



Duties & Limitations of the Board of Directors in Common Ownership Communities

All condominium, cooperative, and homeowner associations in Maryland are governed by a board of directors. Their purpose is to determine policies and make decisions on behalf of the association. Directors are usually not professionals and don't actually do everything themselves. They depend on information gathered by resident committees and the expertise of auditors and accountants, attorneys, landscape companies, engineers and property managers --- but the ultimate decision-making lies with the board of directors. They have the right to:

- ❖ Raise and collect the assessments
- ❖ Approve repairs and improvements
- ❖ Hire contractors
- ❖ Select managers and employees and set their salaries
- ❖ Adopt the annual budget
- ❖ Adopt or change rules
- ❖ Enforce rules against members in violation

Board members are leaders within their community. This is an important responsibility, essential to the smooth and orderly operation of the community. It is important to note, however, that *individual* directors do not have special rights or powers. The authority and power of the board resides in the *group*.

1. The most important duty of individual directors is serving as a fiduciary -- one in whom members have placed their utmost trust and confidence, who has the moral and legal obligation to manage and protect members' property and finances, and *who will safeguard members' interests above their own*. Individual directors may not engage in activities that constitute, or could lead to, a conflict of interest.
2. Individual directors have the duty to be familiar with the association's governing documents and relevant federal, state, and local laws. The board of directors is required to comply with and enforce the governing documents fairly and consistently. They also have the authority to institute procedures to adopt or change these rules.
3. Individual directors have the duty to ensure that the association's financial obligations are being met and that all financial transactions and recordkeeping are accurate and transparent. The board of directors is responsible for adopting the annual budget, collecting assessments, and maintaining a reserve fund.

4. Individual directors may not direct the expenditure or collection of funds without specific board authorization. Board decisions are just that: *decisions made by the group*.
5. Individual directors may not take action on behalf of, or use the authority of, the association without the specific authorization of the board.
6. Individual directors should be familiar with the physical elements of the property and ensure it is properly maintained.
The board of directors has the authority to hire contractors and approve repairs and improvements.
7. Individual directors may not interfere with the performance of contractors unless specifically authorized by the board.
8. Individual directors have the duty to attend meetings and to be fully informed prior to voting on agenda items. They have the duty to conduct their due diligence by questioning, discussing, and requesting additional facts.
9. Individual directors have the duty to communicate clearly, openly, and respectfully with association members about actions taken (or not taken) by the board of directors.
10. The board of directors' meetings must be open to all residents of the association, except under specific conditions set by state law.

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