

5 Pros and 5 Cons of Homeowners' Associations

"A well-run and managed HOA can be a blessing, and a poorly managed HOA can be a curse," says Bruce Ailion, a broker at RE/MAX Town and Country in Woodstock, Ga.

Here, real estate agents and homeowners weigh in on the blessings and the curses of homeowners' associations (HOAs).

Pro No. 1: Your neighborhood will look good.

Generally, an HOA establishes rules to ensure the neighborhood looks sharp, says Brad Pauly, owner and broker at [Pauly Presley Realty](#) in Austin, Texas. These include strict guidelines about keeping lawns manicured, restrictions on parking boats and other large vehicles on the street, and limitations on exterior paint colors.

"This type of oversight eliminates issues with one or two properties weighing down all property values due to an unpleasant exterior," says John Lyons, a broker with Baird & Warner in Chicago.

Pro No. 2: You'll enjoy access to amenities.

An HOA usually offers community amenities such as a pool, a fitness center, parks,

Pro's and Con's of a Land Lease

Pros of Buying Property on Leased Land

The biggest factor that makes buying property on leased land attractive is that it's often cheaper. You can own a home, townhouse or condo on leased land for much less than similar options on purchased land.

Some other pros to buying property on leased land include:

1. **Your lease arrangement may give you access to community amenities such as a pool, tennis courts, parking, etc.**
2. The rental fees may include maintenance of the property, freeing you from tasks such as mowing the lawn or gardening.
3. **Using this arrangement can allow you to purchase a home in areas where prices would be prohibitive otherwise.**
4. **You avoid property taxes.** Since you don't own the land, you can't be held responsible for the taxes on the property.

Cons of Buying Property on Leased Land

There are some significant drawbacks that may make you reconsider purchasing property on leased land. Principally, the fact that not owning the land your house is built on can lead to complications and unpleasant surprises down the line. Of course, if you do your due

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children's play areas and security gates, Pauly says.

Pro No. 3: Your maintenance costs will be shared.

HOA dues are earmarked for maintenance of shared spaces, according to Lyons. This includes community lawn care (but not for your own yard), community snow removal (but not for your own property) and upkeep of common areas like the pool or the fitness center.

Pro No. 4: You've got a built-in mediator.

Involved in a tiff with your neighbor over that big oak tree that's losing limbs? You can settle some confrontations with your neighbors by taking your grievances to the HOA's board or management company, Lyons says.

Pro No. 5: You can get to know your neighbors.

Gina Estrada, who lives in a gated HOA community in Clovis, Calif., says that if you're elected to serve on the HOA board or are otherwise active in the association, you'll become better acquainted with your neighbors. Heck, you might even make some new friends. "I believe we should know our surroundings, including the people in them," Estrada says.

Con No. 1: You'll fork over HOA dues.

When buying a home in a community with an HOA, you've got to add HOA dues to your budget. The dues vary, but typically run in the hundreds of dollars per month.

There are some significant drawbacks that may make you reconsider purchasing property on leased land. Principally, the fact that not owning the land your house is built on can lead to complications and unpleasant surprises down the line. Of course, if you do your due diligence and investigate in detail, you can avoid some of these issues. However, the truth remains that not owning your land means that decisions about it lie in the hands of others. Here are some more specific cons of buying property on leased land:

1: You'll have to pay rental fees on the land.

This means that although your mortgage may be lower, the land lease may add a significant monthly or yearly payment. Be sure to compare this cost with the property taxes you'd pay when purchasing a home with land so that you can figure out what your real expenses will be. Also, remember that if the lease expires and you're able to renew it, the rent costs may be renegotiated at an increased rate due to inflation and other factors.

2. Equity. You won't really build your wealth through purchasing a property on leased land the same way you would in a traditional purchase. Why? Because the value of a home typically depreciates over time. This is especially the case in leased land properties because the lease time shortens. While other homes may grow in value because of rising land costs in some communities, the rising land costs negatively affect a leased land situation because it implicates a higher rent.
3. Another con to buying a property on leased land is that it may be more challenging to find a buyer in the future should you decide to sell.

Con No. 2: Your hands will be (somewhat) tied.

If someone buys a home in an HOA community and wants to make changes to the property, such as the addition of an enclosed patio, it normally must be approved by the HOA's board. "It's possible that an HOA could prevent certain updates on a home," Pauly says.

Con No.3: If an HOA is facing financial problems or is ensnared in a lawsuit, it could harm your ability to obtain a loan for a home and could hurt sale prices of homes in the community, Pauly says.

Con No. 4: You'll lose some of your freedom.

When you live in a community governed by a HOA, you'll have to follow its rules, even if you think they're ridiculous, Lyons says.

"You do, however, have the option of petitioning the homeowners' association to change any rule you don't agree with. But if you lose, you will have to live with it," Lyons says.

Con No. 5: You might be the victim of a "rogue" board member.

Estrada says her HOA elected a "rogue" homeowner to the board who decided to flout the rules and do whatever he wanted. For instance, Estrada says, the rogue board member thought the community needed speed bumps to slow down speeding drivers, so he had them installed. That move caused neighborhood uproar. The process to take out

4. **Finally, finding a lender to get your mortgage** sorted can be more challenging in a leased land property than with a traditional purchase.

the speed bumps and remove the rogue homeowner from the board cost several thousand dollars, including legal fees, she says.

“When there is one rogue homeowner, it can really mess things up,” Estrada says.

Problems also arise when homeowners stop attending HOA meetings, Estrada says, and it’s left to a small group of people to make decisions.

“The board of directors is made up of your neighbors. If you want to have a say in how things go, you have to serve on the board,” says Ailion.