

## UNDERSTANDING THE COLLECTION OF ASSESSMENTS FOR COMMUNITY ASSOCIATIONS

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If you live in a mandatory homeowner association you probably pay yearly dues. These types of fees are also referred to as 'annual assessments'. In most condominium and townhome communities the assessments are paid in monthly installments. Even if you live in a more typical homeowner association the annual dues are sometimes broken down into several installments.

It is important that all the homeowners pay the dues in a timely manner because the annual budget is calculated based on 100% participation. It is also not fair to those who have paid by the deadline to let others get by without paying for long periods of time.

Therefore, the most important aspect of keeping down a community's delinquency rate is being prompt in collection of the overdue assessments. Here is a typical schedule of collection based upon this firm's collection procedures:

1. The Association sends out a late notice stating that a charge of 10% of the outstanding amount has been added to the balance due. At this time interest will also start accruing on the delinquent amount. (*Depending on the Association's documents this will vary between 10% and 18% per annum.*)
2. After the assessment is 30 to 60 days delinquent, the account is forwarded to the attorney for collection.
3. A Lien Warning letter is sent to the delinquent homeowner, and a fee of \$75 is added to the balance due.
4. If the full amount is not paid within 30 days from the Lien Warning letter a lien is filed on the deed records, and \$235 in lien fees and costs is added to the balance due.
5. If the lien is not paid off directly, or through sale or refinance, within a certain period of time (usually 12 months) the Association can decide to go forward with suit.
6. A Suit Warning letter will be sent to the delinquent homeowner, and a fee of \$75 will be added to the balance.
7. If it is necessary to file suit, \$500 in attorney fees will be added to the delinquent account, along with the court's filing costs that usually vary between \$100 and \$140.

None of the attorney fees will be paid in advance by the Association, and will only be paid to the law firm upon collection of the funds. In this way, the Association is not out-of-pocket any monies in addition to what is owed by the delinquent homeowner. The one exception to this policy is that the Association does have to advance the court's filing costs.

The above-described approach helps keep the delinquency rate down, and keeps the cost of collection to a minimum for the Association.