What is a reserve fund?

A reserve fund is a savings account or other **liquid asset** for anticipated future expenditures, such as major repairs and improvements. Reserve funds are set aside in an account separate from the general operating funds.

A **reserve fund** is created to take care of maintenance, repairs or unexpected expenses. It consists of **funds** taken out of earnings to provide for anticipated future payments and it is managed by a homeowners association or other governing body.

A reserve study sets out a long term schedule of likely costs and repairs. The reserve study will, in most cases, estimate the cost and timing of the repairs and replacements to the common areas that will likely be needed over the next **20 to 30 years.**

At this time, the State of Colorado does not require homeowners associations to have a reserve fund, however the Colorado Department of Regulatory Agencies (DORA) strongly recommends that a reserve fund be established by every HOA board.

Measures of strength of fund are as follows:

0% - 30% Funded is generally considered to be a "weak" financial position. Associations that fall into this category are subject to higher frequencies of special assessments and deferred maintenance, which could lead to lower property values.

31% - 69% Funded is generally considered a "fair" financial position. The majority of associations fall into this category. While this doesn't represent financial strength and stability, the likelihood of special assessments and deferred maintenance is diminished. Effort should be taken to continue strengthening the financial position of the reserve fund.

70% - 99% Funded is generally considered a "strong" financial position. This indicates financial strength of a reserve fund and every attempt to maintain this level should be a goal of the association.

100% Funded is considered an "ideal" financial position. This means that the association theoretically has the exact amount of funds in the reserve account.