

Hey ChatGPT - what happens when my poa goes out of business?

That's a really important (and often overlooked) question. In Texas, if a **Property Owners' Association (POA)** "goes out of business" (meaning it dissolves, loses nonprofit status, or simply stops functioning), several consequences can follow — some practical, some legal.

What Happens When a POA Fails in Texas?

1. Common Areas Become Orphans

- Pools, parks, private roads, drainage areas, detention ponds, greenbelts — all the land titled in the POA's name has to be maintained by someone.
- If the POA is dissolved without transferring ownership, no one may have legal authority to maintain or insure them.
- This can lead to **liability issues** (e.g., if someone drowns in the pool or a drainage ditch floods homes).

2. Deed Restrictions May Still Exist

- Just because the POA is gone doesn't mean the **restrictions in the Declaration of Covenants, Conditions, and Restrictions (CC&Rs)** automatically vanish.
- Deed restrictions "run with the land" and may still be enforceable **by individual owners** through private lawsuits — though enforcement becomes costly and inconsistent.

3. Loss of Maintenance & Enforcement

- Entrances, landscaping, lighting, and private infrastructure may deteriorate without dues funding.
- Rules on home appearance, fences, short-term rentals, or junk cars may no longer be enforced.
- Neighborhood quality — and property values — often decline.

4. Liability for Board Members

- If the POA dissolved improperly or stopped paying bills (insurance, taxes, contractors), **directors could be personally liable** in some cases.
- If the corporation is formally dissolved under the **Texas Business Organizations Code**, debts and obligations must be wound up before assets are distributed.

5. Taxes & Legal Status

- The POA is usually a **Texas nonprofit corporation**. If it fails to file reports or pay fees, the Secretary of State can **involuntarily terminate** it.
- Once terminated, it cannot operate legally, open a bank account, or enforce covenants.
- The IRS can also revoke tax-exempt status if filings stop.

6. What Owners Can Do

- **Reincorporate:** Homeowners can form a new association, but it requires legal work and often a supermajority vote to re-establish governance.
- **Transfer to City/County:** In rare cases, roads or parks may be deeded over to the local government, but cities/counties don't always want the liability.
- **Self-Help Groups:** Sometimes neighbors form informal maintenance committees or collect voluntary dues, but this is weaker than a formal POA.



Texas Law Angle

- **Property Code Chapter 209** governs active POAs.
- If dissolved, those protections and requirements disappear.
- Restrictions in your deed remain enforceable, but **without a corporate POA, enforcement shifts to individual owners** (more lawsuits, fewer consistent results).

☒ In short:

If your POA goes out of business, the **corporate enforcement and maintenance structure collapses**, but the **deed restrictions may survive**. Common areas risk falling into neglect, and property values often decline unless homeowners quickly reorganize or transfer responsibilities.

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Adoption by another non-profit will require a change to the deed restrictions and the 67% approval vote. Odds are it's limbo in the future.