

## Timely And Effective Assessment Collection Is Essential In A Turbulent Mortgage Market

By: **MATT D. OBER**

**T**he combination of adjustable rate mortgages with attractive "teaser" interest rates, lagging home sales, and decreasing home prices have put mortgage foreclosures at record levels. Recent statistics show California with the highest foreclosure rate of any state, up 300 percent from a year ago. Predictions of steeper declines in home sales for 2008 will likely mean a rise in delinquencies and an increase in bankruptcy filings. The California Association of Realtors® economist projects a 4% statewide average decrease in home prices.

Against this backdrop, homeowners associations can expect a rise in assessment delinquencies as well. This climate will affect an association's ability to meet its annual operating budget without a special assessment. It will also require boards to reexamine budget projections and planned expenditures for 2008, in light of anticipated increases in assessment delinquencies.

Associations cannot allow a rise in mortgage delinquencies to cause it to relax its assessment collection. Notwithstanding the present economic climate, CID directors must continue to pursue collection of assessment delinquencies. Those who fail to pay their homeowners assessments create an increased burden on those who do. While timely and consistent assessment collection is no guarantee of recovery from those who have fallen on hard times, it can increase the chances of collection. Prompt initiation of liens places the association in a secured position against an escrow or a bankruptcy, and in the event of a mortgage foreclosure preserves the possibility of surplus funds

from the sale. So it pays to act and act quickly.

The reluctance to incur fees and costs chasing after funds it may never collect should not deter associations from consistent assessment collection. Look for an assessment collection program that is simple and straightforward; one where your association never has to pay any fees and costs of collection in advance. We believe the most effective collection program is attorney-driven. The entire collection process should be conducted by a law firm adding respect and credibility to the entire process, and where all assessments, interest, late charges, attorney fees and costs are paid for by the delinquent homeowner at the time of collection.

- Your assessment collection plan should include:
- No up-front cost. Fees paid by owner at end of case.
- Monthly status reports on all files.
- Pre-lien assessment collection, assessment lien foreclosure, payment plan processing and post-judgment enforcement, if necessary.

Supervision by an experienced community association attorney.

For all your assessment collection needs, in any economic climate, contact our Assessment Collections Manager, Noemy Clayborn at [NClayborn@rh4law.com](mailto:NClayborn@rh4law.com)

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