Model Code of Ethics for Community Association Board Members

Community Associations Institute | www.caionline.org

CAI provides learning opportunities for community managers, homeowner volunteer leaders, association residents and service providers. Visit www.caionline.org/education to learn more.

CAI developed the Model Code of Ethics for Community Association Board Members to encourage the thoughtful consideration of ethical standards for Board members.

MODEL CODE OF ETHICS

1. Strive at all times to serve the best interests of the association as a whole regardless of their personal interests.

2. Use sound judgment to make the best possible decisions facing the association.

3. Act within the boundaries of their authority as defined by law and the governing documents of the association.

4. Use their positions or decision-making authority for personal gain or to seek advantage over another owner or non-owner resident.

5. Spend unauthorized association funds for their own personal use or benefit.

6. Accept any gifts—directly or indirectly—from owners, associates, residents, contractors or suppliers.

7. Misrepresent known facts in any issue involving association business.

8. Divulge personal information about any association resident, employee or contractor.

9. Make personal attacks on colleagues, staff or residents.

10. Harass, threaten or attempt through any means to control or instill fear in any board member, owner, or non-owner resident.

Association members should:

1. Reveal confidential information provided by contractors or suppliers in the discussions, decisions and comments made at executive session.

2. Use personal assets, relationships or time, if applicable, for the making of decisions.

3. Act within the boundaries of their authority as defined by law and the governing documents of the association.

4. Provide opportunities for residents to comment on decisions facing the association.

5. Disclose personal or professional relationships with any company or individual who has or is seeking to have a business relationship with the association.

6. Make decisions based on the collective best interests of the association members.

7. Conduct open, fair and well-publicized elections.

8. Provide for a mechanism to consider all available information, circumstances and options to inform decisions.

9. Consider the potential consequences of decision-making and the impact on all association members.

10. Association leaders and residents should be reasonable, flexible and open to the possibility—and benefits—of compromise, especially when faced with divergent views.

Members to encourage the thoughtful consideration of ethical standards for Board members.
EVERY COMMUNITY has its own history, personality, attributes and challenges, but all associations share common characteristics and core principles. Good associations preserve the character of their communities, protect property values and meet the established expectations of homeowners. Great associations also cultivate a true sense of community, promote active homeowner involvement and create a culture of informed consensus. The ideas and guidance conveyed in this brochure speak to these core values and can, with commitment, inspire effective, enlightened leadership and responsible, engaged citizenship.

RIGHTS AND RESPONSIBILITIES
Perhaps the greatest achievement for any association is creating and sustaining a sense of community among residents and leaders. This goal is best achieved when homeowners, non-owner residents and association leaders recognize and embrace their rights and responsibilities. It was with this goal in mind that CAI developed Rights and Responsibilities for Better Communities. These principles can serve as an important guidepost for board and committee members, community managers, homeowners and non-owner residents.

Rights and Responsibilities for Better Communities
Principles for Homeowners and Community Leaders

Homeowners have the right to:
1. A responsive and competent community association.
2. Honest, fair and respectful treatment by community leaders and managers.
3. Participate in governing the community association by attending meetings, serving on committees and standing for election.
4. Access appropriate association books and records.
5. Prudent expenditure of fees and other assessments.
6. Live in a community where the property is maintained according to established standards.
7. Fair treatment regarding financial and other association obligations, including the opportunity to discuss payment plans and options with the association before foreclosure is initiated.
8. Receive all documents that address rules and regulations governing the community association—if not prior to purchase and settlement by a real estate agent or attorney, then upon joining the community.
9. Appeal to appropriate community leaders those decisions affecting non-routine financial responsibilities or property rights.

Homeowners have the responsibility to:
1. Read and comply with the governing documents of the community.
2. Maintain their property according to established standards.
3. Treat association leaders honestly and with respect.
4. Vote in community elections and on other issues.
5. Pay association assessments and charges on time.
6. Contact association leaders or managers, if necessary, to discuss financial obligations and alternative payment arrangements.
7. Request reconsideration of material decisions that personally affect them.
8. Provide current contact information to association leaders or managers to help ensure they receive information from the community.
9. Ensure that those who reside on their property (e.g., tenants, relatives and friends) adhere to all rules and regulations.
Community leaders have the right to:

1. Expect owners and non-owner residents to meet their financial obligations to the community.
2. Expect residents to know and comply with the rules and regulations of the community and to stay informed by reading materials provided by the association.
3. Respectful and honest treatment from residents.
4. Conduct meetings in a positive and constructive atmosphere.
5. Receive support and constructive input from owners and non-owner residents.
6. Personal privacy at home and during leisure time in the community.
7. Take advantage of educational opportunities (e.g., publications, training workshops) that are directly related to their responsibilities and as approved by the association.

Community leaders have the responsibility to:

1. Fulfill their fiduciary duties to the community and exercise discretion in a manner they reasonably believe to be in the best interests of the community.
2. Exercise sound business judgment and follow established management practices.
3. Balance the needs and obligations of the community as a whole with those of individual homeowners and residents.
4. Understand the association’s governing documents, become educated with respect to applicable state and local laws and manage the community association accordingly.
5. Establish committees or use other methods to obtain input from owners and non-owner residents.
6. Conduct open, fair and well-publicized elections.
7. Welcome and educate new members of the community—owners and non-owner residents alike.
8. Encourage input from residents on issues affecting them personally and the community as a whole.
9. Encourage events that foster neighborliness and a sense of community.
10. Conduct business in a transparent manner when feasible and appropriate.
11. Allow homeowners access to appropriate community records when requested.
12. Collect all monies due from owners and non-owner residents.
13. Devise appropriate and reasonable arrangements, when needed and as feasible, to facilitate the ability of individual homeowners to meet their financial obligations to the community.
14. Provide a process residents can use to appeal decisions affecting their non-routine financial responsibilities or property rights—where permitted by law and the association’s governing documents.
15. Initiate foreclosure proceedings only as a measure of last resort.
16. Make covenants, conditions and restrictions as understandable as possible, adding clarifying “lay” language or supplementary materials when drafting or revising the documents.
17. Provide complete and timely disclosure of personal and financial conflicts of interest related to the actions of community leaders, e.g., officers, the board and committees. (Community associations may want to develop a code of ethics.)
GOVERNANCE GUIDELINES

CAI developed the Community Association Governance Guidelines to help community association boards govern fairly, responsibly and successfully. Embracing these 12 basic principles can help any association board increase harmony, reduce conflict and build a stronger, more successful community.

Community Association Governance Guidelines

1. **Annual meetings.** Conduct at least one membership meeting annually, providing at least two weeks notice to homeowners and more than two weeks if specified in the governing documents or dictated by state statute.

2. **Assessments.** Collect assessments and other fees from homeowners in a timely and equitable manner and in accordance with state statutes and board-approved procedures.

3. **Communication.** Provide at least one form of regular communication with residents, and use it to report substantive actions taken by the board.

4. **Conflicts of interest.** Disclose all personal and financial conflicts of interest before assuming a board position and, once on the board, before participating in any board decisions.

5. **Elections.** Hold fair and open elections in strict conformance with governing documents, giving all candidates an equal opportunity to express their views and permitting each candidate to have a representative observe the vote-counting process.

6. **Financial transparency.** Share critical information and rationale with residents about budgets, reserve funding, special assessments and other issues that could impact their financial obligations to the association. Give members an opportunity—before final decisions are made—to ask questions of a representative who is fully familiar with these financial issues.

7. **Foreclosure.** Initiate lien and foreclosure proceedings only as a last step in a well-defined debt-collection procedure—and only after other, less-disruptive measures have failed to resolve a serious delinquency issue in a specified period of time.

8. **Governance and the law.** Govern and manage the community in accordance with all applicable laws and regulations. Conduct reviews of governing documents to ensure legal compliance and to determine whether amendments are necessary.

9. **Grievances and appeals.** Allow residents to bring grievances before the board or a board-appointed committee and follow well-publicized procedures that give residents the opportunity to correct violations before imposing fines or other sanctions.

10. **Records.** Allow homeowners reasonable access to appropriate community records, including annual budgets and board meeting minutes.

11. **Reserve funding.** Account for anticipated long-term expenditures as part of the annual budget-development process, commissioning a reserve study when professional expertise is warranted.

12. **Rules.** Uniformly enforce all rules, including architectural guidelines, but only after seeking compliance on a voluntary basis. Distribute proposals for new rules and guidelines to all homeowners and non-owner residents. Advise them when the board will consider new rules and encourage input. Once adopted, new rules and effective dates should be distributed to every owner and resident.

**Note:** Laws governing common-interest communities vary considerably from state to state. Association boards should consult with attorneys to ensure their association is governed in accordance with all federal, state and local laws and regulations.
MODEL CODE OF ETHICS

CAI developed the Model Code of Ethics for Community Association Board Members to encourage the thoughtful consideration of ethical standards for community leaders. The model code is not meant to address every potential ethical dilemma but is offered as a basic framework that can be modified and adopted by any common-interest community.

Model Code of Ethics for Community Association Board Members

Board members should:

1. Strive at all times to serve the best interests of the association as a whole regardless of their personal interests.
2. Use sound judgment to make the best possible business decisions for the association, taking into consideration all available information, circumstances and resources.
3. Act within the boundaries of their authority as defined by law and the governing documents of the association.
4. Provide opportunities for residents to comment on decisions facing the association.
5. Perform their duties without bias for or against any individual or group of owners or non-owner residents.
6. Disclose personal or professional relationships with any company or individual who has or is seeking to have a business relationship with the association.
7. Conduct open, fair and well-publicized elections.
8. Always speak with one voice, supporting all duly adopted board decisions—even if the board member was in the minority regarding actions that may not have obtained unanimous consent.

Board members should not:

1. Reveal confidential information provided by contractors or share information with those bidding for association contracts unless specifically authorized by the board.
2. Make unauthorized promises to a contractor or bidder.
3. Advocate or support any action or activity that violates a law or regulatory requirement.
4. Use their positions or decision-making authority for personal gain or to seek advantage over another owner or non-owner resident.
5. Spend unauthorized association funds for their own personal use or benefit.
6. Accept any gifts—directly or indirectly—from owners, residents, contractors or suppliers.
7. Misrepresent known facts in any issue involving association business.
8. Divulge personal information about any association owner, resident or employee that was obtained in the performance of board duties.
9. Make personal attacks on colleagues, staff or residents.
10. Harass, threaten or attempt through any means to control or instill fear in any board member, owner, resident, employee or contractor.
11. Reveal to any owner, resident or other third party the discussions, decisions and comments made at any meeting of the board properly closed or held in executive session.
COMMUNITY ASSOCIATION FUNDAMENTALS

1. Associations ensure that the collective rights and interests of homeowners are respected and preserved.
2. Associations are the most local form of representative democracy, with leaders elected by their neighbors to govern in the best interests of all residents.
3. Associations provide services and amenities to residents, protect property values and meet the established expectations of homeowners.
4. Associations succeed when they cultivate a true sense of community, active homeowner involvement and a culture of building consensus.
5. Association homeowners have the right to elect their community leaders and to use the democratic process to determine the policies that will protect their investments.
6. Association homeowners choose where to live and accept a contractual and ethical responsibility to abide by established policies and meet their financial obligations to the association.
7. Association leaders protect the community’s financial health by using established management practices and sound business principles.
8. Association leaders have a legal and ethical obligation to adhere to the association’s governing documents and abide by all applicable laws.
9. Association leaders seek an effective balance between the preferences of individual residents and the collective rights of homeowners.
10. Association leaders and residents should be reasonable, flexible and open to the possibility—and benefits—of compromise, especially when faced with divergent views.

ABOUT CAI

With more than 32,000 members dedicated to building better communities, CAI works in partnership with 60 domestic chapters, a chapter in South Africa and housing leaders in a number of other countries. In addition to providing information, education and resources to those involved in community association governance and management, CAI also advocates on behalf of common-interest communities before legislatures, regulatory bodies and the courts.

We believe homeowner and condominium associations should strive to exceed the expectations of their residents. Our mission is to inspire professionalism, effective leadership and responsible citizenship—ideals reflected in communities that are preferred places to call home.

Learn more at www.caionline.org/aboutcai, or start getting member benefits immediately by joining at www.caionline.org/join.