

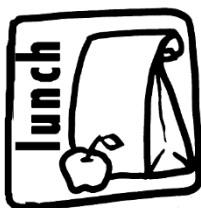
# How Do “NATIONAL RESERVE STUDY STANDARDS” BENEFIT YOU?



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National Reserve Study Standards started in a way you might not have expected... over lunch! Back in 1990, one of my competitors and I began meeting monthly for lunch. We felt the need to discuss our processes and terminology, planting the seeds of an agreed-upon “correct way” to say and do things in our industry.

The movement towards National Standards took another significant step when a prominent local banker bought lunch for a number of California Reserve Study providers. His challenge to us to develop our own industry standards stemmed from the difficulty his Staff was having in finding consistent and actionable Reserve Study information during the loan application review process. His loan processors were frustrated by the many different, often poorly defined terms and computational methods. Lenders too were looking for a “right way”.



So Reserve Study providers began meeting regularly at CAI national conferences, hashing out the issues of terminology, disclosures, and calculations and debating the soundness of various mathematical approaches. The fruit of this effort came in 1998, with the rollout of CAI’s “Reserve Specialist” (RS) designation and the first ever publication of National Reserve Study Standards (NRSS).



NRSS introduced standardized industry terminology, so a term that appears in one Reserve Study will have the same meaning in another Reserve Study. An example of standard terminology includes the three Reserve Study levels of service:

- Full Reserve Study
- Update With-Site-Visit Reserve Study (WSV)
- Update No-Site-Visit Reserve Study (NSV)

Computed terms, like “Fully Funded Balance” and “% Funded” (also known as Reserve Fund Strength), are also clearly defined. An Association’s % Funded, as of the first day of their Fiscal Year, is one very specifically computed value. The computation is not affected by future contributions or by the Funding Plan calculation methodology. Anyone who disagrees is ill-informed (at best!) and mathematically illiterate (at worst!)

NRSS also means that Boardmembers and Managers can expect to find the same significant information in every Reserve Study. For example:

- A clear description of the reporting period
- A minimum of 20 years of income and expense detail
- A reliable and stable Component List, based on a 4-part Component test
- Standardized information about each Reserve Component (name, description, quantity, useful life, remaining useful life, and replacement cost)
- A clear disclosure of the assumptions used for interest and inflation

It is only because of National Reserve Study Standards that Boardmembers, homeowners, and Managers can expect to find the information they need in a Reserve Study to make informed decisions, prevent surprises, and avoid misleading disclosures to owners and outside parties. Because of National Reserve Study Standards, there is one “right way” to prepare a Reserve Study!