



Association of Professional Reserve Analysts

The ADVISOR

July 2018

Participate in APRA Surveys

Contribute to a database where professionals can find the tools and resources they need to help move the industry forward.



APRA wants to hear from **you!** The organization is considering a survey series, which would help establish a data repository for the industry.

Stay tuned for more information!

Membership Updates

Welcome!

The organization would like to extend a warm welcome to the following new Professional Reserve Analysts (PRAs):

- Justin Foy, SBSA, Inc.

Questions? Comments?

Contact APRA
Headquarters!

877-858-5047
apra@teamwi.com

www.apra-usa.com



**Interested in earning
your PRA Credential?**

Check out the [APRA website](#) for more information.

Featured PRA Member



Megan Konecny

Reserve Advisors - Great Lakes Region
APRA Secretary

"You might think as a civil engineer my job is simply condition assessments and capital planning. But I help turn residential properties into communities and commercial sites into destinations. Of course I have strong technical skills, but I'm also a project manager, community builder and financial planner.

As a senior engineer for Reserve Advisors – one of the nations largest provider of reserve studies – I have managed an annual average of \$250,000 in contracts with a portfolio of over 750 clients.

Over the past 14 years my expertise in assessing condition, technical report writing and project management has helped developed business relationships with clients such as Ronald McDonald Charity Houses - ITALY, Four Seasons Residence Clubs, City of Peroia - Illinois, Olympic Club and Congressional Club.

I am truly passionate about my work. While I enjoy all aspects of my job, I think my favorite

stage of a project is working with the client to understand their objectives in order to create a customized product."

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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 Regenesi 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 unpleasantness 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 the case for urgency. A PRA doesn't have the political problem that board members do of being neighbors. A PRA can explain the cold hard 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 often overlooked advantage of effective reserve planning is strategic investing of the funds. The study reveals when funds will be needed and thus allows available 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 to finance 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 only a few lenders that will do them at all. There are situations when borrowing money is called for (like unanticipated and hugely expensive urgent repairs) but there's simply no free lunch and this one 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 deductible for this purpose.

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. But consider this: shelter is only trumped by food as a life priority. If a member is unable to afford HOA expenses, it may be time for a lifestyle adjustment. The HOA simply cannot fulfill its financial obligations when it plans around or concedes to the weakest 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, and the sooner the better. Most members can come up with their share of cash when pressed. For the rest, it may be time for a heart to heart about downsizing.

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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