Who are the Homeowners Association? Furthermore, What is Its Purpose?

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Abstract

A homeowner's association is an organization in a subdivision, planned community, or condominium that makes and enforces rules for the properties and their residents. Those who purchase property within that type of jurisdiction become members and are required to pay dues, known as homeowner's association fees. Some associations can be very restrictive about what members can do with their properties. Because of this and the numerous increases of these associations within the homeowner communities since 1970. This ~~A~~ qualitative research approach would involve ~~in~~ interviewing the residents when it comes to the effects of democracy on the cooperation of the residents; a~~. A~~ttending homeowner’s association meetings or other research projects. The purpose of the research would be to ~~can~~ see what effect ~~does~~ participation in neighborhood governments has ~~s~~ on residents' willingness to contribute to the establishment of public goods. ~~?~~ An important question to ask given the growth of homeowner's associations in the United States. The homeowner’s associations are supposed to provide a medium through which citizens can practice those democratic skills. This social capital and efficacy are built through participation to increase an individual's willingness for the homeowner to help provide for their community as a public good. In this article, the author hypothesizes that such participation increases the probability that individuals donate to public goods provision. The ~~However, research~~ literature shows some of the advantages, disadvantages, complaints, and legal issues among property owners, than non-participation residents. This study intends to show the purpose, advantages, disadvantages, legal issues, and improvements of homeowner’s associations.

Keywords: *Homeowners Association History. Purpose, advantages, disadvantages, legal issues, and improvements.*

Introduction

Most single-family houses constructed in the United States were part of a common interest governed by a Homeowners' Association ~~homeowner's association~~(HOA). While rare until the 1960s, homeowner associations came to house a fifth of Americans, a creation that Guberman (2004) called one of the most significant privatizations of local government functions in history. Although not as prevalent outside the U.S., comparable privately governed communities existed in several countries, including Canada, the United Kingdom, Australia, Japan, and China (McKenzie, 2011; Glasze et al., 2006; Wang, 2014).

Popular and academic opinions are divided over whether homeowners like to live in HOA ~~homeowner's association~~ communities. Some contend that associations represented a sensible market solution to a local public goods problem (Foldvary, 1994; Barton and Silverman, 1994; Nelson, 2005), while others viewed it as a sort of unregulated hostage crisis with unwitting homeowners harassed by busybody neighbors (McKenzie, 1994; Lucas, 2013; Benson and DeBat, 2014). Economists typically assessed residents' opinions about the value of local services or non-services, such as school quality, air quality, property tax levels, or the presence of a homeowner's association, by examining house prices. Alternatively, If the presence or quality of one of these features raised the price of housing, indicating that the marginal buyer valued that feature or other characteristics of the house being held constant. However, homeowners might be willing to pay more to live in a community with a homeowner's association that provided

tailored services and could enforce another layer of zoning, use restrictions, and minimum quality maintenance on top of that which local governments provide. To that extent, they could

also be used as a tool for exclusion and achieving relative equality of residents within the local area.

However, not only would residents be obliged to pay regular dues, but they also must forsake some degree of personal control over their property. Whether the perceived benefits of living in a community with a homeowner's association outweigh, those costs would determine whether the presence of that association would tend to increase or decrease house prices. Data research include size samples and prices researched as advantages of homeowner's associations estimating premiums for specific locations, which can be usefully compared to each other since calculated using consistent data elements and methodology. Market-specific estimates also allow one to explore which local factors influence the value of living in a homeowner's association community. The estimation approach, according to (Rosen (1974), is based on hedonic theory or goods received for luxury purposes. Baseline estimates of premium control for a rich set of housing units characterize identifying variations of status among homes in proximity. A flexible, semi-parametric generalized additive model specification, is common in the hedonic literature but not yet applied to many homeowners' associations. To conclude, data on these associations have been scarce.

Further, disadvantages show evidence of heterogeneity in meta-analysis of homeowner's associations' levels of economic inequality, attitudes toward racial integration, historical demographic composition, and several other characteristics.

The paper explains in more detail what a Homeowners' Association ~~homeowner's association~~ is, the purpose, advantages, disadvantages, legal issues, and improvements also as an essential institution of study and reviews the literature on homeowners' associations identifying some methodology.

The purpose of this paper gives a synopsis of the HOA ~~homeowner's association~~ with an overview of authors and researchers, giving their findings and data on the importance of the ~~homeowner's associations~~ Homeowners' Associations. Also, the concerns of any disadvantages, advantages, and legal issues of those residents participating. Eludes to the question this study seeks to answer which is: ~~.~~ "What ~~o~~ are the Homeowners' Association and ~~What is Its Purpose.~~ what purpose do they serve?"

According to Goodman (2012), The history of Homeowners' Association goes back to the 1960s, when planned communities started popping up everywhere. Several factors contributed to this sudden growth, including a push for more residential development, as well as rising construction costs and less available land. Early on, the Covenants, Conditions, & Restrictions pre-1960s growth, mostly dictated which people could live in which neighborhoods. Now those old rules would be unenforceable under the Fair Housing Act of 1968. As Homeowner Associations started running planned communities, the purpose of Covenants, Conditions, & Restrictions by-laws evolved from enabling discrimination to almost entirely economic matters.

Local governments planned communities because it saved them money, generally in the following three areas:

1. Building planned community shifted~~s~~ the burden of the cost of streets and ~~,~~ parks ~~,~~ onto the homeowners and away from local government or developers.

2. Planned communities also provided long-term savings for governments since homeowners, rather than the city government, shouldered the cost of managing common areas and streets.

3. Keeping properties maintained and uniformly clean ensured high property values, which in turn increased revenue from property taxes. A disadvantage for the property owners good for the government. Although this study does not present a universal solution to the problem.

Literature Reviews

For the purpose of this study, I used ~~Using~~ historical literature focused on literal research as a tool that is useful for information. Statistically speaking, according to Clark (2017), today, US Americans have a one in five chance of living in a home that's part of a homeowner's association, according to data analysis applied by microeconomist. Since the estimate in 2017, properties with HOAs ~~homeowners' associations~~ have further surged. The research includes white papers, government data, original reporting, and interviews at HOA ~~homeowner's association~~ meetings and focus groups. Also, reference original research from other reputable publishers is appropriate, with accurate and unbiased content.

The benefits for homeowners were obvious; each house and property in the neighborhood remained clean and maintained, having access to well-kept common areas such as pools or parks. As homeowners' associations became more and more common, the laws that enforced or

elucidated issues became more complex. The Covenant Conditions &Restrictions encompassed more and more. Have one ever wondered why, where, and how the idea of building communities complete with recreational facilities and common areas began?

The concept began in the late 1800s in England when a man by the name of Ebenezer Howard read a novel titled "Looking Backward by Edward Bellamy." This book described the perfect idealistic society, a creative scheme or system for an ideally perfect social order that would envision transforming a nation through rational planning. That brings the word socialism"

to mind. Bellamy ~~The writer~~ was obsessed with this idea, and in 1902 wrote his book under the title of "Garden Cities of Tomorrow." This book has and still used for financing, the building and operation of a new kind of planned community. Once this idea took hold in the United States of America in the nineteenth century, the developments were not cities, but exclusive neighborhoods designed to be separate and shielded from their surroundings. Thereby the development of recreational facilities and common areas began. ~~?~~ Well, it was not by accident or design. Bellamy (1902) ~~The writer~~ goes on to state in order to maintain the private parks, lakes, and other amenities of the subdivisions, developers created provisions for joint ownership of the land by all residents and an individual tax assessment of the owners. To ensure that the land would not be put to other uses by later owners, developers attached "restrictive covenants" to the deeds. Pioneered what was to become one of the most significant trends in US American urban history. The use by developers of standard ownership plans and deed restrictions as private land planning devices. Reducing risk while continuing to reap substantial profits, the industry shifted to the construction of smaller developments.

By the 1970s, financially strapped local governments found common interest development housing appealing because it allowed communities to grow, pay property tax, and fee assessments to maintain the property that should have been the responsibility of the cities. By the year 2000, there was an expectation of 225,000 homeowner associations in the United States (Osborn, F. J. 1965).

Buyers of property in common interest developments purchased divided interest, which belong only to the individual buyer, plus a shared interest, which was owned corporately with the owners of nearby homes. Owners were also subject to a set of contractually enforceable rules, known as covenants, conditions, and restrictions. By law, each must have a homeowner's

association to manage the shared property and enforce the laws of the association. The owner of every home automatically became a voting member of its homeowner’s association.
Like buying shares of stock in a corporation; in fact, most organized as non-profit corporations with a board elected from their membership. The elected board was empowered to collect dues and fines, which were and are enforceable in civil court (McKenzie, 1994; Esquivel and Alvayay, 2014).

Again these common interest developments evolved in England during the 19th century and first made it to America with the establishment of Gramercy Park in Manhattan in 1831, where houses were built around a private park and charged with the park’s perpetual maintenance (McKenzie, 1994).

Foldvary (1994) argued that HOAs ~~homeowners associations~~ were able to provide territorial public goods more effectively and efficiently using contractual government and accomplished by municipalities utilizing coercive government. Helsley and Strange (1998)

presented a theoretical model that predicted the existence of private governments referring to both the physical housing and governing organization as a Homeowners' Association ~~homeowner's association~~

fare. The intuition for this result was that private governments would allow tailoring of government service levels to individuals' mixed preferences. The total welfare of non-members, who demand fewer services, increases since their taxes fall, while the welfare effects for members would be vague since they pay for extra services through membership dues.

McKenzie (1994) portrays homeowners' associations more negatively. He argued that homeowner association buyers were often unaware of extensive Covenant, Conditions & Restrictions before buying their homes or lacked a non- homeowners association alternative in

their local market for the type of housing they wanted. He also characterized homeowners' associations as an instrument of exclusion and a successor to racially restrictive covenants. The Supreme Court ruled unenforceable in 1948 and that the Fair Housing Act outlawed entirely in 1968. McKenzie (1994) additionally explored how the association basis in contract law allowed them to legislate details of residents' lives and limit speech in ways that exceed the police power of municipal governments. The authority of homeowners associations regulates personal activities could be as particularly problematic given that they were exempt from the one-person, one-vote rule that applies to general-purpose governments and that only owners, and not renters, may vote in homeowners associations elections.

Helsley and Strange (2000) posits, formally model welfare effects when private social organizations allow individuals to disaffiliate from the larger society. The states the model predicts that individuals with high socioeconomic status would withdraw, leaving those

concerning the number and location of homeowner's associations inexact because most of the information about them resides in local property records. They are not included as discrete entities in the U.S. Census, or tracked by state governments, or comprehensively mapped by local governments. There is, public records of the details of the association's existence, but buried in local property records. That makes it impossible for a homeowner member to take any legal action without hiring an attorney. It is easy to find founding documents but prohibitively time-consuming to compile them. However, an industry has grown up around collecting and harmonizing local property records for business purposes. Zillow, a company that compiles property data for use in their online real estate viewing platform, has recently offered to share data with qualified researchers, calling it the Zillow Transaction and Assessment Dataset.

McCabe (2011) refers, such founding documents as parcel maps and text of deed restrictions. However, one key indicator is included for improvement for the homeowner by the Zillow Transaction and Assessment Dataset. The Mortgage lenders required that an addendum or rider to public record loan documents for properties that are included in homeowners' associations, membership reducing the lender's ownership rights in case of foreclosure.

Zillow Transaction and Assessment Dataset.

Grove's (2008) posit with this specification, estimated homeowners association price premium fell to a precise zero, indicating that the value of living in a homeowners association may be linked to a house's seclusion from other neighborhoods, mainly reflecting on the research authors opinions. The positive outcome of the rider provides the association to alert the lender when an owner had fallen behind on their homeowners' association payment to pay the assessment, which the lender would then add to the cost of the loan, as an essential improvement

because without this, the association could, in principle, place a lien on one's house. Fannie Mae provides a sample planned unit development rider. Esquivel and Alvayay, (2014) posit before The Zillow Transaction and Assessment Dataset. When estimating the effect of homeowner's association, membership-based on house values, therefore excluding larger counties in which would never observe a transaction with a homeowner's association rider in order to ensure comparisons between similar houses. Specifically, when reporting descriptive statistics, a single, admittedly arbitrary decision rule was used Thereby, any county with at least 5,000 new houses built since 1960, not report to any homeowner's association and treated as a non-reporter and left out of the calculation. Counties with fewer than 5,000 houses built since 1960 were in the calculation with the understanding that even if they do have homeowners' associations, the

counties' moderate size means omitting their association to cause only modest downward bias in the estimated share of houses with a homeowner association. The distinction between these two most common types is a legal construct, rather than a difference of building type combining them to form a single homeowner association indicator. It seems more informative to distinguish between the physical form of housing developments rather than legal forms.

Methodology

This study primarily focuses on the research of different authors on HOA ~~homeowner's associations'~~ fees and expenses related to operating, maintaining, and improving the owners' property. Focusing on a literature review with a method of content research and qualitative analysis. Using content analysis is one technique to assist the researchers' systematic and objective approach keeping the method replicable (Krippendorff, 1980). Qualitative analysis

assists researchers in drawing and verifying conclusions to the question of the homeowner associations (Creswell & Poth, 2018). Including, but not limited to, city services such as trash removal, water, and sewage, building insurance, lawn care, pest control, and maintenance and repairs to outside the building. Each homeowners' association has different policies, so buyers should always ask the seller for the building's subdivision or condominiums associations rules. Depending on the rule's fees might go up or down throughout one's ownership. Qualitative data provides the researchers with identifiable processes, descriptions, and explanations that would assist to go beyond the obvious to think on the topic to revise critically. Conceptual framework in order to conclude. The advantages of qualitative methods allow the researcher the flexibility to probe initial participant responses, that is, to ask why or how. The researcher must listen carefully to what participants say, engage with them according to their personalities and styles, and using probes to encourage

them to elaborate on their answers. The three most common qualitative methods, explained in detail in their respective modules, are participant observation, in-depth interviews, and focus groups of which will be identified by research towards the questions around the- HOA ~~homeowner's associations~~. Each method is particularly suited for obtaining a specific type of data. 1. Participant observation is appropriate for collecting data on naturally occurring behaviors in their usual contexts. 2. In-depth interviews are optimal for collecting data on individuals' personal histories, perspectives, and experiences, mainly on sensitive topics. 3. Focus groups that are effective in eliciting data on the cultural norms of a group and in generating broad overviews of issues of concern to the cultural groups or subgroups represented. The U.S. Census Bureau asks in its American Community Survey each year, is this house, apartment, or mobile home part

of a homeowner's association, and if so, what is the monthly fee? These can bring about a more accurate understanding of improving a better understanding of home buyers. Residents can write a dollar amount as their answer. Using this data from the 1-Year 2005 through 2014 American Community Survey, questions were able to be answered about surrounding association fees. The survey estimated the approximate average age of buildings lived in by homeowners by using the variables found in the American Community Survey data.

Fontinelle, A. (2020, March 2) posits, things to know about homeowners' associations. Developers can cram as many houses into a subdivision, sell houses promoting open spaces and amenities while the buyers pay a double tax, better known as property tax and assessments. Restrictive rules and high fees are just some things to review. Before a prospect buys a home that makes them part of a homeowner's association, here is what the prospected buyer needs to know, and the questions asked both the association and to himself. Is life in a planned development a good option? Furthermore, if so, which homeowners association may be best? The answers to those questions depend not only on finances, but enthusiasm for shared amenities, tolerance or rules and regulations, and comfort with self-government since most homeowners' associations are by volunteers who live in the development.

Wiebe (2020) posits HOA ~~homeowners association~~ law relates to the creation and enforcement of organizations and their rules that manage community associations helping to maintain their appearance and value. Most homeowners' associations and condominiums make up a common residential asset managed through a chosen Board of Directors. Membership is mandatory upon the purchase of real estate situated in the association. State laws, local by-laws, and organizational rules all relate to the management of the community. Legal action of the

homeowner’s association is through the threat and levying of fines, and private legal action under civil law. The association provides services, regulates activities, levees assessments, as delegated by the state’s legislature, imposing fines. Unlike a municipal government, they are not subject to the constitutional constraints that public government abide.

The writer goes on to state things a HOA ~~homeowner's association~~ cannot do, and how the homeowners can fight back. There is a reason that a stigma exists against homeowner’s associations. Board members on a power trip can institute and enforce some ridiculous restrictions, and homeowners feel as though the association rules have turned into an implacable steel trap determined to ruin their life at every turn. There is something they can do. Homeowners associations are bound by the rule of law, no matter what the president of the board says. State and federal law restrict the homeowner’s association's abilities to restrict the homeowners. Most associations want the homeowner to think they are above the law, but if the

homeowner is truly in a bind; they can challenge that assertion. Chances are good, although not confident they will have the upper hand in a proper court of law, primarily if the board of directors acted in an underhanded manner. If the association's governing documents allow it, start by demanding a hearing before the board. Alternatively, take it one step further by going to the actual courts. Although this is typically a move of the last resort just in case the homeowner’s association board might like playing the tyrant, there is a line it cannot cross the Fair Housing Act. An association must be careful enacting and enforcing rules that would single out or disadvantage any group identified within the Fair Housing Act. However, if past the point of mild frustration, a lawsuit might do the trick.

Davis (2018) posits, according to the Fair Housing Act, a homeowner's association cannot fine homeowners or bar them or make it difficult to buy a house in their neighborhood due to race or ethnicity. There was a time when this sort of thing was common practice, but in recent decades homeowners' associations have found themselves on the other side of the law and litigation. Associations cannot also expel residents from their homes because they do not agree with their religion, sexual orientation, social status, or other protected class.

Conclusion

This paper has attempted to bring about evidence through research some inform able answers to the Literately question: "Who are the Homeowners Associations and What is there Purpose"?

History of the Homeowners Associations and its purpose, advantages, and disadvantages, also legal issues and improvements for the homeowners and their association.

Staropoli (2017) states our legislators should address the problem of Homeowners Associations having too much power and not enough oversight. Therefore, a need for a regulatory agency that would create rules of conduct for associations and enforce them. Board members should know the Covenants and By-laws so well that they do not end up in front of a judge to defend their actions. The writer continues that being able to understand directors and officer's insurance. A common misperception is that it makes directors or officers able to engage in acts they know to be wrong intentional illegal acts or any illegal gains or profits

obtained by directors or officers but are not under the associations' insurance policies. Coverages only extended to wrongful acts within the policy that include individual acts, omissions, misstatements, acting as a director or officer of the organization.

Exclusionary language, however, would not provide coverage for fraud, illegal profits gains, or intentional, wanton illegal conduct by such director officers. Homeowners are best served by knowledgeable directors and officers who take strategic risks based upon the information reasonably available to them, without the threat of personal liability.

However, if there is illegal activity suspected, contact their prosecuting attorney or hire an attorney to have a judge order an audit. Fewer people can afford to hire an attorney just to get minutes from a homeowner's association meeting. Therefore, to further help in that situation, in some state's homeowners can contact their Attorney General. Buyers typically do not get a copy of the association's Covenant,

Conditions & Restrictions until they close on their home or move in and sometimes not even then. Unless they specifically ask about association rules or a real estate agent points them out, they may not understand the implications of buying in a neighborhood until it is too late to back out. Therefore, this paper has argued research on the importance of the homeowners or buyers to arm themselves with upfront information on the Homeowners association. For example, Under Oklahoma statutes, no lien may be placed, or mortgage foreclosed upon unless the homeowner is given written notice, upon joining the owner's association. Also, of the existence and content of the owner's association restrictions and rules, the potential for financial liability to the individual owner by joining a homeowner's association. Thus, an association must be able to prove that

they provided the buyer with the information in writing when the homeowner accepted the deed at closing. Covenants are civil agreements; by-laws are not laws.

Moreover, the issues with homeowners' associations, they are civil matters and can be resolved through a complaint filed in a Civil Court action. That does not mean governments are not able to get involved. Especially when directors and officers of homeowner's associations overstep their boundaries, the government may be willing to step in. Try looking under state's statutes for corporations, property, contracts, liens, to see what applies. Finally, banding together across the nation, there can be a successful legal challenge to the viability of homeowner's associations. At the very least, for the homeowner advocates, there should be requirements for more disclosure about the constraints of living in neighborhoods governed by associations and that there is a need to know that when essentially giving up property rights. However, it is also crucial for the homeowner to know their board and its officers. Even though serving as a homeowner's association board member is voluntary, it is a real commitment, and most board

members treat it that way. Boards do get involved and help police the activities of their fellow board members both within board meetings as well as when a rogue board member tries to take liberties without including the other board members in their actions. Though there are few formal disciplinary actions boards can take to slap the hands of their fellow members, they do exist. Some states and governing documents have automatic sanctions for board members' improper behavior. Adopting a board code of conduct, providing guidelines on how board members should conduct themselves is also a step towards improvements.

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