

The Corporate Transparency Act

Every community association in all states needs to be aware of a mandatory filing required by the Corporate Transparency Act (CTA). This legislation, enacted to prevent money laundering in small businesses, requires businesses and tax paying nonprofits to file personal information and complete 51 questions on the U.S. Department of the Treasury's portal. This article provides an overview of the CTA's implications and what communities can expect from the legislation.

The act defines an individual who must comply as a "beneficial owner" which is any person with 25% or more ownership or control over an organization. This could include an owner who owns several units as investment properties or the Board of Directors who controls the association. Existing associations have until December 31, 2024, to comply with the filing. However, associations established in 2024 must file within 30 days of becoming incorporated. A developer or person who has control of an association needs to file and update the information as the Board changes.

If a business does not comply, the penalties are harsh. The fines range from \$500 a day up to \$10,000 and the possibility of criminal prosecution. The information required is personal and much like what a Board would provide to a bank. It includes name, address, a copy of a driver's license, and more. Although the impact on community association governance is unknown, it could impede future voluntarism. It's believed community associations were not the intended target. Several organizations including CAI are working to request an extension and even an exemption to this law.

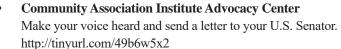
The association's Directors and Officers policy usually has exclusions for failure to comply with government regulations. Associations need to follow the law. If a lawsuit is brought against an association because of this, coverage may not exist including the duty to defend the suit.

As a member of the Legislative Action Committee for CAI Oregon, I urge homeowner associations to speak up and request a delay in CTA

reporting requirements. Recently H.R. 5119 passed in the U.S. House of Representatives and a companion bill is currently working its way through the Senate. This bill aims to delay reporting requirements. Associations can reach out to legislators and demand that the Senate companion bill to H.R. 5119 is passed. **CAI's Advocacy Center** can help. Use the Advocacy Center to draft and send a letter to your U.S. Senator.

For further updates on the Corporate Transparency Act please utilize **CAI's website**.

• Community Association Institute http://tinyurl.com/4azru66p







An Owner's Burning Question



Question: I am a landlord and rent my unit. What do I need to consider on my insurance?

Answer: A landlord owner who rents their unit, has a responsibility to cover the association's deductible for damage within the unit if the owner's requirement or the unit carries bare walls coverage.

Owners and landlords need an HO6 policy. The tenant occupying the unit needs to purchase an HO4 policy, often called a renters policy. If the owner rents to a family member, we still recommend the tenant (family member) purchase an HO4 policy to protect their personal belongings and liability. In this case, a separate insurance interest exists, apart from the owner who owns the unit. The belongings of the family member who occupies the unit may not be covered under the owner's policy. In addition, both policies need to include loss of rent for the owner and loss of use for the tenant. Loss of rent protects the owner from lost rental income. Loss of use protects the tenant from costs to stay elsewhere if the unit is uninhabitable.

Another consideration is to have a well-written lease agreement in favor of the association. Require insurance coverage for all tenants within the lease agreement and request that the association be listed as an additional insured. This will help you do your part to protect the interest of the association.





We Want Your Input!

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Update of the Month: Clean Dryer Vents Annually

Each year dryer vents need to be cleared of debris and lint build up to prevent a fire. Dryer vents can cause unit fires which could result in building damage or life-safety concerns. A fire from a

dryer could displace tenants for lengthy periods of time. If you notice your dryer takes longer than 45 minutes to dry clothing, the vent may need to be cleaned. Lint can accumulate outside the trap. If the dryer feels hot to the touch, it could indicate it is overworked.



If you have never had the dryer vent cleaned, now is a good time to schedule the service. It is not the association's responsibility to schedule the cleaning.

Coverage Corner: What is Cyber Coverage?



Cyberattacks, compromised data — stories of these electronic break-ins fill the news, and sadly community associations are becoming a target. Cyberattacks happen to community associations and cyber insurance policies help protect against these crimes. Sometimes associations are the target of malware infections. Community associations hold personal and precious data that cyber criminals want. After a cyber breech occurs, the Board is responsible to act. The association needs to notify owners of the breech and possibly provide monitoring services for a required limited time. Other costs of these attacks include forensic investigations, crisis management, or public relations efforts.

Cyber coverage can be purchased several ways depending on the insurance carrier. Limited coverage can be added to some package policies. A Directors and Officers policy could include cyber coverage, or the coverage could be purchased as a stand-alone policy. Stand-alone policies often provide the community with broader coverage instead of a cyber endorsement on another policy. All communities can benefit from cyber policies. Talk to your insurance agent about cyber protection coverage.