CIC TASK FORCE
July 29, 2026 Meeting

FOR DISCUSSION AND POSSIBLE ACTION ITEMS:

A. Evaluating Financial Pressures in Common-Interest Communities ("CIC").

Introduction: High inflation, increased insurance premiums, and stricter federal lending requirements are placing financial strain on CICs. These pressures contribute to rising regular assessments and special assessments needed to meet common expenses and reserve obligations, which may lead to higher homeowner delinquencies, foreclosure actions, and public complaints.

Policy Objectives: Identify statutory gaps, protect affordability and develop policies that keep communities financially stable.

Regulatory Perspective:

NRS 116.3113 - Requires property insurance on common areas to at least 80 percent of actual cash value.
NRS 116.3115 - Mandates adequately funded reserves for repair and replacement of major common elements.
NRS 116.31151 - Requires annual distribution of operating and reserve budgets; owners may reject a proposed budget that increases assessments.
NRS 116.31152 - Requires a reserve study at least every five years with annual updates.

<u>Issue 1: Increasing HOA Assessments and Fees</u>. Budget pressures are driving associations to raise monthly assessments or impose substantial special assessments.

<u>Issue 2: Rising Insurance Costs</u>. Insurance premiums for CICs are increasing sharply, and some carriers are withdrawing from the market, resulting in higher deductibles, higher premiums, or reduced coverage.

<u>Issue 3: Lender and Financing Requirements</u>. Federal mortgage entities are imposing stricter project review standards, evaluating financial stability, insurance coverage, and structural integrity before approving loans.

Supporting Materials:

- Fair-Use Summary of Article by Nicole Friedman, *Surging HOA Fees Are Pushing Homeowners to the Brink*, The Wall Street Journal, April 9, 2026.
- Fannie Mae, Lender Letter (LL-2026-03), Updates to Project Standards & Property Insurance Requirements, Submitted by Attorney Michael E. Buckley.

FOR DISCUSSION AND POSSIBLE ACTION ITEMS:

B. Strategies to Address Board Member Vacancies.

Introduction: Many CICs experience difficulty filling and retaining seats on executive boards, affecting governance continuity and legal compliance.

Policy Objectives: Identify the root issues of board vacancies, highlight regulatory safety nets under Nevada law (with comparisons to other States), and map out key vulnerabilities to systematically address the causes of board vacancies and build a sustainable recruitment plan.

Regulatory Perspective:

NRS 116.3103 - Establishes that board members have fiduciary duties and provides protection from personal liability when they act in good faith and within their authority.

NRS 116.31034 – Board must consist of at least 3 members. Maximum term length 3 years, no limit on number of terms, but bylaws can provide term limits. Staggered terms for terms longer than 1 year required. Subsection (19) dictates that within 90 days of being elected or appointed, the board member must certify in writing that they have read and understand the rules and the law. No formal education required for board eligibility.

NRS 116.3113 - Requires a minimum of $1,000,000 in Directors and Officers (D&O) insurance, protecting volunteer board members from personal financial exposure when acting appropriately.

NRS 116.31185, NRS 116.31187 - Board members serve as volunteers and may not receive compensation, gratuities, or other remuneration.

<u>Issue 1: Board Member Liability Concerns</u>. Potential candidates may decline to serve due to perceived legal or financial risk, or potential conflict with neighbors.

<u>Issue 2: Term Limits</u>. Term limits may prevent burnout and support turnover, but they may also remove experienced volunteers and contribute to vacancy rates.

<u>Issue 3: Education and Training Opportunities</u>. Limited training can lead to confusion, burnout, and resignations. However, mandatory training requirements may discourage participation by qualified but time-constrained individuals.

<u>Issue 4: Compensation for Board Members</u>. Board service requires significant personal time. While monetary compensation is prohibited, legally permissible non-monetary incentives or support measures may help attract and retain volunteers.

Supporting Materials:

<u>Florida 2025-2025 Condo-HOA Presentation</u>

- Board Member Certification - Chapters 718 and 720, Florida Statutes Division of Condominiums, Timeshares & Mobile Homes, Florida's Department of Business & Professional Regulation ("DBPR"), free 4-hour Board Member Certification Program.

FOR DISCUSSION AND POSSIBLE ACTION ITEMS:

C. Regulatory Gap - Community Management Companies.

Introduction: Under NRS 116A, the Division licenses individual community managers but lacks authority to regulate management companies themselves. Because associations contract with management firms rather than individual managers, systemic corporate issues may fall outside direct regulatory reach.

Policy Objectives: Examine regulatory gaps within Nevada CICs and the Division's jurisdiction under NRS 116A to regulate community management firms.

<u>Issue 1: Regulatory Jurisdiction & Oversight</u>. The Division's current authority is limited to individual licensees, restricting its ability to address corporate-level misconduct or operational failures.

<u>Issue 2: Case study of Appraisal Management Companies ("AMCs") and Potential Parallels</u>. Nevada's AMC regulatory model under NRS 645C may offer guidance for regulating CIC management firms.

Key elements include:

- Mandatory corporate registration (NRS 645C.650)
- Requirement for a designated qualified employee (NRS 645C.670)
- Firm-level enforcement mechanisms (NRS 645C.710 and 645C.720)

Supporting Materials:

- SB 186 (2021), section 3.1.(i), as enrolled – revisions to NRS 649.378, restricts collection agency from collecting debts owed to a unit-owners' association if they are connected to the management company.
- 2026 CAI Legislative and Public Policy Trends, priority on manager and management-company disclosure requirements.
- NRS 645C Reform History: AB 287 (2009) and SB 39 (2019) as enrolled, LCB File R176-18, Approved by Legislative Commission 06/08/20.
- Joseph E. Adams, *Management Contracts Regulated by Florida Statutes*, News-Press, October 26, 2025.