

DEVELOPMENT

WHAT'S NEW IN COMMERCIAL AND RESIDENTIAL REAL ESTATE IN THE CHARLOTTE REGION.

THURSDAY, FEBRUARY 28, 2013

Homeowners' association gets creative with delinquent dues-payers

One Mint Hill homeowner's association has found a way to get neighbors who owe association dues to pay up without turning to the courts or foreclosures.

Homeowners' associations have found themselves dealing with unprecedented numbers of homeowners either unable or unwilling to pay association dues as the real estate market crashed and recession lingered.

Many associations typically turn to liens and foreclosures when homeowners fail to pay assessments or dues, a costly and time-consuming process. Last weekend, I wrote about how some boards are trying new tactics, such as turning to rentals or agreeing to short sales.

Homeowner and association board member Shelton Lee contacted me after the story ran to share his board's creative solution to the growing number of homeowners who had stopped paying dues.

Most of these neighbors were current on their mortgage but had failed to pay association dues for various reasons.

Lee said when he joined the board five years ago he quickly realized that liens and foreclosures cost the association and rarely yielded any financial return. It costs the association about \$300 per lien and \$1,500 to pursue a foreclosure, he said.

With about 100 homeowners not paying their dues, "the homeowners' association would have gone broke," paying for all the foreclosures, he said.

He said he also didn't want to foreclose on neighbors, saying as a homeowner's association board member, his duty "is to protect dues-paying homeowners and non-dues-paying homeowners" and to help keep neighborhood values healthy.

The board turned to what's known as a dunning collection agency, meaning the agency doesn't buy the past-due accounts. Rather, it writes and calls homeowners asking them to pay past dues and eventually informs them that if they don't get current their credit rating will take a hit.

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Kerry Singe

ABOUT THIS BLOG

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The collection agency charges \$20 per account, which the homeowner pays the association back.

When a homeowners' association forecloses, homeowners can stop the foreclosure late in the process by offering to pay past dues. The association, meanwhile, suffers cash flow problems and may have to charge extra assessments to cover needed repair or upkeep.

Lee said the response has been positive and swift. At least 60 of 85 delinquent homeowners in his Versage neighborhood have paid up. Others are approaching board members asking about getting current on their accounts.

People care about their credit rating because it can affect their ability to get a phone, buy a car and even land a job, Lee said.

The association, meanwhile, is building up its reserves and hasn't had to file one lien or initiate foreclosure proceedings during the past five years, Lee said.

"There is another solution to this problem," said Lee, who has been a carrier with Federal Express for 25 years. "It's been so effective."

POSTED BY KERRY SINGE AT 11:00 AM 

31 COMMENTS:

Anonymous said...

Nothing new here. We have been doing this for years.

FEBRUARY 28, 2013 AT 11:07 AM

Anonymous said...

Simply, stay away from Neighborhoods that have HOA's. It's always going to be an issue. From not cutting grass, repainting home, mailboxes, fences, etc. HOA are a pain.

FEBRUARY 28, 2013 AT 11:48 AM

Anonymous said...

Most all HOAs are made up solely of soccer mom/elitist women who are power hungry and have experienced some type of emotional trauma in their lives, and men who suffer from inferiority conflicts and other deficiencies.

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