



# BEVEN & BROCK

## NEWS & VIEWS

### for Homeowner Associations

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Issue No. 127

### Condo Financing - Changes And Challenges!

By David Brock, PCAM

In the July 2025 issue of Beven & Brock's "News and Views" HOA newsletter, we ran two articles on the so called "black



list" of common-interest-developments that are ineligible for financing. The July 2025 newsletter can be found at [www.bevenandbrock.com/July2025newsletter.pdf](http://www.bevenandbrock.com/July2025newsletter.pdf).

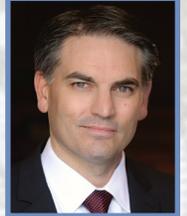
After publishing these articles a few questions have been raised, and as we approach the budget process for 2026, there may be some important considerations for HOA boards to consider especially as you develop your budget for next year.

It is important that **every board member** understands why it is necessary to avoid being on this list regardless of your intentions to sell soon, or ever. Why? If owners in your association cannot sell to a conventional lender, buyers will be forced to pay all cash, or finance with a high-interest rate loan. **This will lower the value of all the units in your association.** About 70% of mortgages are underwritten by Fannie Mae or Freddie Mac which are

*"Condo Financing - Changes and Challenges!": continued on page 3.*

### Important Legal Update AB 130 - \$100 Fine Cap

By: Brian D. Moreno, Esq.



Usually, a proposed bill goes through extensive revisions with input from various parties. Assembly Bill 130 was a surprise to all of us in this industry. The bill was signed by Governor Newsom despite the bill's major implications to community associations across California. AB 130 amends Civil Code Sections 5850 and 5855 with regard to the imposition of fines and the underlying procedure for doing so. AB 130 is not retroactive, so it does not affect fines imposed by community associations prior to July 1, 2025; however, there was no grace period allowed, so it takes effect immediately.

The major revision to sections 5850 and 5855 is the \$100 cap on the amount of a fine for a violation of the governing documents. Notwithstanding anything stated in the association's governing documents, the association is unable to impose a fine greater than \$100 per violation (unless the health/safety exception applies). This means that going forward, all community associations in California are prevented from imposing a fine that exceeds \$100 unless the violation meets the exception.

The exception would apply in the event the alleged violation "may result in an adverse health or safety impact on the common area or another association member's property." This phrase is not defined and could include a wide variety of violations (e.g., fire code violations, parking in a fire lane, architectural modification that compromises structural integrity or implicates asbestos, pet violations, etc.); however, given the ambiguity, if an association decides to trigger the exception to impose a fine greater than \$100, the affected owner could potentially challenge the fine on those grounds.

Another potential challenge available to owners now is the "opportunity to cure" defense now found in section 5855, which provides members the opportunity to cure any violation prior to the hearing and avoid any discipline for the alleged violation. The "opportunity to cure" defense would also extend to situations where curing the violation would require more time than the period between the notice of the hearing and the hearing itself and if, prior to the hearing, the owner makes a financial commitment to cure the violation.

Finally, another defense that could be triggered by the owner is the IDR procedure. If the parties are not in agreement after the due process hearing, a member shall have the opportunity to request IDR.

The good news about AB 130 (if there is any at all for community

*"Important Legal Update AB 130 - \$100 Fine Cap": continued on page 2.*

(sometimes including management and legal fees) incurred by the association in enforcing the governing documents against the owner. Associations should consult with legal counsel to ensure that the governing documents support the imposition of such an assessment, but AB 130 does not prevent an association from imposing such a charge. In addition, AB 130 - in our view - does not prevent daily or monthly fines not exceeding \$100 so long as the ongoing issue could be classified as separate and distinct daily or monthly violations. For example, if an owner commits a parking violation (e.g., owner parking in guest space for a month), each day the car is parked illegally could be considered a separate violation and fined as such. Assume further that this owner moves the car each day, this in our view would still be considered a daily violation subject to a daily fine.

That said, legal counsel should be consulted and each violation matter must be analyzed based on the unique circumstances presented.

From a litigation perspective, Judges and Juries typically dislike awarding fines because they are penalties and not necessarily reimbursing the association for damages and expenses caused by the violations. In this regard, the \$100 limitation sort of forces associations to limit the fine process and fine amounts leading up to pre-litigation ADR and litigation. Associations and their management firms should also discuss with legal counsel the various expenses, costs, and fees that could form the basis for a special reimbursement assessment. Oftentimes those amounts could exceed the amount of fines that were previously imposed under the former law, and such amounts may be received more favorably by judges and jury members given that such amounts are hard costs incurred by the association rather than penalties that could be mischaracterized as "income" for the association.



Either way, AB 130 forces associations to reexamine their fine and enforcement policies to (1) comply with the new laws, (2) determine whether daily/monthly fines should be imposed, and (3) determine whether the governing documents should be revised to allow for a special reimbursement assessment as a possible enforcement mechanism. These enforcement strategies must be analyzed in light of the particular violations matter and risks associated with taking a particular action. Associations that are in the process of amending their fine policies should distribute a cover letter to the membership that any reference to fine amounts in this document is amended to not exceed \$100.00 per violation, unless there is an adverse health or safety impact on the community, in which case it may be higher.

In conclusion, associations should enact new enforcement and fine rules to conform with AB 130. While the 28-day comment period may not apply since the association would be complying with new law, our suggestion is that the comment process should still be implemented for transparency and input from owners. Perhaps a town hall-style meeting could be held to discuss with the membership that while the fine amounts are capped, the association may still pursue other enforcement remedies. The new enforcement rules and fine policy should also include language that anticipates future legislative amendments or possibly a "clean-up" bill in the future. ❖



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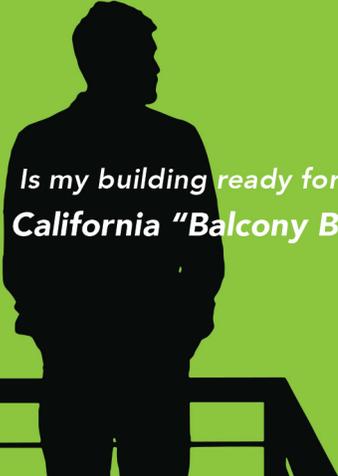
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*"Condo Financing - Changes and Challenges!": continued from page 1.*

government-sponsored enterprises that buy mortgages from lenders and either hold these mortgages in their portfolios or package the loans into mortgage-backed securities (MBS) that may be sold. Banks and credit unions who make loans must meet lending requirements as established by Fannie and Freddie. The July 2025 version of their selling guide contains almost 1200 pages. Unfortunately, due to the collapse of the twelve story condo complex in Surfside, Florida known as Champlain Towers South in 2021, the lending requirements have been steadily increasing each year.

There are at least five major areas where the project requirements have been increased over the recent years and lenders must apply additional review. The areas are the following: unsafe conditions and the need for "critical repairs", special assessments, funding of reserves, litigation and insurance. Let's explore each of these:

First, **unsafe conditions and critical repairs:** projects in need of critical repairs, include material deficiencies and significant deferred maintenance. Critical repairs are repairs or replacements that significantly impact the safety, soundness, structural integrity or habitability of the project's building(s), or the financial viability or marketability of the project. Ineligible projects contain "material deficiencies" which have the potential to result in or contribute to critical elements or system failure within one year. In addition, issues of mold, water intrusion or potentially damaging leaks to the project's building would also be a concern to lenders.

Building projects that have received an order from a regulatory authority or inspection agency to make repairs due to unsafe conditions will be ineligible until such repairs are made. Also, any project that failed to pass state, county, or other jurisdictional mandatory inspections or certifications specific to structural

safety, soundness, and habitability as well as any unfunded repairs costing more than \$10,000.00 per unit that should be undertaken within the next 12 months would cause ineligibility for financing.

Examples of specific building components include, but are not limited to, elevators, waterproofing, stairwells, balconies, foundation, electrical systems, parking structures or other load-bearing structures. If damage or deferred maintenance is isolated to one or a few units and does not affect the overall safety, soundness, structural integrity, or habitability of the project, then these requirements do not apply.

Secondly, **special assessments:**

Lenders must obtain and review the following information for each special assessment to determine if it addresses a critical repair:

- What is the purpose of the special assessment?
- When was the special assessment approved and is it planned (approved by the unit owners, but not yet initiated by the board) or is it already being executed?
- What was the original amount of the special assessment and the remaining amount to be collected?
- When is the expected date the special assessment will be paid in full. If the special assessment is associated with a critical repair and the issue is not remediated, the project is ineligible.

Both current special and anticipated assessments would be evaluated.

Boards may want to consider the benefit of putting repairs costs into the budget as opposed to using special assessments as a way to justify no, or very small, increases in monthly assessments.

Third, **funding of reserves:**

An association must have a reserve study that meets specified criteria. The lender may review the most current reserve study, or a reserve study update provided it has been completed within

three years of the date on which the lender approves the project. Regardless of the reserve study recommendations, the lenders are looking for a minimum budget allocation for reserves to be 10% each year. A reserve study completed within the past 24 months is required for projects that

*"Condo Financing - Changes and Challenges!": continued on page 4.*



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are not funding a minimum of 10% for the future repair/replacement of the project's major components.

Fourth, **litigation**: if the HOA is named as a party to pending litigation, that relates to the safety, structural soundness, habitability, or functional use of the project will be considered ineligible. A letter from the attorney representing the association that explains the lawsuit and the potential liability to the association is required.

Finally, **insurance**; the property insurance policy must provide for

claims to be settled on a replacement cost basis. Property insurance policies that provide for claims to be settled on an actual cash value basis are not acceptable. Policies that limit, depreciate, reduce or otherwise settle losses at anything other than a replacement cost basis are also not acceptable. It is always best to confirm with your insurance agent that your policy meets Fannie/Freddie requirements and adjust accordingly as needed.

Master property insurance policies are required for the common elements and residential structures for each loan that Fannie Mae purchases in a condo project unless the condo project's legal documents require individual property insurance policies for each unit. The maximum allowable deductible for all required property insurance perils is 5% of the master property insurance coverage amount.

The insurance market has been challenging for some time and it remains so. According to Ryan Gesell of the Cline Insurance Agency, policies are being non-renewed due to loss history, brush-fire risk, electrical master and sub-panels in need of updating, and balcony railings that are greater than 4" apart. On the last two issues, the association may be given a short

amount of time to comply and keep the policy. Associations should attempt to do everything possible to avoid losing their insurance as replacement without a steep cost increase is highly unlikely.

In summary, board members should consider the following **action steps** as we move toward 2026.

1. Don't ignore what may appear to be major and critical repairs. Do your homework to obtain appropriate professional advice.
2. Update your reserve study as required by law.
3. Fund reserves at least 10% per year, or preferably in accordance with the reserve study recommendations.
4. If you have older electrical panels such as Zinsco or Federal Pacific Electrical "Stab-Lok" (FPE) it would be advisable to be proactive and consult an electrician about the cost to replace. The time frame to replace, if required, may be very short.
5. Consult with your insurance agent to understand how your rates may change in the coming year, and confirm that your policies comply with lending requirements. ❖



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## The "List" - How To Check If You Are On It And How To Get Off The List!

There are approximately 50,000 common-interest developments (CIDs) in California. In March of 2025 it was reported that approximately 700 complexes in CA were on the list. The chances are slim that your association is on the list at less than 2% of all associations in California.

First, to find out if your association is on the "list", go to <https://bevenandbrock.com/fanniemaelist>.

The information that is needed is as follows: legal name of association, physical address, number of units, and tax ID number. The tax ID number should keep this

information fairly private as this is not public information.

Secondly, if your association is on the list, the site will state the following: if you believe the information is inaccurate or the conditions have changed, an email address is provided to submit this information to Fannie Mae. It will be reviewed and you will be informed regarding next steps.

Natalie Stewart of [www.fhareview.com](http://www.fhareview.com) has commented that Fannie Mae is known to be slow to respond and some associations literally never hear back. Her "The "List" - How To Check If You Are On It And...": continued on page 7.

# Managing Bullies In Your HOA

By the Community Associations Institute

The American Psychological Association defines bullying as “a form of aggressive behavior in which someone intentionally and repeatedly causes another person injury or discomfort. Bullying can take the form of physical contact, words, or more subtle actions.”

Unfortunately, it is all too common for [bullying to occur in community associations](#). Board members and managers need support and guidance to handle these types of situations. Bullying is a form of workplace harassment and violence.

If the bullying is directed at an employee, it can increase the use of sick leave, increase medical costs, and cause employees to quit or request a transfer. Disgruntled homeowners who challenge the board’s decisions, harass board members, chastise the manager, and fight with residents with their own agenda and may be considered bullies.

There are [many types of bullying](#). Verbal abuse is the most common and is extremely demeaning and degrading. These actions are dangerous to one’s self-esteem, causing anxiety, depression, and emotional and psychological harm. Cyberbullying can occur over email, social media, and digital platforms, and it can harm the association’s reputation and present potential liability.

What is the best way to address a bully? Here are some tips:

**Talk with the bully face-to-face outside of a group setting.** Take a positive approach, and communicate about specific unruly behaviors and how they adversely affected an employee, fellow board member, or resident. Explain how the behaviors impacted association operations.

If you feel like you need it, bring a witness to support you.

**Criticize the behavior and not the person.** Ask questions. Find out why they are attacking and

belittling. Explain that the board, residents, and management are working toward a common goal.

**Discuss and stick to the facts.** Try not to get emotional. Maintain composure, and address the behavior in a friendly, professional manner.

**Create and adopt a code of ethics and board code of conduct.** Require all to sign it and refer to it when an individual gets out of hand.

**Review governing documents, human resources policies, and state laws.** If the bully is on the board, you may have the power to remove the member or reassign them. If the bully is an employee, speak with them, document the conversation, and review the employment manual.

Board and resident bullies need to understand how their behavior affects the entire association. Homeowners have the right to complain; however, they should never disrespect the manager and the board. If a resident makes obscene gestures, is disruptive, or uses profanity, they should be subject to removal from a meeting, cited for violating governing documents, and possibly fined.

A resolution can be adopted if the governing documents do not outline specific provisions regarding unruly behavior. Contact your association attorney to assist with drafting language for a board code of conduct or adopting a resolution. If things are out of control, consider a cease-and-desist order.

It is important to respect differences of opinion and agree to disagree. You may not be able to change someone’s behavior, but you can set boundaries to create a better environment that does not reward bullying or disrupt the association.

## Civility Pledge

Community association boards are regularly faced with challenging and complex issues that can

spark strong emotions. A critical responsibility of a board leader is to facilitate community conversation about these important issues. Community association boards can commit to embracing principles that establish a framework for effective community conversations by [adopting CAI’s Community Association Civility Pledge](#).

Community association boards use this framework to lead their communities through conversations about difficult and complex issues and harmonizing feedback from residents resulting in decisions that are informed and well balanced for the community as a whole.

Article provided by the Community Associations Institute, a trade organization serving the common-interest-development industry. ❖



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# Protect Your HOA From Copper Pipe Leaks And Improve Your Health Of Your Community!

By John Bottala, Western Supreme Rooter and Roman Esparza, CMCA, Beven & Brock

As you may already know the water quality in Southern California can contain toxic chemicals such as chlorine, and other harmful ingredients that can be bad for your health as well as the copper pipes in your building. Over time this harmful water can damage and destroy copper pipes, which leads to expensive “pin-hole” copper pipe leaks in your domestic water copper pipe system.

How can you tell if the water in your community may be harmful to your copper pipes? The water in your HOA may have foul odor of chlorine and other chemicals and could even taste toxic, making your

skin and hair dry and flaky. Also, this water leaves water spots on pots and pans, water spots in sinks, counter tops, and shower glass doors. Eventually this harmful water can also lead to expensive leaks in your HOAs domestic water copper pipe system. I know of several HOAs that have reported copper pipe “pin-hole leaks”, at least once to twice a year, and in some HOAs even more.

These copper pipe leaks are not covered by your insurance policy. The HOAs insurance company may only cover the *damage caused by a sudden pipe leak* in your HOA’s copper pipes system. But repairs and replacement of the actual copper pipes are NOT typically covered by your HOA insurance policy.

Often the damage caused by copper pipe leaks which may be hidden in walls, floors and ceilings can occur over a period of time, and are not discovered for several weeks or months. By this time, the damage can impact drywall or wood behind the walls causing mold and mildew.

HOAs that want to help prevent expensive copper pipe leaks and help improve the health and lifestyle of the residents, should consider installing a new water filtration system.

Water filtration systems work by removing contaminants (that can damage copper pipes) from the water using a variety of methods, including physical barriers, chemical reactions, and even UV light. Common types of filters include sediment filters, carbon filters, and reverse osmosis systems. These filters trap or neutralize impurities, resulting in cleaner, safer water. Here’s a more detailed look at the different types of filtration:

## Physical Filtration

**Sediment Filters:** These filters use a physical barrier (like a mesh

or porous material) to trap larger particles like dirt, rust, and debris.

**Ceramic Filters:** These filters utilize the tiny pores in ceramic material to trap suspended particles and pathogens.

## Chemical Filtration

**Activated Carbon Filters:** These filters use activated carbon (often in the form of granules or a solid block) absorb contaminants like chlorine, pesticides, and certain heavy metals.

**Ion Exchange Filters:** These filters use materials that swap out certain ions (like calcium and magnesium in hard water) for others (like sodium), softening the water.

## Other Filtration Methods

**Reverse Osmosis:** This method forces water through a semi-permeable membrane under pressure, leaving behind dissolved solids and contaminants.

**UV Light:** This method uses ultraviolet light to disinfect water by damaging the DNA of micro-organisms, rendering them harmless.

In essence, water filters act like sieves, traps, or sponges, removing unwanted substances from water to make it cleaner and safer to drink and help to protect copper pipes from pin hole leaks.

We have found that one of the best water filtration systems to help prevent copper pipe leaks and improve the taste and clarity of the water in your home, or in the HOA, is the HALO 5 Water Filter. This is a 10 year “maintenance-free”, self-cleaning water filter system, that flushes out every 11 days, the entire building water filter and conditioner system.

*“Protect Your HOA From Copper Pipe Leaks...”: continued on page 7.*



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*"Protect Your HOA From Copper Pipe Leaks..": continued from page 6.*

No filter changes are needed, and there are NO monthly fees. The HALO 5 water alkaline levels are better than most reverse-osmosis water filters and you don't need to purchase bottled water anymore. Water is safe to drink after filtering with the Halo 5 system and it tastes better and fresher. Hands, body and hair will feel noticeably softer and cleaner after washing with soap and Halo 5 water. And more importantly for the HOA, it will also protect your copper water pipes against expensive pin hole water leaks.

A water filter system like the HALO 5 whole building water filter, with full installation, can range anywhere from \$5,000.00 - \$15,000.00, depending on the size and location of installation, and the number of condo units in your community.

Most HOAs that have installed a new water filtration system in their community have seen a dramatic decrease in the number of pin-hole copper pipe leaks. And some HOAs reported that they have not

had even a single pin-hole water leak in the copper pipes since the water filter was installed. Saving the HOA hundreds, and in some cases, thousands of dollars in the cost of the copper pipe repairs and damage, which can easily offset the cost of the water filter installation in just one repair of a copper pipe leak.

It is important to remember to make sure your new water filter system is as maintenance-free as possible, and the cost includes delivery, full copper pipe plumbing installation, all straps, new brass valves, PVC drainpipe, and setup by a licensed and insured plumbing company.



HOAs or homeowners that are interested in getting a price quote for a new water filtration system for their home or community, should shop around and contact a licensed and insured water filtration company or plumbing company in their area that is experienced in water filter installations. It could be the best investment expense your HOA will ever make.

Authors John Bottala - Western Supreme Plumbing & Rooter Company and Roman Esparza, CMCA Beven & Brock.

Please feel free to contact Western Supreme Plumbing of Arcadia at (626) 448-6455 to find out what water filtration system is best for your community and what's the cost for installation. Tell them you are a client of Beven & Brock (if you are) and they will give you a discount price and take good care of you. ❖

*"The 'List' - How To Check If You Are On It And...": continued from page 4.*

suggestion is to work with a lender and ask them to search in CPM (condo project manager), a portal that only lenders can access. It is advisable to submit documentation through the CPM system and that this method is generally more effective and gives you a "real" person to work with.

Another option is to work with a Lender. Contact a lender and ask them to search the Association in

CPM (Condo Project Manager). If they confirm ineligibility, you can provide any needed documents and ask them to submit through CPM. It may be necessary to work with an engineer or your reserve study company to provide professional level reports.

Some have asked how they got on the list. It's unlikely an individual owner got the community added to the ineligible list unless they are a condo underwriter at a lending institution. The only way to be added

to the list is for the Association to be denied by an underwriter during the loan process. It's more likely that during underwriting of a mortgage (refi or new purchase) a full project review was completed and this triggered the ineligibility. According to Ms. Stewart, the system is a mess. She recommends pursuing both options at once to cover all bases. ❖

### **About this newsletter:**

HOA News and Views has been published and provided free of charge to board members in Los Angeles county for over 30 years.

The newsletter is distributed quarterly during the first week of each quarter. If you do not receive it, and you have received it in the past, please let us know at [HOANewsletter@bevenandbrock.com](mailto:HOANewsletter@bevenandbrock.com). We do not remove names unless requested.

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## BEVEN & BROCK NEWS & VIEWS for Homeowner Associations

### HOA BOARD MEMBER EDUCATION

Education for volunteer HOA board members is essential for success as board members. Due to the ever-increasing complex and changing nature of the laws and regulations that impact common-interest-developments staying on top of these changes greatly increases a board's member ability to succeed in their role, and operate in confidence

There are several ways for board members to be educated, and Beven & Brock offers training for board members.

#### UPCOMING DATES:

**No dates at this time**

[www.beveandbrock.com/BoardTraining.pdf](http://www.beveandbrock.com/BoardTraining.pdf)

Free three-hour training course for current and prospective HOA board members. A course syllabus and informational handouts are provided. This CAI-sanctioned class is taught by its co-creator Kelly Richardson, Esq. CCAL of Richardson Ober, and is co-sponsored with the Community Associations Institute. Seating is limited, and reservations may be made by emailing: [BoardTraining@bevenandbrock.com](mailto:BoardTraining@bevenandbrock.com). Priority is given to current Beven & Brock managed associations due to space limitations.

#### A RESOURCE AVAILABLE FOR HOA BOARDS!

Beven & Brock is pleased to announce the availability of a resource for Homeowner Association Boards to find information on topics of interest as needed on demand. Over 135 articles have been taken from prior newsletters and gathered in one place, located at [www.bevenandbrock.com/topical-article-library/](http://www.bevenandbrock.com/topical-article-library/). The topics are organized into categories, such as Legal, Meetings, Board, Reserves, Insurance, Community, Elections, Maintenance, Management and other subjects.

This area of the website requires a simple one-time registration, and once that is completed, you can freely access a number of articles on a variety of topics that have appeared in *HOA News and Views* over the past eight years. This resource will help HOA Board members to become educated in an easy and accessible way. The goal is to help boards make well-informed decisions in a variety of challenges that they may encounter.

This Newsletter is circulated for general informational purposes as a public service and promotion by the Beven & Brock Property Management Company. The contents are the opinions of the firm, or the authors, and not intended to constitute legal advice, and should not be relied upon for that purpose. If you have a legal issue related to a subject of this newsletter, you should consult the California Civil Code and your attorney. The paid advertising in this newsletter is provided as a courtesy to our readers and does not constitute any endorsement by Beven & Brock. The advertisers provide their services to HOA's and some may have provided services to Beven & Brock's HOA clients in the past.

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