



A Common Cents Approach and Collecting Your HOA Dues Every Time

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by Melissa Andrews

I bet I know what you are thinking! Another article about collecting HOA dues? What am I going to learn from this article that I haven't already heard before? From Chapter 720 and bylaws to rules and regulations, your collection plan is pretty much written for you. In so many circumstances, we've found that homeowners want to pay their HOA dues. It's all too often that the non-payment issue could have been prevented or could have been cured much earlier. Here is a common cents (I am using cents on purpose—it isn't a typo) approach to not only collecting your HOA dues every time, but hopefully on time.

We've all heard of being penny wise and dollar foolish. In so many businesses, we find time and time again that the collection problem is actually the result of a larger issue. In this article, I want to share with you some common mistakes made by HOAs and businesses in general as well as offer some alternatives to getting to the desired result... getting paid on time, every time.

I manage a full-service collection agency. During a visit to one of our client's business, he mentioned that his HOA was almost 40 percent delinquent and that they were having a hard time paying their bills. So we immediately scheduled a meeting with the property manager and president. Within 45 days, we were handling the account and debtor information was flowing in.

Our success rate improves when we are allowed to handle accounts with a proactive approach. (Notice that I said when there is a proactive approach—this is a key point). We work to avert non-payment issues—which includes making collection calls. It was during these calls that we determined that over 50 percent of the delinquency problems could have been averted. This particular HOA had a desire to cut expenses, so they cut the quarterly reminder mailing and return envelope. Over 25 percent of the homeowners complained that they had not received their reminder notice in the mail for the second quarter and as soon as we made contact, the delinquency was cured.

Now, we can all justify the fact that the homeowner knows the dues are payable on a certain date, and it is their responsibility to get the payment in on time. We can also justify the fact that it isn't costing the HOA for the cost of collection, the cost of collection is passed along to the debtor, right? That isn't a proactive approach, and we also aren't helping our neighbor who may be struggling with the rising cost of living.

I wanted to understand this issue from the debtor's point of view, so I made a case study out of myself. I moved into a condominium in 1996. At the time of purchase, my HOA dues were just under \$500 per

quarter and included insurance, cable, water, and maintenance. I was also glad to know that items such as roof and painting were amortized. (I too have seen the recent rise in cost of living—our dues have doubled along with the number of renters.)

I made the conscious decision to not pay my HOA dues. I wanted to see how other associations were handling the crisis. On two separate occasions, I have intentionally allowed the dues to become delinquent. I don't know how other people feel when your neighbor serves on the board and you know he knows that you haven't paid your dues—but I found myself sitting in the car an extra minute until the president passed by on the golf cart. I even felt guilty carrying in shopping bags knowing that the dues weren't paid. Imagine my surprise when the bill came from the attorney, and my conscious decision cost \$375 for a demand letter. My husband wasn't at all happy with my test case. I promise there is a real message here.

The second time around, I did get two very nice phone calls from the property manager. I could tell that he was very uncomfortable making the call. The first time, I was walking into an appointment and I asked if I could call him back. I didn't (on purpose). A week later, the property manager called me again and pleaded with me to pay the dues to avoid being turned over to the attorney and incurring additional charges.

He was so nice; I pleaded that as much as I wanted to pay, that I just couldn't. I thanked him for being kind and non-intimidating. It took over three months for the letter to come from the attorney. My HOA was trying to work with me to save the costs—I know that and I appreciate it.

All too many times I have seen HOA's operating like a government. Spend the money and make the people pay the price. It's the price they pay to live in paradise right? But I would beg to differ that there are always alternatives to reach the desired result—and being pennywise sometimes results in a dollar foolish result.

The most successful associations are not going straight to an attorney but rather a middle man. Even developing a program in-house is less expensive than going straight to an attorney—for both you and the delinquent neighbor. By developing a collection plan which excludes exclusively utilizing an attorney, HOAs can negotiate more services for far less costs—and the end result is really a win-win. The HOA realizes more cash flow sooner, and the delinquent homeowner is spared additional expenses.

There are many factors to consider when establishing a collection plan. A sample collection plan would look something like this:

20 Days Prior to Due Date—Mail Statement / Coupon

DUE DATE

Day 15—Reminder Phone Call

Day 20—Demand Letter (Certified Mail and regular mail with Draft Claim of Lien attached)

Day 30—Phone call to Homeowners and attempt to make payment arrangements

Day 45—Regular Mail Reminder demand letter

Day 50—Phone call to Homeowners to attempt to make payment arrangements

Day 65—With no payment plan in place, File Lien
Day 66—Continue with collection calls and demand letters

Day 180—Turn Unpaid accounts over to attorney

There are three decisions boards can make which will directly improve the delinquency of HOA dues

1. Don't save on expenses by eliminating the coupon / statement. I have seen firsthand the immediate rise in delinquencies and the lost cash flow can be more costly. There are several ways that this step can get accomplished—make sure this happens.

2. Incorporate a calling program into your collection program. Remember, if you decide to do this yourself that there are laws in regards to collection practices. My solution: always have respect for the individual. Be consistent in your follow-up and be prepared to enter into a written payment agreement. I find that most people WANT to pay their dues. For whatever reason, they may be unable to do so at the time of the call, but most people want to pay their bills. Don't give them a reason NOT to pay—give them a reason to want to pay.

3. Don't let the past due homeowner get ZAPPED with a huge cost of collection; especially if you are passing the cost of collection directly to the past due homeowner. Remember my \$375 demand letter. Really, what exactly did the attorney do to earn \$375? It was the exact same letter on two separate occasions. There are alternatives to the initial phases of collections.

As a board member or as a property manager, you can control the cost of collections. I have seen HOA's pay as much as \$750 out of pocket and recover only \$150 from the homeowner. This only increases the cost of operation and the result is increased dues for the entire association.

Common cents is more than a plan, it's also how you collect and what you save. With a proactive plan, we have seen delinquencies improve by as much as 75 percent within the first 30 days. All too many times, we have seen association after association become cash strapped before an action plan is put into place. Take action today. Don't let another day pass without a written and well-defined collection plan.

Homeowner dues are really common cents. The benefits to the association for a well-defined and implemented collection plan include improved cash flow, reduced operating expenses, and happy neighbors.

Melissa Nash Andrews is the President of ARI a full-service collection agency in Boynton Beach, Florida. For more information, visit www.4aronline.com.