



HOA Buyer's Due Diligence CHECKLIST

Your Essential Tool for Guiding Clients Through HOA Purchases

How to Use This Checklist: Before your clients commit to an HOA purchase, use this guide to evaluate the community's financial health, governance, and long-term viability. Keep track of how many times you check **GREEN FLAGS** (Healthy HOA indicators) and **RED FLAGS** (Pass indicators). A healthy HOA protects your clients' investment and ensures smooth transactions.

Financial Health

1. RESERVE FUND STATUS

Request the HOA's most recent reserve study. A healthy reserve should be 70-100% funded.

- ☐ **GREEN FLAG** Reserves are 70%+ funded and the HOA has a plan to reach 100%.
- ☐ **RED FLAG** Reserves are below 50% funded, or there's no reserve study available.

2. ASSESSMENT TRENDS

Review the past 3-5 years of assessment increases. Are they stable, gradual, or sudden?

- ☐ **GREEN FLAG** Assessments increase 5% annually or remain stable with clear justification for any larger increases.
- ☐ **RED FLAG** Sudden spikes in assessments, special assessments not explained, or assessments rising faster than inflation.

3. DELINQUENCY RATE

Ask what percentage of homeowners are delinquent on HOA fees. This indicates financial stress in the community.

- ☐ **GREEN FLAG** Delinquency rate is below 5%.
- ☐ **RED FLAG** Delinquency rate exceeds 10%, or the HOA is unwilling to disclose the delinquency information.

4. BUDGET TRANSPARENCY

Request the current annual budget. It should clearly show the community's income, expenses, and reserve contributions.

- ☐ **GREEN FLAG** Budget is detailed, easy to understand, and readily available to all homeowners.
- ☐ **RED FLAG** Budget is vague, difficult to obtain, or shows significant year-to-year variances without explanation.



Governance & Management

5. MANAGEMENT COMPANY TENURE

How long has the current management company been with the HOA? Frequent changes can indicate problems.

- ☐ **GREEN FLAG** Management company has been in place for 3+ years with positive resident feedback.
- ☐ **RED FLAG** Management company changes frequently, or residents express frustration with management responsiveness.

6. BOARD STABILITY

Is the board stable with consistent leadership, or is there high turnover and conflict?

- ☐ **GREEN FLAG** Board has consistent leadership, regular meetings, and documented meeting minutes available to residents.
- ☐ **RED FLAG** Frequent board changes, difficulty finding board members, or meetings are irregular/poorly documented.

7. CC&RS AND ENFORCEMENT

Review the Covenants, Conditions & Restrictions (CC&Rs). Are they reasonable and consistently enforced?

- ☐ **GREEN FLAG** CC&Rs are clear, reasonable, and enforcement is fair and consistent.
- ☐ **RED FLAG** CC&Rs are overly restrictive, outdated, or enforcement is selective and/or arbitrary.

8. COMMUNICATION & TRANSPARENCY

How does the HOA communicate with residents? Are meetings open to all the homeowners?

- ☐ **GREEN FLAG** Regular newsletters, open board meetings, and responsive communication channels.
- ☐ **RED FLAG** Limited communication, closed meetings, or residents feel uninformed about HOA decisions.



Physical Condition & Maintenance

9. COMMON AREA MAINTENANCE

Walk the community. Are common areas, landscaping, and facilities well-maintained?

- ☐ **GREEN FLAG** Common areas are clean, well-maintained, and show signs of regular upkeep.
- ☐ **RED FLAG** Visible neglect, deferred maintenance, broken amenities, or poor landscaping.

10. MAJOR SYSTEM CONDITION

Ask about the age and condition of major systems: roof, parking lot, pool, HVAC, etc.

- ☐ **GREEN FLAG** Major systems are recently updated or have many years of useful life remaining.
- ☐ **RED FLAG** Major systems are aging and approaching end of life without funding for replacement.

11. PENDING REPAIRS OR LITIGATION

Are there any known structural issues, pending lawsuits, or major repairs planned?

- ☐ **GREEN FLAG** No major pending repairs or litigation; community is well-maintained.
- ☐ **RED FLAG** Pending litigation, major repairs needed, or structural issues that will require special assessments.

Pro Tip For Your Clients

A HEALTHY HOA IS AN INVESTMENT IN YOUR CLIENTS' FUTURE.

Encourage them to review all available documents before making an offer, including financial statements, budgets, and CC&Rs. These documents are essential for due diligence and should be reviewed by your clients' attorney.

Community Health & Stability

12. OCCUPANCY RATE

What percentage of the units are owner-occupied vs. rented? High rental rates can indicate instability.

- ☐ **GREEN FLAG** 80%+ owner-occupied; rental restrictions are reasonable and enforced.
- ☐ **RED FLAG** More than 30% rentals, or no rental restrictions in place.

13. RESIDENT SATISFACTION

Talk to current residents. Are they happy with the community and HOA management?

- ☐ **GREEN FLAG** Residents express satisfaction and pride in their community.
- ☐ **RED FLAG** Residents express frustration, complaints about management, or signs of community discord.

14. RESALE ACTIVITY

How quickly are homes selling? Are prices stable or declining?

- ☐ **GREEN FLAG** Homes sell within 30-60 days at stable or appreciating prices.
- ☐ **RED FLAG** Homes sit on market for 90+ days, prices are declining, or many homes are in foreclosure.

Legal & Insurance

15. INSURANCE COVERAGE

Does the HOA have adequate property and liability insurance? Are there any gaps?

- ☐ **GREEN FLAG** HOA carries comprehensive property and liability insurance with adequate limits.
- ☐ **RED FLAG** Insurance coverage is minimal, outdated, or there are known gaps.

16. PENDING OR ACTIVE LITIGATION

Is the HOA involved in any lawsuits? This can indicate governance or financial problems.

- ☐ **GREEN FLAG** No active litigation or only routine disputes.
e.g., architectural violations
- ☐ **RED FLAG** Multiple lawsuits, class action litigation, or disputes over major issues.

17. COMPLIANCE WITH HOA LAWS

Is the HOA compliant with all state and local HOA regulations?

- ☐ **GREEN FLAG** HOA is fully compliant with all regulations and has no violations on record.
- ☐ **RED FLAG** HOA has multiple violations, fines, or is non-compliant with the state/local requirements.

Your HOA Health Results

Green Flags

13+ GREEN

HEALTHY: Recommend! Your clients can move forward on this HOA with confidence.

8-12 GREEN

INVESTIGATE: This community is concerning. Request detailed explanations on the red flag areas and consider renegotiating terms.

>8 GREEN

HARD PASS: Recommend your clients pass on this property. The risks are too high.

Red Flags