

HOA DOCS DIRECT  
A NexEdge Venture

# HOA Red Flags Quick Reference

Spot deal-killers before they stall your closing

Version 1.0 | May 2026

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## **Financial Red Flags**

- [ ] **Reserves below 10% of annual budget**  
Predicts future special assessments. Flag for buyer disclosure.
- [ ] **Multiple special assessments in past 3 years**  
Pattern indicates poor financial management or deferred maintenance.
- [ ] **Operating deficit for 2+ consecutive years**  
Association is spending more than it collects. Unsustainable.
- [ ] **High accounts receivable (>15% of budget)**  
Too many owners are delinquent. Cash flow problems ahead.
- [ ] **No reserve study on file (condos)**  
Most states require this. Missing = non-compliance + hidden liabilities.

## **Insurance Red Flags**

- [ ] **Lapsed or missing master policy**  
Closing should not proceed. All owners are exposed.
- [ ] **Deductible exceeds Fannie Mae caps**  
Fannie caps deductibles at \$25K or 5% of insured value.
- [ ] **No flood coverage in flood zone**  
Lenders require it. Check FEMA maps against the policy.
- [ ] **Builder-controlled policy expiring soon**  
New construction transition risk. Verify ongoing coverage.

## **Legal & Compliance Red Flags**

- [ ] **Active construction defect litigation**  
Can make building uninsurable and ineligible for financing.
- [ ] **HOA in bankruptcy or receivership**  
Documents may be undeliverable. Timeline extends by months.
- [ ] **Pending zoning or code violations**  
Municipal liens can attach and cloud title.
- [ ] **Rental cap conflicts with buyer intent**  
Investor buyers may be blocked from leasing the unit.
- [ ] **Age restriction not disclosed (55+)**  
Buyer under minimum age cannot occupy. Verify before proceeding.

## **Document & Process Red Flags**

- [ ] **Missing amendments to CC&Rs or bylaws**  
#1 cause of post-closing disputes. Superseded docs are not enough.
- [ ] **Inconsistent assessment amounts across docs**  
Resale cert, estoppel, and budget should match. Discrepancies = missing updates.
- [ ] **Estoppel older than 30 days**  
Financial status can change quickly. Stale estoppels are unreliable.

[ ] Digital docs without portal watermark/auth

Screen captures and forwarded emails are not acceptable to most lenders.

**PRO TIP**

Any single red flag is worth a conversation. Two or more red flags in the same file should trigger legal review before closing.

# Need Help With HOA Documents?

HOA Docs Direct retrieves HOA documents, resale certificates, and estoppel letters for title companies, escrow teams, and lenders nationwide. Fast turnaround. No delivery, no charge.

**hoadocsdirect.com**

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