

Collecting Assessments

Association board members have many of the same responsibilities as the directors of other corporations: It's not unusual for a board to be responsible for millions of dollars in real estate and hundreds of thousands of dollars in assessment fees. Given this fiduciary responsibility, association boards must collect assessments in a timely, systematic manner.

The financial position of the association has a direct and substantial effect on every member—without adequate funds, the association can't provide the maintenance and services mandated by the governing documents. Poor maintenance of the association can diminish property values.

The association declaration and state laws give associations authority to develop budgets and collect the assessments necessary to operate them. This involves assessing owners and authorizing the collection and expenditure of funds. When a board adopts the annual budget, it should take formal steps to legitimize its administration of the association's financial affairs. Each association should adopt, by resolution, procedures to collect assessments, clearly citing the association's authority and the penalties for noncompliance.

Associations should create and apply an effective, proactive collection system and try to avoid legal confrontations. However, since no policy covers every situation, each plan must be flexible and fair and comply with the governing documents, as well as any applicable laws.

Some associations offer multiple payment methods—lump sum, quarterly or monthly. The objective of any system should be to stabilize the as-

sociation's cash flow. Multiple remittance methods can also facilitate timely payment from members—including automatic credit card debits, coupons, invoicing and electronic funds transfers can also facilitate timely payments.

Once the board has decided what payment methods to use, it must develop a plan for dealing with late payments, bounced checks, denied credit card transactions and the numerous administrative tasks that accompany each of these issues. The key to success is a well-planned system that includes a collections calendar and a secure method of detailed record-keeping.

Simple, direct and repeated communication with owners is the most effective means to facilitate collections, as understanding fosters cooperation. Nevertheless, many associations have difficulty getting 100 percent of their members to pay their dues on time, despite their communications efforts. And late payments from even just a few owners can cause cash-flow problems for associations with tight budgets.

Collection problems can stem from a misunderstanding that might be settled easily. Whenever this happens, be sure to act quickly; small delinquencies should not be allowed to develop into huge deficits.

Associations should pursue various non-legal remedies to collect fees—including suspending privileges, charging late fees and communicating with the lender—before taking legal action. When all other alternatives fail, always involve an attorney who specializes in working with community associations to pursue collections.