The ADVISOR

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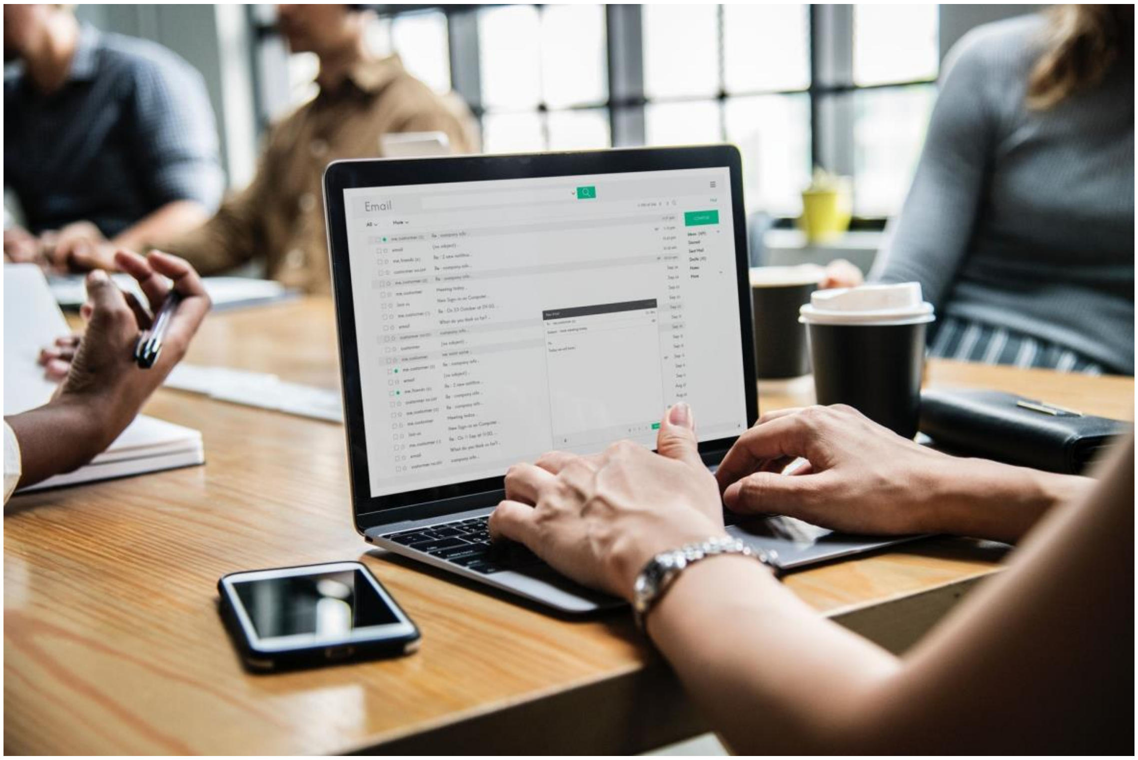
PRAs: Submit Your Continuing Education!



With the conclusion of the 2019 APRA Symposium, it is time for those who did not attend to start the process of completing their CE credits for the year. **New this year -** CE Credits taken at AECdaily.com will only be eligible for their stated amount of credits (1.0-1.5 credits each). Please see our **Continuing Education page** for more information on the CE requirements, including forms. If you have any questions regarding continuing education, please contact APRA Headquarters: **apra@teamwi.com**.

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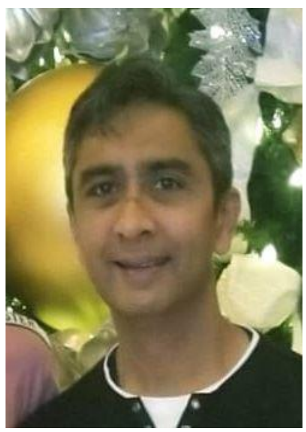
Featured PRA Member



Sundeep Jay
J.R. Frazer, Inc.

Sundeep Jay graduated from the University of Central Florida in 1992. He majored in accounting with a minor in computer science. He was raised in the hotel business where he originally learned his maintenance skills. After graduating college, he was drawn into the mortgage industry. A year into the mortgage business, he started his own mortgage brokerage business called Mortgage Select, Inc. In 1993, he obtained his real estate license and 2 years later he became a real estate broker and partnered with a couple of real estate companies. In 1999, he started his own real estate company, called Orlando Properties & Investments, Inc. which became a great success over the years. Sundeep Jay was involved with numerous constructions of new homes, managed 3 different franchise hotels and single-family homes during his career in real estate.

After years of running the real estate and mortgage business, he decided to take a break in 2007/08 and spent 2 years staying home helping his wife raise 2 little boys. In 2009, he purchased 2 laundromats where he learned how to fix commercial washers, dryers and coin changers.

In 2015/2016 he joined J.R. Frazer, Inc. in Boynton Beach, Florida where he used his skills with John Frazer to help further develop a successful reserve study and property valuation business. He purchased this business in late 2016 and made many productive changes that are strongly needed in the reserve study business. Still striving for excellence, he hopes to bring positive changes & standards into the Reserve Study industry.

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Want to be a Featured PRA Member? Contact APRA Headquarters at **apra@teamwi.com**

Ignoring the Obvious

By Richard Thompson of Regenesis Reserves

Reserve studies recommend scheduling and funding models to keep building and grounds components like painting, fencing and paving in good repair. Unfortunately, the study recommendations are often being ignored by HOA boards, or only partially implemented. As HOAs reach around 20 years old, many of the most expensive repairs come due. HOAs that are not prepared face unpopular and unfair special assessments.

The natural consequence of this kind of unpopular action is for most boards to dodge and weave, defer and delay. What’s a year or two more going to matter? And, by next year, the directors might be able to sell their units and avoid the unpleasantry altogether. Meanwhile, Rome burns.

Deferring maintenance always costs more money and dampens home sales. When your HOA is caught in this kind of quagmire, it’s best to hire a Professional Reserve Analyst (PRA) that can prepare a proper reserve study and make the case for urgency. A PRA doesn’t have the political problem that board members do of being neighbors. A PRA can explain the realities of raising the funds and getting the job done or the dire consequences for failing to do so.

A PRA can also recommend material and design upgrades to reduce repair and replacement costs plus interval maintenance that will significantly extend the useful lives of some components. With longer lives, comes reduced owner contributions.

One oft overlooked advantage of effective reserve planning is strategic investing of the funds. The study reveals when funds will be needed and allows funds to be invested for longer terms and higher yields. An increase of only 1-2% in investment yield can often lead to hundreds of thousands of dollars in additional interest earnings over the projection period. Every dollar of interest earned is one dollar less of owner contribution. It’s like having someone else pay the freight.

One option that HOAs consider financing urgent repairs is bank loans. When HOAs borrow money, it’s considered a commercial loan and both the rate and loan fees are considerably higher than home loans. These loans are typically short term (five to ten years) and HOA loans require monthly payments just like any other. The lenders require much hoop jumping to get them. There are situations when money is needed for like unanticipated and hugely expensive urgent repairs but borrowed money comes at a premium price. If certain owners lack the cash to fund an urgent special assessment, it’s much cheaper to get a home equity loan or even draw on a credit card. Home equity loan interest is also tax deductible.

For a variety of reasons including disability, divorce, retirement and long-term unemployment, some HOA members may not be able to fulfill their financial obligations to the HOA. If a member is no longer able to afford HOA expenses, it may be time to downsize. The HOA simply cannot fulfill its financial obligations when it concedes to the weakest financial link. While this sounds cruel, remember that there is no government bail-out for HOAs. If some don’t pay, the rest must. If the board can convince all the members to subsidize someone down on their luck, well and good. Otherwise, the board should press for collection just like the IRS.

All things wear out sooner or later. A reserve study analyzes those assets that the HOA is responsible for, projects future costs, current funding needs and a schedule for keeping the assets in good repair. The approach is fair to all owners, now and in the future, and ensures repairs are done when needed. Result: happy members with sustainable home values.

Ignoring the obvious has obvious pitfalls. Sooner or later, the inevitable becomes unavoidable. As the saying goes, "If you find yourself in a hole, stop digging."

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