Common Interest

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CONNECTICUT CHAPTER community ASSOCIATIONS INSTITUTE

Inside:

A Refresher on Insurance and the Restoration of Damaged Units

What Fannie Mae and Freddie Mac's Latest Policy Changes Mean for Condominium Associations, Lenders and Homeowners

Signs Your Association is UNDERFUNDED

...and more!

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Who Is CAI?

The Connecticut Chapter is one of 63 Community Associations Institute chapters worldwide. CAI-CT serves the educational, business, and networking needs of community associations throughout Connecticut. Our members include community association volunteer leaders, professional managers, community management firms, and other professionals and companies that provide products and services to associations. The Connecticut Chapter has over 1,200 members including over 240 property managers, over 150 businesses, and over 800 community association volunteers representing over 80,000 homeowners.

To submit an article for publication in *Common Interest* contact Kim McClain at (860) 633-5692 or e-mail: kim@caict.org.

President's *Message*


Carrie Mott, EBP

"For fifty years, CAI-CT has flourished because of the people who believe in building better communities - season after season, year after year."

As we welcome the arrival of spring, a season of renewal, energy, and fresh beginnings, I want to extend my heartfelt gratitude to everyone who joined us for the CAI-CT Annual Conference & Expo on March 21st. Your presence made the day truly exceptional. To our exhibitors and speakers, thank you for sharing your expertise, your time, and your commitment to strengthening our community. This event continues to be one of the most valuable opportunities for managers, association boards, and homeowners to experience all that CAI-CT has to offer, and we are already looking forward to seeing you again next year.

This spring also brings a milestone celebration that is especially meaningful for our chapter. On Thursday, April 30th, we will gather at Anthony's Oceanview for CAI-CT's 50th Anniversary Celebration. This evening will be a tribute to our past, a recognition of our present, and a look toward the future we are building together. And because no celebration is complete without a little fun, we'll also be hosting a spirited game of Family Feud which, fittingly, is celebrating its own 50th anniversary this year. It promises to be an unforgettable night, so be sure to reserve your spot and join us for this once in a generation event.

Of course, spring wouldn't be complete without an update from our Legislative Action Committee. The landscape continues to evolve, and recent changes involving Fannie Mae and Freddie Mac have important implications for condominium associations, lenders, and homeowners. Among the key takeaways:

- Project Eligibility Reviews are receiving heightened scrutiny, particularly around deferred maintenance and structural integrity documentation.
- Reserve Funding Expectations continue to rise, with stronger emphasis on longterm planning and transparency.
- Insurance Requirements are being evaluated more closely, especially in communities with aging infrastructure or recent claims.
- Lender Questionnaires are becoming more detailed, and associations should be prepared for more frequent and more comprehensive information requests.

These updates reinforce the importance of proactive governance, clear communication, and strong financial planning, areas where CAI-CT remains committed to supporting our members with education, resources, and advocacy.

As we move into this vibrant new season, I am grateful for the dedication and engagement of our entire CAI-CT community. Together, we continue to build stronger, more resilient, and more connected associations across Connecticut.

I look forward to seeing you all at our 50th Anniversary Celebration!

Warm regards,
Carrie Mott, *President, CAI-CT*

CONTENTS

Common Interest
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CONNECTICUT CHAPTER community ASSOCIATIONS INSTITUTE

From the Chapter Executive Director

"Words may show a man's wit, but actions his meaning."

~ Benjamin Franklin

Courtesy CAI-CT.

Kim McClain

April is National Volunteer Month. Our communities, and our own CAI-CT would not exist without volunteers who dedicate their time, energy and wisdom to keep us thriving. Ben Franklin's words remind us about how important one's actions are. We benefit greatly from those who are willing to roll up their sleeves and get things done. Thank you to all of our many wonderful volunteers!

Late last year, CAI National began a campaign – #LoveWhereYouLive #LoveWhereYouWork. In the spirit of celebrating our community volunteers, we are genuinely interested in having you share things like:

What makes your community feel like home? Sometimes it's not the place, it's the people. Who in your community makes it feel like home?

Why do you choose to give back to your community? Volunteering is a choice that builds stronger, more connected communities. If you give your time to your community, what inspires you?

How has a volunteer made a difference where you live? Behind every flourishing community are people who devote their time and knowledge. Tell us about a volunteer who made a difference in your community.

What's one moment that made you feel proud of your community? It could be a simple gesture or a moment that brought everyone together. Those are the stories that shape communities. What's yours?

#LoveWhereYouLive #LoveWhereYouWork or send us an email describing any one of the people or reasons why you love where you live or work in our community associations – kim@caict.org.

Please plan to join us in celebrating 50 years of terrific volunteers on April 30th at Anothony's Oceanside in New Haven.

Happy Spring! ■

UPCOMING CAI-CT EVENTS

Manager CEO Lunch & Happy Hour (2 CEUs)

Tuesday, April 14th from 12:00 – 6:30pm

Hosted by Pro-Klean Cleaning & Restoration Services, North Haven

Qualifications to attend include: you must be an individual member or the designated chief executive officer or equivalent of a management company holding a CAI membership. No more than two individuals employed by the same company may participate on the Community Association Managers Council at the same time. Pre-registration is required.

Condo Board Members Hot Topics Hosted on Zoom

Wednesday, May 6 from 12:00-1:00pm

This program will cover essential strategies for preparing your properties for spring, summer, and fall, including best practices for seasonal maintenance, plant health, and long-term planning. Attendees will also gain valuable insight into identifying and managing invasive plant species, as well as addressing additional landscaping needs resulting from this past winter's harsh conditions. FREE – CAI Members / $25 - Non-Members

CAI-CT's 50TH Anniversary Celebration — "The Golden Years"

Thursday, April 30th from 6:00-8:30pm

Anthony's Ocean View, New Haven

Join us as CAI-CT celebrates 50 incredible years! Our Engaging Leaders of the Future (ELF) Committee is putting together this special event, which promises to be a night of fun and connection featuring CAI-themed cocktails, a lively game of Family Feud, a photo booth to capture the memories, and a Silent Auction. Guests will enjoy hors d'oeuvres and a buffet dinner throughout the evening. Don't miss this golden celebration with friends, colleagues, and our community—get your tickets today!

Sponsorship opportunities are also available.

Annual Golf Tournament — Happy Gilmore Themed!

Monday, June 8, 2026

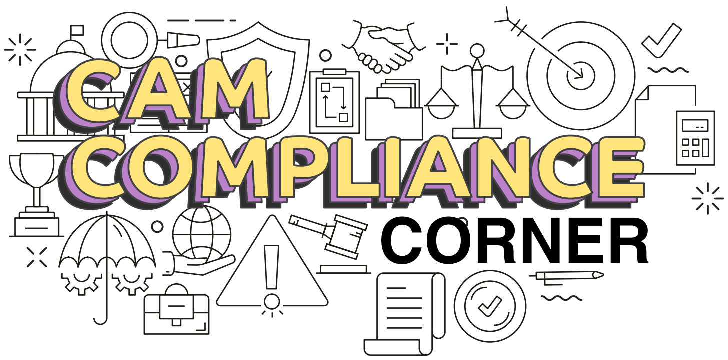
Registration at 9:00am, Shotgun 10:00am, Lunch on the turn

The Farms Country Club, Wallingford

This event brings the membership together and provides a networking opportunity for managers and business partners. Don't delay, register today to "Tap It In" at this must-attend event with exciting sponsorships, awards, gifts and games!

Visit www.caict.org for information on golf and sponsorships.

Visit www.caict.org for more information on all of our events and education programs.



Association managers often support their primary role as a manager by operating a home improvement contracting (HIC) business. In general, that should not be a problem, as long as all parties follow the laws.

The most important part about ensuring that this arrangement does not lead to trouble is communication and transparency. Not only does the board need to be fully aware of the relationship between the two entities, but the association has to sign a separate contract directly with the HIC. Just as CAMs have a variety of requirements for their

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contracts, HICs have some key components that need to be part of every contract:

- It must include the Contractor Registration (HIC) number. HICs are required to be registered with DCP.
- It must include four dates: the date the contract is signed; the date the work will begin; the date by which the work will be completed; and the date by which the homeowner may cancel the transaction.
- It must include a Notice of the Customer's Right to Cancel within three business days after signing the contract.

Entering into this contract must be optional for the board. CAM contracts cannot require that the board work with their specific HIC. If the board does elect to work with the CAM's HIC, the CAM cannot receive any benefits from the contractor, such as a commission. The CAM may include in their contract with the association a section that details payment from the association for providing additional services, such as contract management.

When set up and operated openly and by the book, this arrangement can be mutually beneficial for all parties involved.

The applicable laws can be found online at: https://www.cga.ct.gov/current/pub/chap_400b.htm#sec_20-459 Questions: DCP.RealEstate@ct.gov ■

Legislative Update

We had hoped this would be a "quiet" session for us, as we had only two simple asks regarding better clarification of what job duties are considered to be those of a licensed Community Association Manager. However, the Judiciary Committee produced several bills for which we had to provide some serious defense.

HB 5265 An Act Concerning Court-Ordered Accountings of Common Interest Community Financial Record, Lender Questionnaires and Revising the Disclosure Requirements Relating to Common Interest Communities – OPPOSE

Since the tragic events in Surfside, Florida in 2021 when the Champlain Towers South building partially collapsed causing the deaths of 98 people, lenders have had a heightened level of attention to collecting, considering and scrutinizing information on the operations of common interest communities throughout the country. Fannie Mae, Freddie Mac and the FHA are in control of the vast majority of all mortgages offered to buyers of homes in common interest communities. This has resulted in mortgage questionnaires that are far lengthier than required previously, including questions that are more challenging to answer, and asking questions that do not have fixed answers, requiring updated real-time data. After receiving completed questionnaires, in many cases lenders are required to request additional information to satisfy Fannie Mae, Freddie Mac or FHA. This can include the minutes of meetings, financial reports and even requiring proof that a roof leak in an unrelated unit was addressed. The level of detail required is significanltly greater than it has been in the past. Note: We were successful in removing the cap for fees.

Furthermore, CIOA currently requires that the association provide financial records upon request.

HB 5433 – An Act Concerning Limitations on the Provision of Gifts to the Executive Board Members of the Association of a Common Interest Community – OPPOSE

This bill is overly broad, unnecessary, and likely to create more issues than it resolves. The bill imposes strict restrictions on the acceptance of gifts by executive board member - prohibiting items valued at more than $50 from unit owners or vendors, with limited exceptions. These restrictions do not account for the practical realities of community association operations. Existing safeguards under CIOA and corporate governance standards already offer robust protections against undue influence. Therefore, this additional regulation is redundant and burdensome.

HB 5437 – An Act Concerning the Approval Process for Proposed Budgets and Special Assessments in Common Interest Communities and the Availability of a List of Names and Addresses of Unit Owners – OPPOSE

The proposed amendments to Section 47-261e would create unnecessary administrative obstacles, delay critical decisions, compromise resident privacy, and disrupt the efficient operation of common interest communities. The bill involves active participation in the budgetary

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process, which requires majority approval, does not reflect the practical reality that many owners are ambivalent and rarely attend budget approval meetings. The current process, which allows a budget to be approved unless rejected by a majority of all owners, appropriately balances an association's need for reliable income with owners' rights to oppose an overreaching budget. In terms of special assessments, the current statutory language maintains the correct balance as the budget voting provision does. Requiring association boards to actively seek support for a budget, whether annual or special, places an undue burden on already overstretched volunteers. Furthermore, this is exactly the problem that occurred at Surfside in Florida where the building collapsed and 98 people lost their lives. This was due to the lack of owner support to approve spending on very necessary maintenance items.

This bill also includes language about making unit owner contact information available to all unit owners. While the goal may be let unit owners know who their neighbors are, there are unintended consequences. From a privacy standpoint, some unit owners, for various reasons, might not want their information to be given out. One example would be a spouse who has disengaged from someone who was an abuser. Having the information in an available directory might put that person and/or any minor children in the household back in harm's way. The argument might be that it is only given to other owners in the complex. However, once the list is given out to anyone, there is no control on who has access to the list.

HB 5507 An Act Concerning Accessory Dwelling Units – OPPOSE

In its original form, this bill would have negated covenants in common interest communities regarding the construction of ADUs on association property. Fortunately, we were able to get the language that would have impacted our associations to be stricken from the bill.

The session ends on May 6. We are hopeful that nothing new will be added to our list.

Stay informed about what is happening at the Capitol. Sign up for Legislative Alerts: caionline.org/

Advocacy Resources for CAI Members | CAI Public Policy | Community Associations Institute ■

THANK YOU NEW & RENEWING MEMBERS

Welcome New Members

Associations

Autumn Meadows Association, Inc.
Chapman Farms Condominium Association
Old Church Green
Old Forge Condominium Association
O'Meara Farm Association, Inc.
Pine Meadow at the Canal Condominium Association
Pond Place Association of Avon, CT
Sea Scape Condominium Association, Inc.
St. John's Common
Stagecoach Farms, LLC.

Individual Managers

Elizabeth Anderson-Scully
Matthew Azar, CMCA
Anthony Butrimas, CMCA
Sarah Hansen
Ryan A. Mallett, CMCA
Deborah Pendergrass

Business Partners

Brickhouse Landscape & Construction LLC
TMB Insurance Services
Valley Window Systems
VistaLuxe Service

Thank you Renewing Members

Associations

3300 Park Avenue Condominium Association, Inc.
Beacon Hill Association, Inc.
Branford Business Condominium
Breakwater Bay Homeowners Association, Inc.
Caswell Cove Condominium Association
Crown Village Condominium Association
Fernwood Estates Condominium Assn., Inc.
Glen Hollow Condominium Association, Inc.
Guilford Mill Association
Lantern Lane Homeowners Association, Inc.
Legend Hill Condominium Association
Mattabasset Condominium III
Oronoque Village Condominium Association
Pierpont Hill Association of North Haven Inc.
River Run Condominium Association
Sterling Woods Master Association
Sylvan Point Condominium Association
Terrace Place Condominium Association, LLC
The Club at Norwich Inn & Spa Inc
The Courtyard at Heritage Green Association
Tuscany Hills Condominium Association, Inc.
University Towers Owners Corporation
Winnipauk Village Condominium, Inc.
Woods Edge of Waterbury Condominium Assn., Inc.

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Peter Conyers, CMCA
Paul DeGennaro, PCAM
Catherine M.Garofalo, CMCA, AMS
Nicholas Harry Granneberg
Barbara Hines Zinn, CMCA
Michael John Hulton, CMCA
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Corey Kosienski, CMCA
Jeffry Lapaix, CMCA
Courtney Leblanc, CMCA
Michael McGovern, CMCA
Raymond J. Metro, Jr., CMCA
Stephen Ozyck
Michael Pasquino
Alison L. Shaheen, CMCA, AMS
Leanne E. Shoop, CMCA, AMS
Tony Uanino, Jr., CMCA

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Blue Wave Pool Service & Supplies, Inc.
Bristol County Savings Bank
Feldman, Perlstein, Burchman & Frietas, LLC
First County Bank
GoNetspeed
Harmony Home Improvement
Hodge Insurance Agency
JP Carroll Roofing, LLC
Leading Edge Exteriors, LLC
New Look Painting
Off The Wall Power Washing Specialists, LLC
Popular Association Banking
Reserve Advisors, LLC
Robinson & Cole, LLP
SavaTree
Western Alliance Bank

Member Spotlight

Nally Sahin

JEFFERSON WOODS COMMUNITY, INC.

Nally Sahin has been an active member of CAI-CT since 2017 and has served on the CAI-CT Board of Directors since 2021. Within her own community, Nally has demonstrated long-standing leadership, serving as President of the Board of Directors for the Jefferson Woods Condominium community in Branford, CT since 2011. She has been involved in her community association's board since 2005.

Nally specializes in board leadership and community building. She has shared her expertise by presenting at several CAI-CT education events over the years. Most recently, she participated in the Presidents' Breakfast at the 2026 CAI-CT Annual Conference & Expo, where she spoke on *Attracting and Retaining Board Members*. The session focused on strategies to encourage unit owner engagement and inspire residents to volunteer for board service. In addition, Nally has served as a panelist at the annual Summer Sizzler and has mentored new board presidents, offering guidance on meeting facilitation and the development of governing documents.

Nally also contributes to the organization by serving on the CAI-CT Nominating Committee, helping identify and encourage new leaders within the chapter. Within her own community, she has overseen the management of amenities and has helped lead the board through numerous capital projects and community improvements.

Legally*Speaking...*

Jonathan Chappell, Esq.

A Refresher on Insurance and the Restoration of Damaged Units

By Jonathan Chappell, Esq.

This winter was certainly eventful! Its storms generated a number of questions concerning, among other things, who is responsible for repairing damaged units due to ice dams. This author thought it was appropriate to provide an outline again.

Each issue is fact dependent. You should discuss this with your association attorney.

I. MUST/DOES THE ASSOCIATION INSURE THE UNITS?

You should review your community's insurance policy and/or call your insurance professional to determine if the master insurance policy includes coverage of the units.

Some are required to insure the units. Subsection 47-255(b)(1) of the Connecticut Common Interest Ownership Act ("CIOA") mandates coverage of units "[i]n the case of a building that contains units divided by horizontal boundaries described in the declaration, or by vertical boundaries that comprise or are located within common walls between units."[1] If units "touch" or share a boundary, the master policy must insure the units. The most common examples are stacked units (hotel style) or units that are side-by-side/share a wall (town house).

Though CIOA may not require the coverage of units, your documents might still mandate it. Most communities do require coverage of the units.

Additionally, if there is master policy coverage, CIOA makes it primary coverage. CIOA 47-255(d)(4) states "if at the time of a loss under the [Association's] policy, there is other insurance in the name of a unit owner covering the same risk covered by the policy, the association's policy provides primary insurance." If the master policy provides coverage and the owner has insurance, the master policy must be exhausted first as it is the primary insurance policy.

If your community insures the units, just continue reading the next section. If not, skip to Subsection I(ii).

i. If the Association Does Insure the Units, the Association

CIOA § 47-255(h) (like most documents) requires that a unit "damaged or destroyed shall be repaired or replaced promptly by the association . . . ."[2] Does or would the master policy cover the event?

If there was a casualty loss covered by insurance, skip to Section II(i). If not, just continue reading.

ii. If the Association Does Not Insure Units or There is not a Casualty Loss

Check Your Documents

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If not covered by the master policy, the next step is to determine who has the obligation to maintain, repair, or replace what was damaged. In other words, is what was damaged within a unit or the common elements? Absent the application of master policy coverage, generally the unit owner is obligated for the unit, and the association is responsible for the common elements. The documents might also delegate the obligation to maintain certain portions of a unit to the association.

Whether the master policy includes coverage of the units or not, every owner should have an owner's insurance policy (e.g. an HO-6 policy). Individual owner policies may provide coverages that the master policy will not cover, such as coverage for the owner's damaged personal property, alternative housing (during a period the unit cannot be occupied), storage costs for personal property, and the master policy's deductible. An owner's policy being involved in a claim might also take away some complexity. Owners should consult with an insurance professional for the specific coverage types needed and the amounts of coverage.

II. WHO RESTORES/PAYS?

i. The Association Restores after a Casualty Loss

With limited exceptions, the association has an obligation to restore any insured property, including units. Pursuant to CIOA 47-255(h)(1) "Any portion of the common interest community for which insurance is required under this section which is damaged or destroyed shall be repaired or replaced by the association unless [the community is terminated, repair or replacement would be illegal or eighty per cent of the unit owners vote not to rebuild.

ii. Who Pays Depends on your Documents/CIOA

If the association's insurance policy applies and covers the loss, the policy pays, except for the amount of the deductible and up to the policy limits. If the scope of the damages does not approach the master insurance policy's deductible, the association may consider not submitting a claim.

Unless your documents allow for the assessment of the association's insurance deductible or other uninsured costs against one or more units (regardless of fault), the association cannot generally assess these costs against a particular unit or units; these are common expenses shared by all. If your documents do not, you should consult the association's counsel and ask how to change this.

CIOA Subsection 47-257(e) also authorizes an association to assess any cost not covered by the master policy against a unit, after giving notice and a hearing, if the damages were caused by the owner's failure to comply with a maintenance standard, an owner's gross negligence, or willful misconduct. However, absent one of these three (3) exceptions the costs remain common expenses.

The determination of who has the obligation to restore a unit damaged during a casualty event covered by the master insurance policy may differ from the normal analysis. It is strongly suggested that you consult with the association's attorney. ■

Jonathan Chappell, Esq. is an attorney in the law firm of Pilicy & Ryan, P.C. based in Watertown, CT. Jonathan serves as a Delegate on our Legislative Advocacy Committee and is a member of our Publications Committee.

END NOTES:

1 The coverage of "improvements and betterments installed by unit owners" is beyond this article's scope.

2 This article does not discuss the limited instances where repairs/replacement are not required.

ENVIRONMENTAL TIP – SPRING CLEANING

urbazon/E+/Getty Images

While paper towels may be very convenient, they are also wasteful, expensive, and bad for the environment. Every time you rip a sheet off the roll, you're using a product that required trees, water, and energy to produce, only to throw it away after just a few seconds of use. There is a simple solution, switch to reusable rags. It is likely they you have old flannel, sheets, towels, etc. that can be cut up for useful – and reusable rags. Whether you're cleaning up spills, wiping counters, or dusting furniture, reusable rags are an easy and sustainable alternative.

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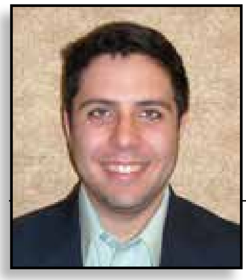

Daniel Levine, CPA

Common Interest Investments – Part 2

By Daniel Levine, MBA, CPA

Continuing from our article theme in the prior issue, this article will look at the remaining rules that apply to accounting for investments and summarize some best practices that associations may want to consider if deciding to invest in more complicated instruments. While the last article focused on a discussion of bonds, this article will review equity securities.

As a general reminder of terminology, the first section of this article will be looking at the Accounting Standards Codification (ASC) code section 321 that is promulgated by the Financial Accounting Standards Board (FASB) which sets the rules for what is considered generally accepted accounting principles (GAAP).

ASC 321

For a quick refresher to begin the discussion of equity securities, equity securities are investments into the ownership of an entity. Examples being stock of a company, or a mutual fund whose shares may represent multiple different equity positions. Compared to bonds, stocks are typically a riskier investment. The reason for this is that unlike bonds who mature and will pay back the initial principal investment, stocks do not operate like that and investors can run the risk of losing the initial principal invested should the market value of the stock decrease. This means that the association has a greater risk to lose money.

The real benefit of equity ownership comes in two forms. The first is appreciation in the equity position that is held. Meaning if the stocks of a company owned by the association become more valuable, the association will have a chance to sell those stocks for more money than it used to purchase them. Stocks additionally can issue dividend payouts to shareholders which would be income to the association and in addition to any stock appreciation. Dividends can be kept as cash or used to reinvest back into a particular holding or fund to buy additional shares.

Now turning back to the accounting for the investments, ASC 321 was created to account for equity investments in different levels of magnitude. Depending on the amount of equity owned or controlled, you can have minority interest holdings, significant influence holdings and controlling interest. Higher investment/ownership will result in a more complicated level of presentation such as the equity-method or consolidation accounting.

For purposes of this article, we won't address equity method or consolidation accounting as most associations won't encounter this when looking to just invest reserve liquidity into the market and will likely be minority/passive owners of equity positions.

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"However, while the accounting is easier, equities have different exposures that could impact the association..."

For minority/passive ownership ASC 321 will have the association look to account for its equity securities in two categories whose names are familiar to those who read the last article:

1) Trading
2) Available for sale

The criteria for these are similar to those for bonds/debt investments but stocks differ from bonds in that an equity security will never mature, therefore there cannot be a held to maturity designation.

When it comes to stock ownership for the above categories under ASC 321, the investments are generally reflected at fair value (assuming a readily determinable fair value) with the changes in market value being flown through net income. Fair value will be the value of the asset as of the balance sheet date. Changes in the value of a stock will be reflected as an unrealized gain or loss through the income statement. The term "unrealized" reflects that the stock hasn't been sold yet. A realized gain or loss occurs when the holding is sold, and this event also triggers a taxable event to the association. Earnings from the holdings, such as dividends, would be reflected as income and taxed in the period that they are received, even if reinvested to acquire additional shares.

Investments are a bit easier to account for from bonds when the stocks are just being held by the association. The common issue comes from when shares are continually purchased through reinvestment of earnings. These different share costs have to be tracked so when there is a sale of the stock the appropriate realized gain or loss can be reported for tax purposes. This impacts the tax filing in addition to fair presentation of the activity of the sale as well. Otherwise essentially, each month the investment account will be adjusted to reflect the fair value with the change in fair value being flown through the income statement.

However, while the accounting is easier, equities have different exposures that could impact the association, namely the loss of principal value mentioned before. So, when selecting investments great care should be given to the risks involved.

Best Practices

With the accounting for investments discussed, now comes the time to highlight

[Continues on page 12.]

FINANCIALLY SPEAKING...from page 11.

some best practices when utilizing more complicated investments to achieve the association's goal of building the reserve fund.

Investment Policy

First, an association should set up an investment policy. Protecting association assets is critical. While a current board may begin investing and only take advantage of conservative investments, there's nothing to say a board of tomorrow will follow suite. Aggressive investing could lead to potential losses in asset value which could complicate funding of future projects or result in the need to borrow. Having a governing document to guide the board and control what types of investing is available can help make decisions easier and increase transparency.

Tax Ramifications

Second, understand the tax ramifications of the strategies employed. Investing in higher yield items may result in larger taxes due for an association. If that capital is tied up, liquidity to pay the higher tax could become an issue if not planned for properly. Additionally, for equity securities, generating realized gains can result in taxes due and liquidating a holding to generate only enough funds to pay a specific repair bill while not accounting for the tax could also lead to cash flow issues when the tax finally becomes payable in the following year.

Understand Complexity

Third, understand the complexity prior to engaging in it. If an association decides to engage a professional investment advisor that generates a wide range of investments, the impact on the accounting function could be high. This could lead to additional costs to ensure accurate reporting of investments and reconciliations are done appropriately. Having a plan of what is to be invested, how it will be reflected on the statements, and whether the accounting function of the association is prepared to handle such complexity will help avoid pitfalls and issues in the months to come. This best practice additionally applies to the liquidity needs of an association. If an association locks into certain investments this may restrict liquidity in the near term. Too little liquidity and the association cannot manage unexpected costs that occur without perhaps generating taxable events or incurring fees and penalties.

Utilize Professionals and Community Members

Lastly, leverage the community and professionals when needed. Many volunteer boards may not have the expertise to handle the required administrative burden investments can result in. If the community is large, then pulling together a finance committee to help advise and recommend approaches can leverage the wider community and individual backgrounds to arrive at a solid investment plan. If that is not available, engaging with a professional advisor can help streamline the process and result in holdings that match association needs and risk profile.

[Continues on page 25.]


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50 Years One Mission: Stronger Communities

Our 28th Annual Conference & Expo was totally groovy! Many of our exhibitors got into the spirit of our theme and had some very creative booth designs and costumes. See page for pictures of our booth contest winners!

There were plenty of opportunities for our attendees to engage with a variety of professionals from accounting to windows and lots more! We had a record number of booths and new exhibitors.

Our education sessions offered many strategies for dealing with common issues; e.g. aging in place; insurance, reserves, etc. There was always a group surrounding each speaker at the end of the sessions, waiting to ask follow up questions.

Our Conference Committee is ever mindful of ensuring that we provide education insights in solving or preventing problems that are faced in most everyday operations.

Planning for our 2027 Conference & Expo has already begun. Save the date: March 20, 2027! We encourage you to share your ideas for our educational sessions and activities in the Expo Hall.

A HUGE thanks to our wonderful Conference Committee:

Chair: Karl Kuegler, Jr., CMCA, AMS, PCAM – *Imagineers, LLC*
Michael Famiglietti, CMCA – *CM Property Management*
Carrie Mott, EBP – *Tooher-Ferraris Insurance Group*
Frank Pingelski, EBP – *Tooher - Ferraris Insurance Group*
Chas Ryan, Esq., EBP – *Pilicy & Ryan, P.C.*
Gregory Zajac, EBP – *Building Renewal, LLC*
Ben Whittemore, CMCA – *Paladin Property Management*
Kristie Leff, Esq. – *Bender, Anderson & Barba, PC*

Our 3 booths that were voted on to win best theme representation at the Conference were:

- **United Property Restoration Services**
  Great use of music, decorations and polaroid camera pics to get attendee interaction.
- **Building Renewal, LLC**
  Great commitment with costumes and interaction with attendees.
- **Crystal Restoration Services of CT, Inc.**
  Great overall booth theme and commitment to dressing the theme.

More photos on the next page...

We are very grateful to our generous business partners for their sponsorship support which is key to making the conference such a success. Thank you for your tremendous support of CAI-CT!

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Conference pictures...from previous page.

What Fannie Mae and Freddie Mac's Latest Policy Changes Mean for Condominium Associations, Lenders and Homeowners

On March 18, Fannie Mae and Freddie Mac issued a significant update to their project standards and property insurance requirements. These changes reflect the realities of today's housing market and focus on the long-term financial sustainability of condominium communities based on Fannie Mae and Freddie Mac criteria, which aren't always aligned with actual financial stability and performance.

These updates, outlined in Lender Letter LL-2026-03, are designed to simplify certain processes, respond to insurance market challenges, and strengthen the financial health of condominium communities.

For community associations, board members, managers, and business partners, these changes are important and, in some cases, consequential.

A Shift Toward Project Reviews

One of the most notable changes is the "retirement" of the limited review process, which will be fully eliminated for loans with application dates on or after Aug. 3. Eliminating limited review is a consequential change for the condominium market.

Historically, limited review represented roughly 40% of all project reviews. Doing away with it shifts a significant portion of transactions toward a more rigorous full review process. This transition will require substantially more documentation and formal lender questionnaires for nearly all condominium sales, which will increase the administrative burden on community associations, managers, and volunteer leaders.

Without thoughtful implementation and support, this change has the potential to slow transactions and place additional strain on already constrained communities.

Moving forward, lenders will rely on either:

- Full review or
- Waiver of project review

There is expanded eligibility for a waiver of project review to include projects with up to 10 units, providing greater flexibility for smaller communities.

Additionally, the long-standing investor concentration limit (50%) has been eliminated, and Florida-specific review requirements for new, attached condominium projects also are being retired.

These changes shift greater responsibility to lenders and associations to demonstrate that condominium projects are financially sound based on Fannie Mae and Freddie Mac guidelines.

Stronger Financial Expectations for Condominium Communities

Fannie Mae & Freddie Mac are increasing the minimum reserve funding requirement from 10% to 15% of the annual budget effective Jan. 4, 2027.

In addition:

- Associations must follow the highest recommended funding level identified in reserve studies.
- The baseline funding method is no longer permitted.

studioaltius/E+/Getty Images

"Boards, managers, and reserve providers should begin evaluating reserve funding now."

Boards, managers, and reserve providers should begin evaluating reserve funding now. These requirements may result in:

- Increased assessments.
- Adjustments to long-term financial planning.
- Greater scrutiny during the lending process.

Insurance Requirements Adapt to Market Realities

Fannie Mae and Freddie Mac also made meaningful adjustments to property insurance requirements in response to rising premiums and limited availability in many markets.

Key updates include:

- Elimination of strict replacement cost documentation requirements.
- Removal of the requirement to insure roofs at full replacement cost.
- Greater flexibility in how coverage sufficiency is determined.

For condominium associations:

- The inflation guard requirement has been removed.
- A new maximum deductible of $50,000 per unit will apply beginning July 1.

At the unit level:

- Owners must carry insurance (usually in the form of an H06 policy) when gaps exist in the master policy or when deductibles apply.
- Coverage must align with either interior exposure or the master policy deductible.

These changes acknowledge the challenges associations face in today's insurance market, while still maintaining a baseline of protection. However, the new deductible cap may create compliance challenges for communities currently carrying higher deductibles.

New Responsibilities for Servicers—and Increased Communication

The update also introduces new expectations for loan servicers including:

- Annual verification of insurance coverage.

- Monitoring for reductions in coverage.
- A new requirement to remind borrowers annually to maintain insurance.

These changes take full effect by Jan. 1, 2027.

Expect more consistent communication around insurance coverage and increased oversight throughout the life of the loan.

What Community Associations Should Do Now

- Review your reserve study and funding levels.
- Evaluate your insurance coverage and deductibles.

Prepare to provide this information in lender questionnaires for upcoming sales in your condominium community.

- Engage your management team (CMCA®, AMS®, PCAM® and AAMC® company), insurance professionals (CIRMS®), reserve professionals (RSTM), and legal advisors (CCALTM fellows).

[Continues on page 25.]

Where in the World is *Common Interest?*

Dave Pilon, CIRMS, EBP with Bouvier Insurance: A HUB International Company shares a moment with a Norwegian Reindeer north of the Artic Circle... with his *Common Interest Magazine!*

Where are you with *Common Interest?*
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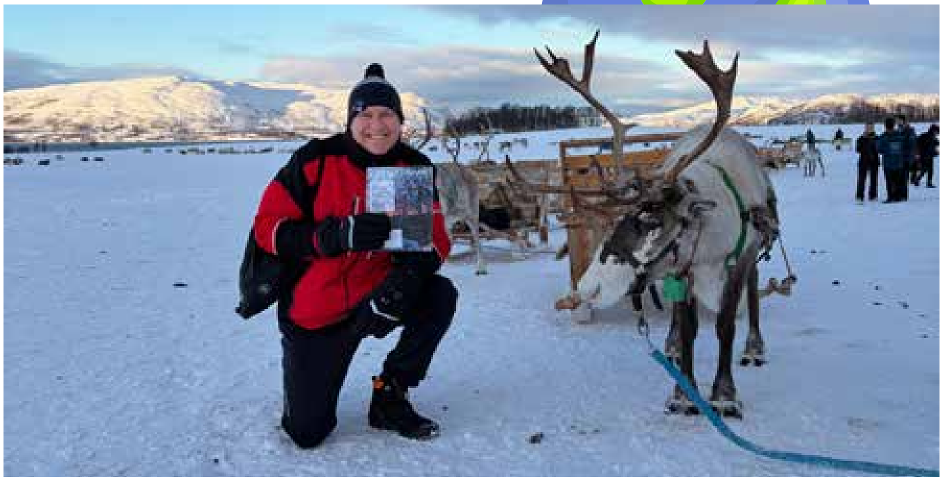
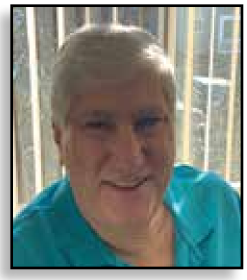


Manager's *Column...*



Rich Wechter, CMCA

Being Practical, Part CV

Spring Cleaning: What this Actually Means in the Context of Community Associations

By Rich Wechter, CMCA

In this column, I tackle various topics of interest with the intent of imparting practical advice. This issue's column is devoted to offering what I hope will be an informative, yet amusing, commentary on one of the themes of this edition of Common Interest: Spring Cleaning. Spring cleaning in the world of community associations, is, in the view of this author, not limited to the actual cleaning of a property, building, unit or other subset of a community association. It is the completion of tasks, items on a To Do List, or if you prefer, the removal of the many ideas and thoughts that occupy a significant amount of space in our respective brains. It is the proper time for all of us to reduce, organize and implement much of what preoccupies our brains and the commencement of spring is the best time to start this journey.

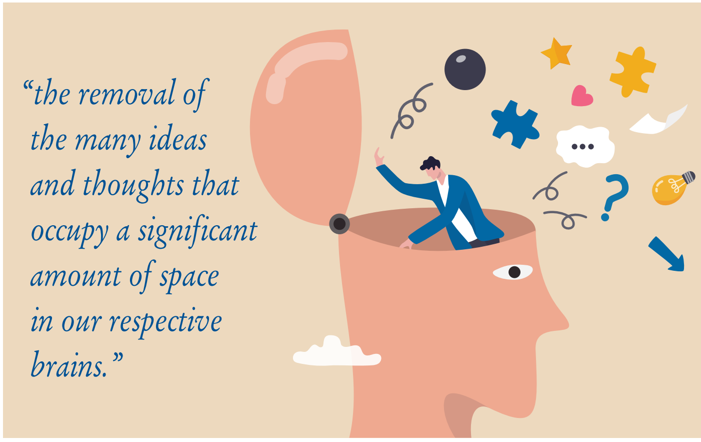
A. Setting the Table on this Topic

Christina Scalise, an author, once commented, "Clutter is the physical manifestation of unmade decisions fueled by procrastination." Another author, Peter Walsh noted, "What I know for sure is that when you declutter-whether it's your home, your head, or your heart-it is astounding what will flow into that space that will enrich you, your life, and your family." In the context of community associations, we all have countless numbers of ideas, thoughts, plans, expectations and dreams in our brains. The point of all of this is to pare down this clutter into manageable numbers so that we can each accomplish a reasonable number of these matters in a given period of time. What we must avoid, however, is the enormity of this task. A legendary comedienne, the late Phyliss Diller once joked, "Housework can't kill you, but why take a chance?" With all due respect to the wit of Ms. Diller, I do believe that "housework," as she put it, is exactly what the doctor ordered. To that end, I offer a few tips on how to deal with clutter in our little corner of the universe.

B. How to Memorialize the Clutter Existing in the World of Community Associations

Here are some suggestions that I firmly believe will aid all of us working in the community association universe in memorializing the clutter in our world of community associations:

1. Work to being as focused as possible on what is cluttering your brain.
2. Write down every item that you are thinking about.
3. Walk around your property/properties and write down things that you see (this is not limited to physical items that have to be removed).



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4. Talk to all those who work with you for the property (board members, committee members, property managers, consultants, vendors, unit owners, government officials, to name a few).
5. Review all available information on the items that you have written down.
6. Create a priority list for all items noted.
7. Take a break after completing Items 1-6 above before resuming this task.
8. Revisit Items 1-6 above to determine if some thoughts, ideas, etc. were hiding/taking a vacation during your first pass on these tasks.
9. Share your list with others on the team.
10. Revise your list after completing Item #9.

C. How to Then Address Clutter Existing in the World of Community Associations

Hopefully, the completion of Items 1-10 above has, to a great extent, helped each of us cleanse our brains of the matters that constitute clutter in the context of community associations. The next step is to address this clutter. To this end, I offer a few practical suggestions to complete this journey:

1. With your priority list, create an action plan for each item, noting who is to address each item, the scope, commencement date and expected completion date of their assignment, and the manner in which the completion of each assignment is transmitted in the community association.

2. As to the items that you personally are assigned to, make sure that you have the tools, equipment, information and time to properly address each item. Avoid overreaching and creating unreasonable expectations for yourself.
3. As to items assigned to others, make sure that they go down the same path as noted in Item #2 directly above.
4. Communicate with the others who receive assignments. They need encouragement and guidance.
5. Fight the "Phyliss Diller" syndrome and keep plugging away at the clutter.

D. Conclusion

Spring does indeed offer a glorious opportunity to clean the clutter from our minds and accomplish so much. It, in the context of community associations, allows for so many open status and action items to be addressed and put to bed. It is the antithesis of kicking the can down the road. I offer the final quote in this article from the great Benjamin Franklin that sums up my thoughts on this topic: "For every minute spent in organizing, an hour is earned." I hope this article challenges my readers to address the issue of clutter and "spring cleaning" with a plan and a smile.

Rich Wechter, CMCA is a Senior Vice President at Westford Real Estate Management, LLC. Rich serves as a LAC Delegate and is a member of the Legislative Action Committee, Golf Committee and Publication Committee and is also a member of the Legal Symposium Task Force.

Michelle Baldry, P.E., PRA, RS

TECHNICAL EXPLANATIONS:

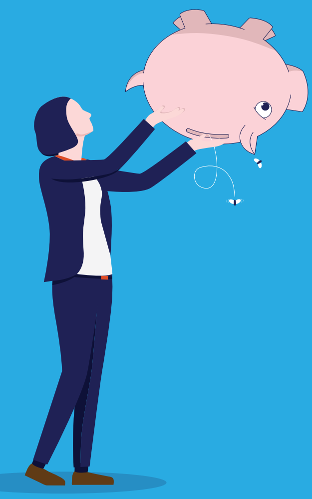
Signs Your Association is Underfunded

By Michelle Baldry, P.E., PRA, RS

A healthy reserve fund is the backbone of any well-managed community association. Whether you live in a condominium or an HOA, reserves ensure that major repairs and replacements are handled without financial stress. From roofs and roads to pools and elevators, community-maintained assets must be kept up in both curb appeal and working order. However, many associations fall short, leaving homeowners vulnerable to unexpected costs, declining property values, and overall dissatisfaction.

While there are obvious indicators of underfunding, others are less visible but just as detrimental. So, what exactly are the signs of an underfunded community association?

"While there are obvious indicators of underfunding, others are less visible but just as detrimental."



Signs of an Underfunded Community Association

- **No recent reserve study, or the reserve study is ignored –** If your association has never completed a reserve study or has a reserve study that is more than 3-5 years old, you are likely facing outdated project costs or asset lifespans that don't match reality. When project timing and costs are no longer accurate, it becomes increasingly difficult for boards to plan effectively and increasingly likely that reserves are underfunded. Similarly, if your association has a reserve study but does not use it for budgeting, it becomes almost impossible to accurately project when capital projects will be necessary and how much they will cost.

- **Reserve balance is low relative to what "should" be there –** If the cash you have on hand in reserves does not align with the age of major components, this is a sure sign that your association is facing underfunding. For example, if your roofs are nearing the end of their useful life, but your reserve funds are not prepared to cover a replacement, it's time to take action. Additionally, if your association is having issues with lending institutions or potential buyers are questioning your reserve balance, it's likely that your reserves are inadequate.

- **Frequent special assessments –** Whether special assessments are commonplace or are a continuing looming threat, this is a major red flag. Special assessments should be used only for true emergencies or surprises; if your association is using them for predictable capital replacements such as siding or paving, this indicates an issue with funding levels.

- **Borrowing to do normal capital projects –** Similar to special assessments, bank loans, or lines of credit should only be used in times of turmoil – not to complete anticipated projects like roof replacements or building painting. When loan payments begin to consume a significant portion of the operating budget, it is a sign that reserves were not adequately funded.

- **Reserve contributions have stayed flat –** It's no secret that costs have been on the rise, from construction and labor inflation to increased maintenance costs. If your association's dues have remained the same or have increased minimally, it's likely that your reserve contributions are not scaling properly, especially with aging assets. While all associations should raise dues to reflect increased costs, this is especially important for older properties, which generally require more reserve funding.

- **Deferred maintenance and "band-aid" repairs –** When reserves are underfunded, it becomes common for necessary replacements to be delayed beyond a component's useful life. This leads to "band-aid" repairs, such as patching a roof rather than replacing it, or repeated leak repairs. Capital-intensive components such as paving, siding, or roofs begin to look visibly worn, but are repeatedly deferred due to cost, and preventative maintenance is reduced to save money. These are all major signs of underfunded reserves and can have significant consequences in the future.

- **Excessive phasing of repairs –** Similar to "band-aid" maintenance, if your association has been phasing projects repeatedly over many years rather than completing them at once, you're likely underfunded. Additionally, excessive phasing of projects ends up costing more in the long run, as contractors won't give you the lowest cost, and you end up paying for mobilization over and over again.

- **"Low dues" is treated as a success metric –** While it can be appealing for boards to focus on keeping dues low to appease community members, this contradicts their fiduciary responsibility to meet long-term obligations. Pressure to avoid dues increases generally leads to chronic underfunding, which, in turn, makes it harder for owners to absorb significant increases later. Without stable annual reserve contribution increases, it's easy to become underfunded and harder to catch up when needed.

- **Operating budget propping up reserves (or vice versa) –** Transfers from the operating budget to reserves should only happen after the fiscal year ends, and only if there is anything left to transfer. If these transfers occur more frequently than at year-end, this is an obvious sign of underfunding. Conversely, if reserves are used to pay operating expenses such as utilities or insurance, or if reserves are "borrowed" with no repayment plan, this should be cause for alarm.

- **Auditor/accountant notes and weak financial controls –** When audits or accountant notes contain repeated recommendations, concerning language, or material weaknesses, this is a sure sign that you are behind on funding. Additionally, if your association lacks separate reserve accounts, investment policies, or a way to track reserve vs. operating funds, this will be a red flag to both auditors and accountants.

- **Lack of transparency and financial report issues –** If the board avoids discussing reserves or doesn't share financial reports, it could indicate masking of financial shortfalls. If monthly financial statements are consistently delayed, include non-comprehensive information, or change formats in a way that makes monthly comparisons difficult, this is a sign of underlying fiscal concerns. Boards and management should always communicate transparently and clearly with homeowners, as this is a pillar of both trust and financial success.

Consequences of Underfunded Reserves

When reserves are underfunded, the impacts are never isolated to the balance sheet. The consequences of inadequate reserves create a ripple effect that can harm marketability, insurability, homeowner satisfaction, and more. Below are the tangible implications of underfunded reserves that every board, manager, and homeowner should understand:

- **Accelerated deterioration and increased future costs –** When reserves are lacking, and maintenance is deferred, accelerated deterioration and higher future costs are often the result.
  - Accelerated deterioration – Take the above example of roofs being repeatedly patched or repaired rather than being replaced. This can lead to interior water damage, mold issues, and structural deterioration. The roof still needs to be replaced, and other components will require repairs as a result.
  - Higher future costs – Not only does accelerated deterioration lead to extra project costs, but by delaying maintenance, you will face higher replacement costs over time due to construction and

[Continues on page 24.]

TECHNICAL EXPLANATIONS...from page 23.

labor inflation. Emergency work is more expensive than planned work, meaning deferred maintenance doesn't save money – it shifts the bill forward at a higher rate.

- **Lower property values –** Because market value is tied to risk, properties become less attractive to buyers and lenders alike when reserves are weak, as:
  - Buyers anticipate special assessments and negotiate prices downward
  - Units sit longer due to financing or insurance concerns
  - Appraisers may factor in poor common element conditions or a risky financial profile
  - Real estate agents steer buyers toward communities with stronger reserve funds and fewer risks
- **Noncompliance with state laws –** Many states have statutes or regulations regarding reserve studies and/or reserve funds, and while underfunding itself may not be illegal, it often correlates with failures to follow statutory requirements. Noncompliance can lead to regulatory scrutiny, sales disputes, and increased liability.
- **Higher insurance costs –** Insurers are increasingly scrutinizing reserve studies, especially for condominiums. Deferred maintenance increases the likelihood of losses, and poor component conditions can lead to underwriting concerns or non-renewals. In the worst cases, associations with underfunded reserves and deferred maintenance become effectively uninsurable in the standard market and are pushed into expensive, limited-coverage options.
- **Financing issues –** Like insurers, lenders are becoming stricter and considering reserve balances when making decisions for both associations and individual buyers.
  - Association challenges – Because banks evaluate reserve funds, delinquency rates, and planned capital projects, weak reserves can lead to worse loan terms, smaller loan amounts, or outright denial.
  - Buyer mortgage challenges – Many loan programs look at budget health, reserve allocations, and deferred maintenance. If the community fails specific lending criteria, buyers may be limited. This reduces the buyer pool and often lowers prices.
- **Legal and Fiduciary Risks –** Boards have a fiduciary duty to act in the best interests of the association, including responsible financial planning. Chronic underfunding, deferred maintenance, the absence of a reserve study, or inadequate disclosures can pose serious risks to the board and the association as a whole.

Avoiding Underfunded Reserves

To avoid becoming underfunded and the consequences that follow, community associations should follow several best practices.

- **Get a reserve study and keep it current –** Commissioning a reserve study, keeping it current, and adhering to its funding recommendations are at the forefront of maintaining adequate reserve funds. The Community Associations Institute's Reserve Study Standards recommend updating your study every 3-5 years.
- **Adopt a long-term funding plan –** Use your reserve study to set a multi-year contribution schedule rather than focusing on one year at a time. Work with your reserve study provider to select the funding plan that best fits your needs, and revisit it annually to account for changes in inflation, interest rates, project timing, and scope.
- **Non-negotiable reserve contributions –** Like utilities or insurance premiums, reserve contributions should be a non-negotiable line item. Gradual and consistent annual increases should be built into the budget so contributions keep pace with inflation. If reserves are behind, work with your reserve study provider to develop a phased catch-up plan that avoids large spikes in the future.
- **Preventative maintenance –** Follow a detailed preventative maintenance plan and track recurring failures, as repeated repairs often mean it's time for a replacement. Proactive maintenance practices such as roof inspections, drainage cleaning, and painting cycles help reduce emergencies and keep reserve projections accurate.

The Bottom Line

If your association is facing red flags like outdated reserve studies, flat contributions, deferred maintenance, or frequent special assessments, it should be clear that course correction is necessary. In the meantime, underfunded associations should work alongside their reserve study provider to determine which projects can be safely deferred and whether components can be repaired rather than replaced. Additionally, reserve study firms can model various funding scenarios to develop a financial gameplan that avoids future shortcomings.

While underfunded reserves are common in community associations, the problem is entirely avoidable. Underfunding can be corrected with disciplined planning, strong leadership, and, of course, an up-to-date reserve study. A long-term funding plan, consistent, non-negotiable contributions, and a proactive maintenance program go a long way toward maintaining financial stability.

Strong reserve funds aren't just nice to have. They are essential for protecting associations and homeowners from unexpected expenses, structural failures, and declining property values. ■

Michelle Baldry, PE, PRA, RS is Vice President of Sales with Reserve Advisors.

FINANCIALLY SPEAKING...from page 12.

Conclusion

As can be seen by this and the previous article, investments can be a powerful tool to help supplement association income, but they are not without their pitfalls. With complex rules to accurately account for investments, increased diligence and procedures by the board to effectively manage risk, and potential tax implications investment of association funds is not without its challenges. Understanding and planning for these challenges will allow an association to reap the rewards of investing while helping to mitigate the compliance needs required to do so. ■

Dan Levine, MBA, CPA is a Certified Public Accountant at Tomasetti, Kulas, And Company P.C. Dan has extensive experience with tax and attestation services to condominium associations from all around Connecticut. Dan serves as the Chair of our Publications Committee and is an active participant in CAI-CT related programs and can be found presenting frequently.

FANNIE MAE...from page 19.

- Begin planning for compliance with 2026 and 2027 implementation timelines.

Condominium communities are strongly encouraged to proactively confirm their eligibility status with Fannie Mae and Freddie Mac by reviewing current ineligible project lists. If your community now meets the insurance coverage, visit these websites to begin the process with Fannie Mae and Freddie Mac.

Taking these steps can help restore access to conventional financing, support property values, and ensure buyers and owners benefit from a more competitive and accessible lending environment.

As always, CAI will continue to monitor implementation and provide resources to support community associations navigate these evolving requirements.

Source: CAI National www.caionline.org

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