



HOA LEADERSHIP NETWORK

By Board Leaders. For Board Leaders.



**HOA LEADERSHIP
NETWORK**
By Board Leaders. For Board Leaders.

 **ENTERPRISE
BANK & TRUST**

Community Association Banking: Investments and Financing

June 2024



Investments



Investment Regulations

1. Community associations consist of condos, co-ops, HOAs and homeowner villas/townhomes
2. Board responsibility: Safety first
3. Investments: Safe and prudent manner
4. Association bylaws: Clear definition of investment guidelines are typically disclosed
5. Always refer to your community manager and management company for clear definitions on what is allowed for investments
6. Investment policy: It is recommended that an investment policy be added to your governing documents. This provides consistency during board turnover and ensures the safety of all association funds.
7. Maintain FDIC insurance on all money up to and over \$250,000



Income vs. Safety

Many boards ask: *Which should come first, income or safety?*

1. Protection of capital goes before possible interest earned or capital gained, at all times
2. Stocks, mortgages and mutual funds will produce more interest income; however, they are not safe for the financial security of your association. Many associations' bylaws restrict this level of investment.
3. Directors hold a fiduciary responsibility to safeguard the community's funds
4. A level of liquidity is a must for all associations
5. Enterprise can protect funds over the standard \$250,000 FDIC insurance threshold*

*Fees apply



Liquidity vs. Return

Prior to investing:

1. Directors should understand the financial needs of the association and repairs/replacements that will be needed — now and in the future
2. Reserve funds should be available when the community needs them
→ Liquidity is a must
3. Weigh the risk of return and the need for available funds for unplanned repairs
4. 20-25% of all reserve funds, depending on the complexity of the community, should always remain liquid
5. Have 25% of reserve funds available plus the amount equal to the community's insurance deductible for any unplanned claims
6. Understand liability and penalty for breaking a CD or bond early
7. Understand your reserve study and how much money will be needed to properly support your community

Prior to investing: Work with a bank that understands your community and state guidelines



Your Investment Options

1. Money Market Accounts (MMAs): Lower interest rates and funds remain liquid
2. Certificates of Deposit (CDs): Maturities vary from 3 months up to 5 years. Money is not liquid and penalties will be incurred for cashing in early.
3. Treasury Bills (T-Bills): Maturities vary from 4 to 52 weeks. T-Bills have low rates of return because of the low risk involved. Purchase them for less than face value and then cash them in for full value at maturity. Funds are not recorded as liquid.
4. Treasury Notes: Maturities vary from 2-10 years. Funds are not liquid.
5. Bonds: 20-30 years
6. Hire an investment manager: Rate of return compared to overall cost for services received. In the current market, clients are losing money based on the managing costs/fees.

Financing

Capital Projects and Lending

Lending points:

1. Financial health of the association
2. Liquidity of funds in the reserve account
3. Total number of delinquencies over 60 days
4. Reserve study
5. Up to 10-year term and amortization

Lending points:

Work with a bank that understands the needs of your association and community. They will specialize in guiding you through the loan application process.

Questions?

About Us

Who is Enterprise Bank & Trust?

Talent

#27

on American Banker's list
of top-performing banks
between \$10B-\$50B

**SPECIALIZED
EXPERTISE**

Top 20

U.S. Small Business
Administration (SBA) loan
originators by dollar volume

Strength

\$14.6B

in assets

A-

**INVESTMENT GRADE
KROLL RATING**

#8

on Bank Director's RankingBanking
study of the Top 25 U.S. Banks

Passion

30+

no-cost courses offered every
spring and fall as part of our
signature business education
program, Enterprise University

6 years

consecutively ranked one of the
nation's Best Banks to Work For, as
recognized by American Banker

\$2.14B+

in community
development-qualified loans and
CRA small business loans in 2023



**HOA LEADERSHIP
NETWORK**
By Board Leaders. For Board Leaders.



Let's Connect

Rachel Rowley, AMS, PCAM
SVP, Relationship Manager, HOA Team Lead
Call: (331) 305-0869
Email: rrowley@enterprisebank.com
Visit: enterprisebank.com/cab



**HOA LEADERSHIP
NETWORK**
By Board Leaders. For Board Leaders.



Disclaimer

Investment services offered by Enterprise Bank & Trust are not deposits, obligations, or guaranteed by the bank or its affiliates. The information provided represents the opinions of Enterprise Bank & Trust and is not intended to forecast future events or guarantee future results. Past performance does not guarantee future returns. The proceeding information is for educational purposes only. Investors should consult with their investment professionals for advice concerning their particular situation.

Investments are: *Not FDIC insured *May lose value *Not financial institution guaranteed *Not a deposit *Not insured by any federal government agency.



HOA LEADERSHIP
NETWORK

By Board Leaders. For Board Leaders.

**SCAN &
TAKE OUR
SURVEY**

