



## NJ Reserve Study Legislation: FAQs 2024

**Q: Why?**

A: To prevent tragedies like the Champlain Towers South collapse in Surfside, FL that claimed 98 lives, from affecting New Jersey families.

**Q: When does this go into effect?**

A: Immediately, 1/8/24

**Q: Won't this increase the cost of our home ownership?**

A: No. The expenses (costs) that the homeowners are responsible to bear are unchanged. The law just requires the association to fund these inevitable Reserve projects on an ongoing, budgeted basis, rather than wait and suffer expensive and potentially dangerous deterioration while last minute funding via special assessments or loans are pursued.

**Q: Who does this apply to?**

A: All NJ community associations ([6.a](#)), unless the association's combined common area assets are less than \$25,000 in value ([6.d](#))

**Q: What qualifies as a Reserve Study?**

A: A Reserve Study prepared by a qualified individual (RS or PRA) or an engineer or architect licensed by the State of NJ, in compliance with National Reserve Study Standards ([6.a](#))

**Q: How often must a Reserve Study based on a site inspection be performed/updated?**

A: At least every 5th year ([6.c](#)) Note that industry Best Practices (per the national trade association "Community Associations Institute", and Fannie Mae and Freddie Mac requirements) is every third year.

**Q: When must our Reserve Study be prepared or updated?**

A: See above. At least every five years. This means that if your last qualifying Reserve Study is more than 5 years old (completed before 1/8/19), or if your association doesn't have one, you must update your Reserve Study (or get your first Reserve Study completed) before 1/8/25 ([6.b](#))

**Q: What about if we're a brand new association (for new associations formed after 1/8/24)?**

A: Within two years of the newly elected board ([6.b](#)).



**Q: Must we fund the Reserves?**

A: Yes, per the plan, so that the 30-yr funding plan provides sufficient cash to perform all the anticipated Reserve projects without reliance on future loans or special assessments ([7.a](#)).

**Q: Can we overspend on a Reserve component (more than indicated in the Reserve Study)?**

A: Yes. Reserve Studies are based on estimates, and overages are expected to occur. Your association can “overspend” from Reserves on a project as long as it doesn’t interfere with the association’s Reserve cash availability to perform other Reserve projects for the next five years ([7.b.1](#)), and the association’s executive board resolves to restore the overage within five years ([7.b.2](#)). This will require regular (perhaps annual) updating of your Reserve Study’s financial plan.

**Q: What if something fails early and we don’t have enough cash?**

A: Special assess or get a loan. ([7.a](#)) This law does not prohibit special assessments or loans in true “surprise” situations.

**Q: Must we be “fully funded” (100% Funded) by any point in time?**

A: No. “Fully Funded” is a measure of Reserve Fund size, where the cash in Reserves equals the cash value of deterioration at the association. The law does not require associations to build their Reserve Funds to any such specific level. The law only requires associations to have a plan to fund Reserves on an ongoing basis such that for the next 30 years, Reserve cash will exist when necessary to accomplish all anticipated Reserve projects (also known as “Baseline Funding”). In other words, at a minimum, the plan must be to “not run out of Reserve cash at any time in the next 30 years”. Note that “more than the minimum” is highly recommended in order to protect owners from special assessments, since the future rarely works out exactly according to plan.