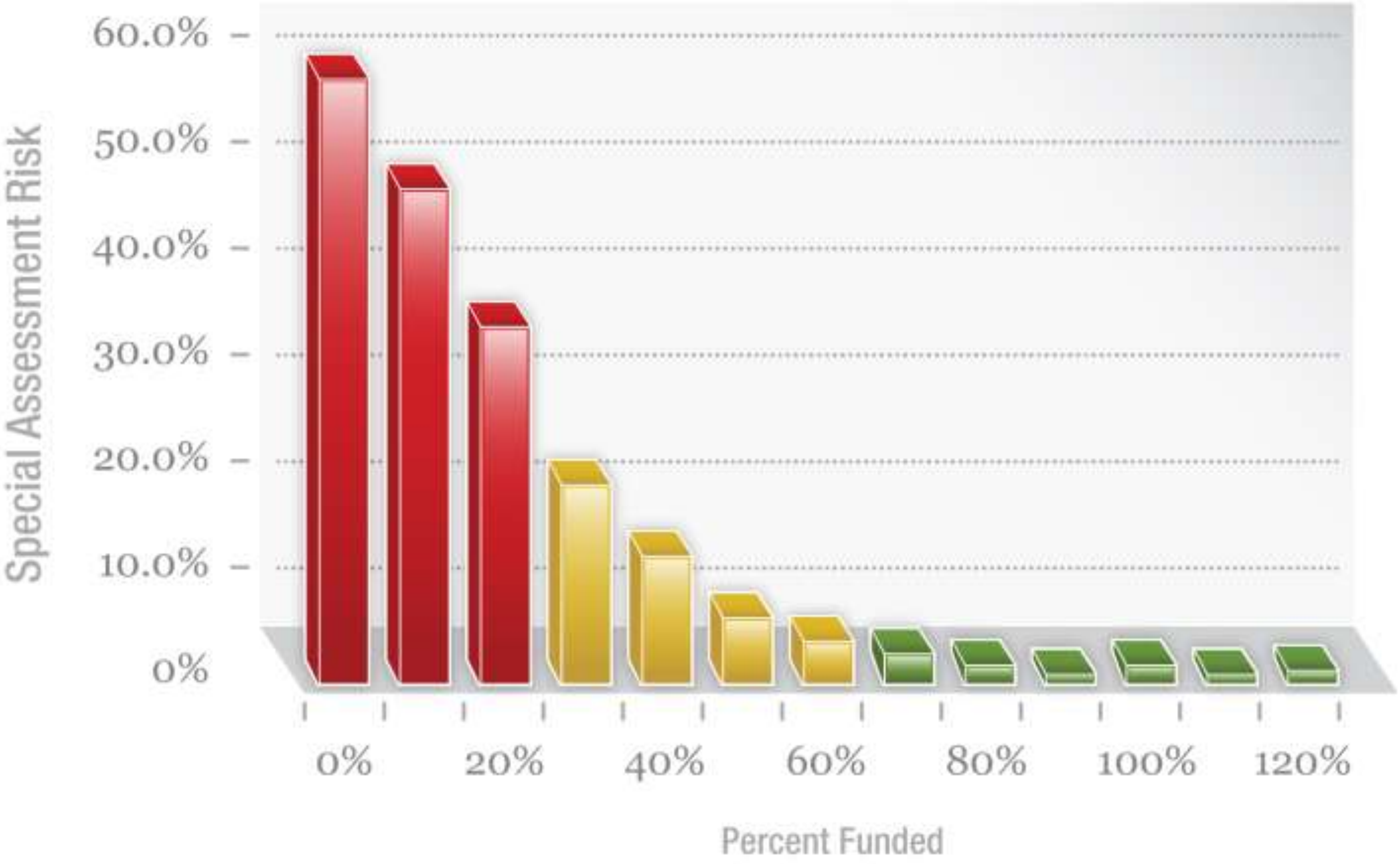
That comparison is called "<u>Percent Funded</u>"

(more insightful than just knowing $ in Reserves)

Do we have Enough?

$$\text{Percent Funded Equals} = \frac{\text{Reserve Cash}}{\text{Value of Deterioration}}$$

NATIONAL SPECIAL ASSESSMENT RISK

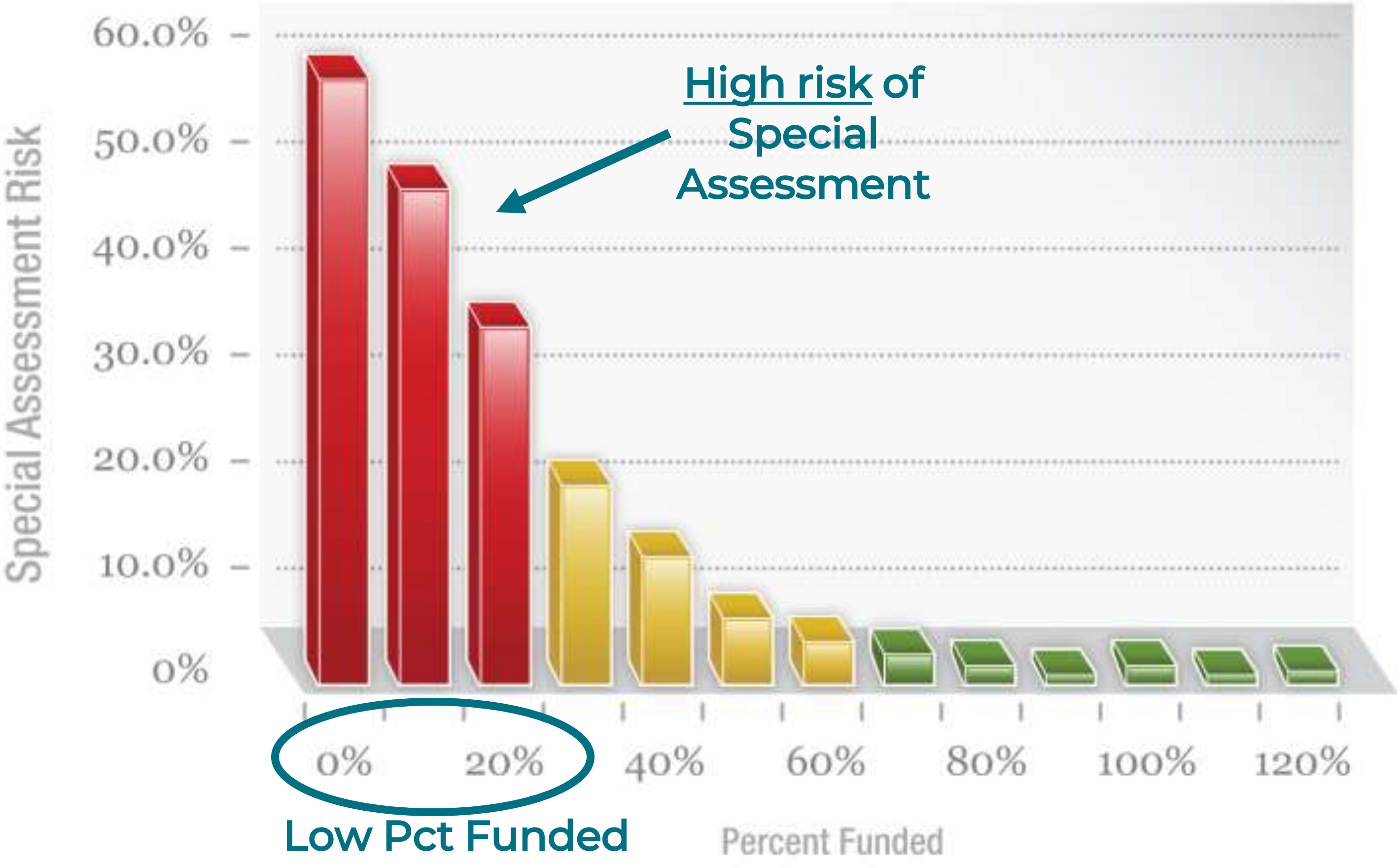


Addressing Objections

We can't afford Reserve Funding!

Can you afford special assessments any better?

NATIONAL SPECIAL ASSESSMENT RISK



Addressing Objections

<u>Measurably reduced exposure to Special Assessments</u>

(everybody pays their small, fair share along the way… the same $ they would have paid via special assessments)

RESERVE COMPONENT "THREE-PART TEST"

Component Life

How long does a roof last?

Things to consider:

*Manufacture Claim vs. Actual Shingle Life
*An old roof that leaks is not an Insurable Loss
*Severe Weather Event

Component Life

How long does a Siding last?

Things to consider:

*Material
*Maintenance Cycles
*Location

Component Life

How long does a Concrete last?

Things to consider:

*Location
*Trash trucks
*Snow Removal
*Water Runoff
*Salt
*All or a portion

Why and How Often Should you do a reserve study?

Every year everything changes…

*Cash
*Conditions
*Costs

National Reserve Study Standards…

Every year…

Cash
Conditions
Costs

National Reserve Study Standards Best Practice is a With Site Visit every third year.

Who else cares?

- **<u>Fannie Mae</u>**
- At least 10% of the budget must be for reserves.
- **<u>Freddie Mac</u>**
- Less than 10% to be set aside for reserves provided that the association has a reserve study that supports the lesser amount, and the association is following the reserve study.
- **<u>FHA</u>**
- FHA now requires a reserve study with a positive funding plan to maintain the FHA Certification.
- **<u>Insurance</u>**
- Hard insurance market (major losses, inflation, etc)
- Reserve Study is a great tool to help the broker understand the community's maintenance responsibilities and overall condition.
- Carriers are tightening requirements and assessing their risk level; a reserve study is a great way to understand the likelihood of deferred maintenance.

Key Takeaways

- What is a Reserve Study?
- Why would you want one?
- How does it help me?


ASSOCIATION
RESERVES™
www.reservestudy.com

Additional Resources

Reserve Components, Reserve Fund Strength, and Funding Plans (and much more!)

Available Now on Amazon.com ($24.99)

<u>Email me to read chapter one for free.</u>
Cgrev@reservestudy.com

Additional Resources

uPlanIt

Measure the Past, Model the Future

Free with every reserve study with Association Reserves. A novel, online Reserve Study Calculator – <u>interact</u> with your Reserve Plan!

Additional Resources

Weekly 30 Minute Podcast for

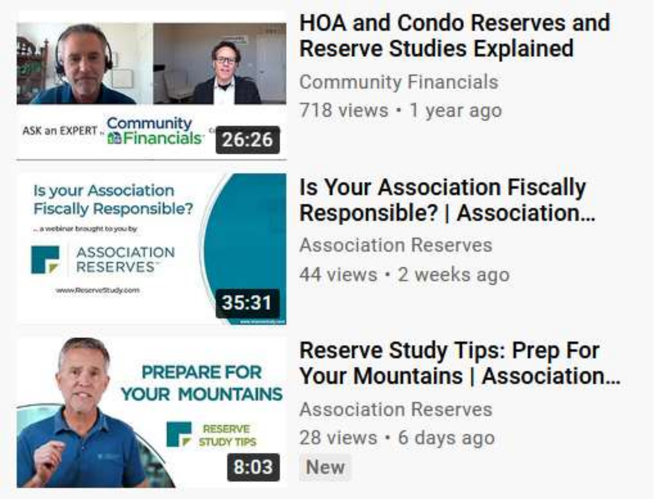
HOA INSIGHTS

COMMON SENSE

FOR COMMON AREAS

Subscribe from all major podcast platforms
or listen from www.hoainsights.org

Or search for our videos on YouTube!



Give them a "like", and subscribe to our channel!

Questions?

Co-Lee Grev, PCAM, RS, EBP

cgrev@reservestudy.com

ASSOCIATION RESERVES™

Est. 1986

Planning For The Inevitable™