



# A Guide to Collecting HOA Fees



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With a challenging economy, many homeowner associations in the Carolina's and across the United States are struggling to collect association fees from their members and developers. The good news is, most associations can take measures to curb the problem.

Over the last twenty years, the number of community associations has grown from 130,000 to over 301,000. Over 59 million Americans live in community association. Most have a responsibility to collect funds for things that were in many cases previously municipal responsibilities, such as street lights, swimming pools, and sewer stations. In some cases, associations also provide building maintenance. Associations fill important roles which were historically municipal responsibilities.

### EDUCATE OWNERS

According to internal research, educated homeowners are much more likely to pay on time than those who receive little or ambiguous information. This education process is often a combination of meetings, newsletters, articles, Web sites, and face-to-face interactions with association members. For example, an association can publish a budget indicating the landscaping service is \$30,000 a year. Most members will not be able to understand how this cost relates to them. However, if the budget indicates that each member's share of the monthly landscape contract is \$17.42, the information will make more sense to the owners and make them more likely to pay on time.

### DEVELOP A COLLECTION PROCESS

After developing a good education process, that both conveys the information and in terms owners can understand, the association must develop a good collections process. Many associations erroneously try to develop the collections process before the education process, which is putting the cart before the horse. Associations-like governments—need to find ways to make citizens comply voluntarily.

### NEVER MAKE IT PERSONAL

Board members should never ask “who” is delinquent to make a decision. A good collection process spells out in clear steps, generally based on a combination of days and dollars past due. A well developed process lists clear steps that will be taken when an account is 30, 45, 60, 75, and 90 days delinquent and/or at certain dollar amounts.

### FOLLOW THE PROCESS

Experience is associations that wait longer are often much less successful in the collection of association fees. Once a process has been developed, be vigilant that the collections are carried out without delay. There should be no variations on a homeowner by homeowner basis.

### PAYMENT PLANS

Twenty-five years of HOA experience indicates payment plans do not work in 90% of cases. Unfortunately, most homeowners who agree to payment plans fail to honor the commitment. If your association offers payment plans, the terms should be something like 50% paid when the payment plan is executed, and the remaining balance paid within three to six months. Ask your association attorney about securing a payment

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arrangement with a “deed in lieu of foreclosure,” which may expedite the process if there is a default and save the association time and money.

### ACT FAST TO COLLECT

Make sure your manager or treasurer or responsible party for collecting fees does not delay action. Our experience is that fees and debts are less likely to be collected once they are more than thirty days delinquent. The fees that are most collectable are current ones. With each passing month, the chance of collecting delinquent dues decreases, and the likelihood of forced write-offs increases.

### DEVELOPERS

It is important that your association understand the financial responsibility and condition of your developer in this market. The association attorney should review what is owed by the developer. The developer's actual obligations may differ from what the association believes or what has previously been collected. Make sure your lawyer carefully reviews your covenants and state statutes to make sure the developer and builder are paying what is owed to the association. If necessary, your lawyer can help you decide the most appropriate action to collect fees from your developer.

### GET AN ATTORNEY

It is necessary for most associations to consult with attorneys who are experience with association collections. Call your local AMG office for recommendations. Having a pre-determined plan in place is important, because time is of the essence and delaying action even a few days or weeks, makes the fees much harder to collect and to increase the cost of doing so.

### SUMMARY

Association leaders cannot use a casual approach with collection of fees. However, with diligence, proper planning and qualified professionals, associations should be able to obtain a high percentage of collections.

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