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She was ready to buy her dream condo — but discovered the HOA had just 1% in cash

reserves

Story by Aarthi Swaminathan 2026-9-23

Would you buy a house if it came with an HOA? If so, do so with your eyes wide open.

You may be able to choose your house or condo, but you can't always choose your homeowners association. Some condo owners are increasingly struggling to sell because of surprise HOA fees, insurance problems, special assessments and stricter lending standards.

HOAs have increasingly become a hot topic. People on social media lambast HOAs for curbing homeowners' freedom to do as they please; some HOAs dictate the color homeowners can use to repaint their homes, or limit when they can put up holiday decor.

People have mixed feelings about HOAs: 70% of homeowners who live in an HOA said they would prefer to live in a community without one if they were to move, according to one recent poll.

"The people who have had a bad experience are more vocal," Nathan Garrett, a Louisville, Ky.-based real-estate broker and the owner of Realty Homes, told MarketWatch.

HOAs serve a critical role in maintaining the community. They are typically nonprofit organizations that maintain amenities such as swimming pools, tennis courts, gyms, playgrounds, private roads, shared parking lots, sidewalks, trash removal and more.

And it's hard to avoid them. Roughly 4 in 10 homes for sale in America require an HOA fee, according to an analysis of home listings by Realtor.com. That share has grown significantly over the last six years, up from 34% in 2019.

HOAs are proliferating because of the need for an entity to manage common spaces. Real-estate developers, for instance, create HOAs to maintain common areas such as landscaped gardens or roads. HOAs are largely funded by dues from residents.

A third of single-family homes are associated with an HOA, Realtor.com's data found. About 68% of new builds also came with HOA fees, compared with 39% of existing homes, Realtor.com noted.

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Dodging an HOA bullet in Illinois

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The question of whether to buy a house with an HOA — or not — also heavily depends on the type of property.

Some condo HOAs have run into trouble recently, as MarketWatch has reported, in part due to skyrocketing insurance costs and dwindling financial reserves. The stakes can be high with condo associations, where owners share responsibility for the building's finances, insurance and major repairs. *Note*

A poorly funded HOA can leave homeowners facing higher dues, special assessments, deferred maintenance and, in the most extreme cases, difficulty obtaining financing when they want to sell.

If the HOA has a shortfall of funds or doesn't properly maintain common areas such as elevators and swimming pools, the burden falls on all homeowners in the HOA to pay for repairs. That could mean higher monthly HOA fees, on top of special-assessment bills. *Note*

In a suburb near Chicago, one home buyer in her 50s was on the hunt for a home as she finalized a divorce. The woman (who declined to share her name, since she was still navigating the aftermath of her marriage's breakdown) believed a condo to be a better option compared to a single-family home, given that it required less maintenance.

She quickly found out that maintenance was the least of her concerns. Getting important details about condo buildings' finances from HOAs has been "difficult," she told MarketWatch. After spending money getting a condo unit appraised and inspected, she thought the deal was mostly done, but was still waiting on documents about the condo's HOA from the seller. She wasn't very worried, she said, because the seller would have to disclose the information to the mortgage lender anyway. Her lender had locked her in for a rate of 6.7%. *Note*

But what happened next made her pull out of the sale. She found out that the HOA only had 1% in financial reserves. Earlier this year, Freddie Mac announced that, for mortgages with applications received on or after Jan. 4, 2027, the minimum replacement-reserve allocation will rise to 15%, from 10% of annual budgeted assessment income. *Note*

That meant that she wouldn't be able to take a mortgage that was backed by Fannie Mae or Freddie Mac. The lender switched to another source of funding — but that entailed a mortgage with an interest rate of 10%. *Note*

That was a no go. On social media, she asked strangers whether she should ask the seller to reimburse the cost of appraisals and inspections. She alleged that details about the HOA's finances were withheld from her until she was presented with the final paperwork.

The new mortgage rate was 10% mostly likely because it was a nonqualified home loan, meaning that it didn't meet the strict federal standards required for it to be purchased by Fannie, Freddie or other government agencies.

An HOA isn't necessarily a bad thing

Buying a house with an HOA isn't necessarily a bad thing. Though HOAs are criticized online, home buyers generally don't deliberately seek to avoid homes that are part of one, said Garrett, the Louisville real-estate broker.

In fact, having a home in an HOA can be seen as a "good thing, because it really does protect the neighborhood," he noted.

Consider the fact that an HOA is responsible for enforcing landscaping requirements, such as making sure homeowners have trimmed their grass. Ensuring the aesthetics of the neighborhood leads to improved property values, Garrett said.

HOAs are also purposeful. Mike Chadwick and his wife have been looking to buy a beach house in Rhode Island for the last year. Chadwick, founder of Connecticut-based investment advisory firm Fiscal Wisdom Wealth Management, told MarketWatch that he wasn't too concerned about whether his future vacation home was part of an HOA or not.

Having owned several commercial, mixed-use and rental properties, HOA fees are not a real pain point for Chadwick. "I mean, an HOA wouldn't scare me away," he said. "It kind of depends on what the HOA is for."

For instance, a single-family HOA doesn't deal with issues such as environmental risks, or maintenance of things like beach boardwalks that a single-family beach HOA may have to tackle.

But HOAs can also add to the likelihood that you will get an unexpected, even nasty surprise just as you are about to close the sale.

Before buying a property with an HOA, go through a checklist before signing on the dotted line. Find out the current HOA dues and any recent increases, the cash-reserve balance, pending or recent special assessments, the HOA's budget and financial statements, its insurance coverage and premiums, and any outstanding lawsuits that the seller doesn't want you to know about. Your attorney may not ask these questions — that's up to you.

The Chicago buyer who pulled out of her purchase at the 11th hour, meanwhile, felt relieved to not have sunk her money into the condo unit. She also learned a valuable lesson: "I'm definitely either getting all the financial documents before even walking into a showing, or not seeing condos at all," she said.

She learned a valuable lesson: You may be buying a home, but you will also be married to the HOA for as long as you live there.

