

STEPS IN ESTABLISHING A HOMEOWNERS ASSOCIATION (HOA)

1. Conduct a meeting of your HOA where you nominate and elect officers, including a president, treasurer, and secretary. Minutes of the meeting should include all actions taken including officer elections.
2. Secure a P.O. Box or street mailing address for your HOA.
3. Apply for a federal Employer Identification Number (EIN) using the attached IRS form SS-4 or on-line at: <https://sa1.www4.irs.gov/modiein/individual/index.jsp>. You can find more information at: <http://www.irs.gov/businesses/small/article/0,,id=102767,00.html>. You will need the HOA president to provide you with their personal social security number as the “principal officer” of the HOA in Section 7b. You will check-off the Type of Entity in Section 9a as “Other” and then write in “homeowners association”. Under Reason for Applying in Section 10, check-off “Banking purpose” and write “to open a checking account.”

Once you have secured an EIN number, you can then:

4. Open a bank account at a local bank with a letter from the HOA president confirming account signers (President, Secretary/ Clerk, and Treasurer). The signers typically have to physically go to the bank to fill-out the necessary paperwork to open the checking account. Please call your bank first to find out exactly what they require to open a checking account. Some banks will require different information.

Again, you can apply for an EIN and open a bank account as a non-incorporated organization if the bank should ask for certificate of non-profit status. As a non-incorporated organization you wont have to file with the state annually, but you can certainly choose to have your HOA incorporated by the state if you desire (i.e. applying to the state to become a non-profit organization at:

<http://www.sec.state.ma.us/cor/corpweb/corncp/npfrm.htm>).

5. Secure general liability insurance for any land leased from the Island Housing Trust in common by the HOA from a local insurance agent.
6. Based on an annual HOA budget and calculate each homeowner/ HOA members assessments by dividing the annual budget by the number of homes. Collect annual HOA assessments and deposit them in the HOA bank account, in order to pay for common expenses throughout the year.
7. Refer to your HOA master declaration, by-laws, and policies and procedures regarding scheduling your annual meetings, electing officers, collecting HOA assessments, or the process for reviewing and approving any additions or exterior improvements, etc.