

**SONIA SOCHA, KCTHA2, BOARD VP/TREASURER, HOA** ***OPPOSED** with requested amendments*

Although the intent of this bill is to help by extending the current 3 yr period to 5, both are inappropriate for all COCs. ***There should be no limit of years to build a reserve fund.*** The bill should be amended to allow individual boards to determine what is a reasonable timeframe to establish an acceptable reserve account amount for on-going operation of their property.

Perhaps there is a need for Coops and Condos to have a more structured timeline given their many shared components. **HOAs should not be required to amass unnecessary funds in a reserve account which we then must pay increased insurance on** (just because the state now thinks we should).

**Yes, there should be a reserve fund—but even that should not be mandated. ONE SIZE DOES NOT FIT ALL!!** COC's are nonprofits and their funds belong to the community association. ***There is no nonprofit (501c3,4 or 6) in Maryland that is mandated to have a reserve account, that is mandated to put a certain amount of funding in the reserve account and that is mandated to use it in a required way! No university, hospital, religious group or 501c3 has these state mandates—yet most receive state funding and they do have established reserve accounts with appropriate amounts.***

Each COC has a board and property management company guiding its budget and operation. The board's responsibility is to establish and maintain an "appropriate" reserve fund for its unique operation of common areas/components. *Why after 50 years, does the state believe it is necessary to regulate COCs with all of these laws/pending laws? Why have our COC boards not been asked what would help us operate our organizations rather than stress us with one regulation after another?*

HOAs are vastly different than Condos and Coops in property and operation. HOAs do not have common walls, roofs, plumbing and other components. **The mandated reserve fund created using the current reserve study process has placed an onerous challenge on our HOA operation of 222 entry level/retiree homes. Our 2022 reserve study indicates we must raise \$1million dollars (and will never be needed) from 222 homeowners, many who have not lived in the community for long combined with those that have been there a long time.**

The KCTHA2 board knows from experience that \$1million is not needed in our reserve account even though the study says that. Many homeowners cannot afford the assessments that would be required to meet a 5 yr window. We would have to assess an additional \$1200 each year per home on top of the \$850 paid for quarterly fees. You may not think this is a lot—but our homeowners do. **Homeowners are in arrears with the \$850 annual fees! We have had the highest number of homeowners not paying in 2024.** If we place a lien on a property, the association often does not get paid because it is the last thing that is paid out in a bankruptcy or settlement. If we were able to collect these outstanding payments, we could then increase the funds in our reserve account. Homeowners do not understand when they move in that these fees have to be paid.

Our board has been able to manage the community well without the outstanding funds—but not with state mandates. *(We know how much is needed in our reserves for the future to address major items.)*

**THERE SHOULD BE NO REQUIRED PERIOD TO MEET A RESERVE FUND—NOR A REQUIRED AMOUNT OF A RESERVE FUND FOR COCs—or at least for HOAs.**

***KCTHA2 respectfully requests that this bill be amended to allow for no specific amount of years to meet a board determined amount for the reserve account based on the most recent reserve study.***

