

The background of the slide is a dense, overlapping collage of US dollar bills. The bills are primarily \$100 bills, with some \$20 bills visible. They are scattered in various orientations, creating a textured, financial backdrop. The text is overlaid on this background.

WHY CASH IS IMPORTANT

Developed by
ONYX

National CAI Corporate Member



WELCOME Community Association Managers, Community Association Officers, and Boards of Directors:

In today's world, financial transactions may be executed in any number of ways:
Currency, credit card, debit card, bitcoin, Bank letter of credit, etc.

All monetary transactions boil down to a **medium of exchange that people readily recognize as cash.**

And if cash is important,

WHY IS COLLECTING DELINQUENT ASSESSMENTS THE MOST IMPORTANT, HIGH URGENCY PRIORITY?

Anyone wanting to procure goods or services must be able to transfer funds from some type of cash resource in order to compensate their suppliers. That consideration is what permits purchase of goods and services. Without cash, you cannot manage, you become paralyzed in your management function.





The need for a stable cash resource is especially true in community association management where there is not only an ongoing transfer of funds taking place, but also an ever-important need to maintain a positive cash balance.

With associations, the key to maintaining a positive cash balance is to ensure that all assessments are paid in full and on time.

There is **no** separate owner or emergency resource, no deep pocket, to provide cash infusion if needed to pay bills. Only forward planning to collect overdue cash receivable, a slow process, and bank credit, provide cash.

Community Associations Need

- **Readily available** cash on hand
- A **month's** cash reserve
- **Reasonable** assessment costs to owner members

Do your associations have a month's cash reserve on hand?





Sufficient cash availability translates to the potential for an upgraded level of services such as designer landscaping and more attentive maintenance for grounds, ponds, pools, signage, and common areas, and on-site management. The more pleasing the resident experience, the greater the community association's competitive appeal and marketability, and unit prices.

Do your associations offer a high level of service?

Define a Sustainable Budget



**“Genius is 1% inspiration,
99% budget allocation.”**

- The total revenue number will be the high-water mark of what the association may achieve.

**Have your associations
defined a sustainable budget?**

Can boards and managers **realistically** expect to receive **all** of the revenue that is invoiced?



Delinquencies Occur For A Number of Reasons

- Death or illness
- Investment or business loss
- Poor financial decisions

Delinquencies Occur For A Number of Reasons

- Political or personal issues

One condominium association consisting of high-income, high net worth individuals had two widows decline to pay their assessments. As costly litigation began, it was discovered that the wealthy widows were absolutely unhappy with the landscaping and would not pay their assessments.

Reasonableness prevailed; the two widows, who were gifted designers, were appointed Chair and Vice Chair of the Landscape Committee which then administered the landscaping. Their landscaping came in at a slightly greater cost, but it was uniformly appreciated by the member/residents.

The delinquency was **paid in full**, and tranquility returned to the association.

Respectful communication within membership cannot be overdone or overlooked





Delinquencies Occur For A Number of Reasons

- Out of control fines
- Economic problems

**Is inaction teaching your association
that delinquency is acceptable?**

**Does your association have the fund balance
to survive in a declining economy?**

Delinquencies sometimes do occur

How do your associations
handle delinquencies?

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**“The word ‘invoice’ is too soft and friendly.
We need a new word that means ‘pay up or die’.”**

DELINQUENCIES ARE PERISHABLE



**Statute of
Limitations**
EXPIRED

**Do any of your associations
have delinquencies that are
more than 5 years old?**

**Do you know your state's
Statute of Limitations law?**

Step One:

Collection Letters at Regular Intervals

Do your associations take
immediate action when
delinquencies occur?



Step Two:

Consistency and Uniformity

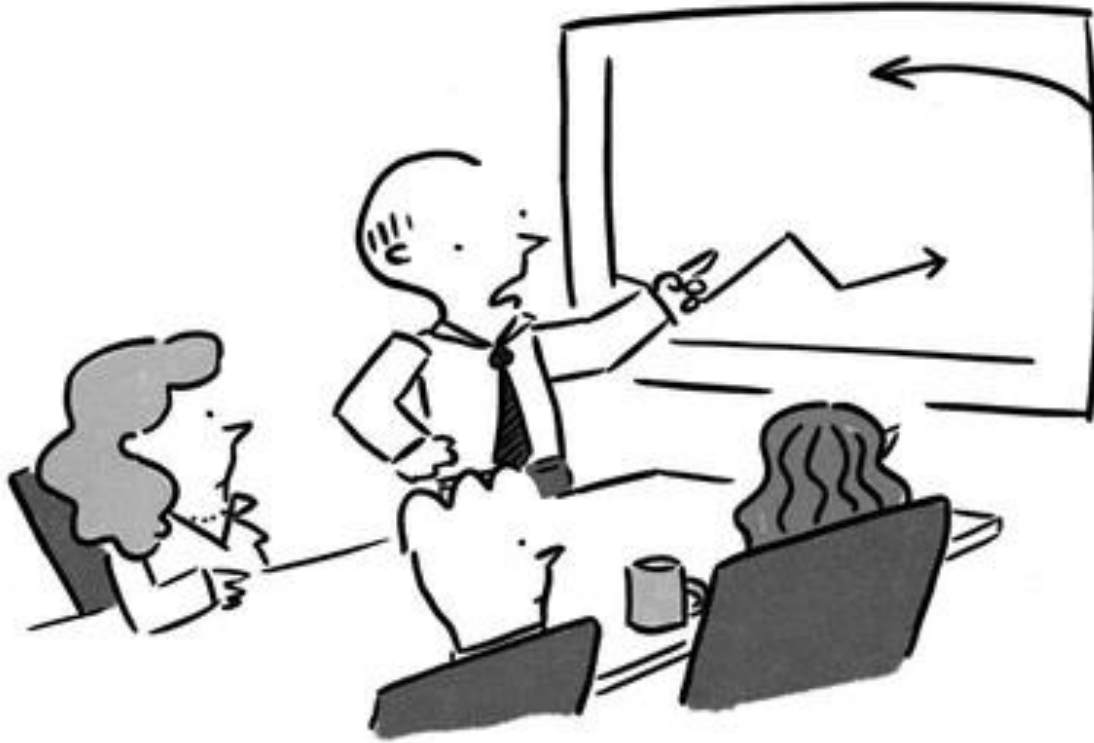
- Not simply calling or door knocking
- Risk of harassment or discrimination claims

A professional intervention can help prevent the issues of litigation or hostility within an association.

Do your associations have a consistent process for handling delinquencies?



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"Oh, that? We don't know what that is. The plan is to just ignore it and hope it goes away."

- Small delinquencies are easier to collect

Do not ignore the small problems
because all larger problems
began that way.



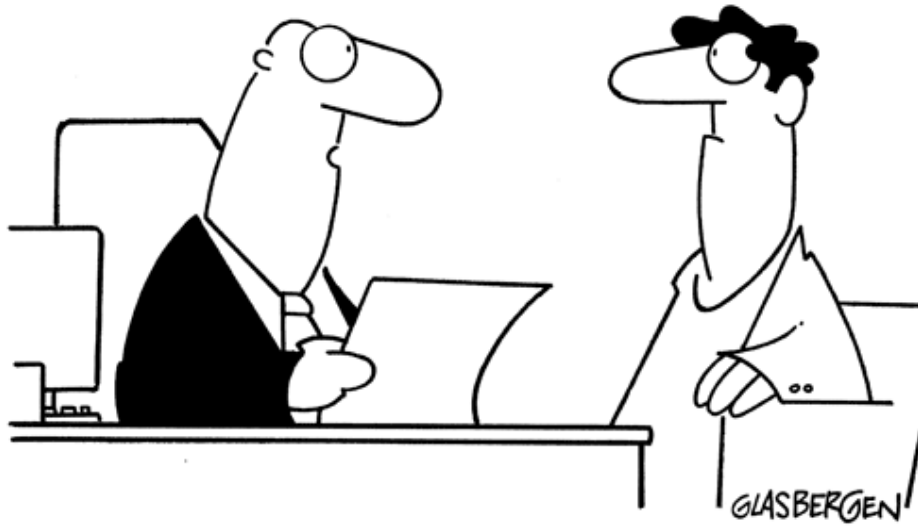
- As time passes and costs accumulate difficulty of paying increases

Speed of Collection is Critical

Do your associations have a quick resolution process for Delinquencies at 60 or 90 days?

Beat the Bank

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**“Banks are being more cautious these days.
For mortgages, we require 300% down-payment to
cover whatever crisis may show up in tomorrow’s news.”**

- State legislation requires six months of arrears before a mortgage lien can be foreclosed
- The association has a six-month window of opportunity

Speed of Collection is Critical

I'M SORRY, FHA DENIED THE LOAN BECAUSE THE COMMUNITY SEEMS TO BE INFESTED WITH RENTERS

MORTGAGES

Successful, national collection firms are typically well versed in the complex range of different collection laws that exist from state to state.

For example, the City of Chicago, Illinois has unusual jurisdiction rules, where real property possession can be taken by forcible entry and detainer of the Unit. That is, the owner can be evicted, and the unit can be rented until the delinquent amount and administrative expenses are recovered. Once all expenses are recovered, the unit is returned to the owner.

A Maze of Rules and Regulations

Because every state, city and association may have its own **unique** set of statutes and governing documents, it is important to work with a firm that can successfully and quickly get through the maze of rules and regulations in any given community so that lost revenue can be **recovered** quickly and efficiently before cash is lost to other parties.

One way to ensure that you are working with a resourceful, competent, professional collections firm is to validate the firm through a nationally recognized authority such as the Community Associations Institute (CAI).



Do your associations rely on well-recognized resources to find professional services?



Why Are Delinquencies Allowed?

- Board members may not recognize the association is a business
- Board members don't want to damage relationships with neighbors
- Board members not fully educated on the importance of total community participation
- Board members may think the association cannot afford the cost of collections

Fair **D**ebt **C**ollection **P**actices **A**ct



Why Are Delinquencies Allowed?

- Fear that errors made by collector might put them at risk of FDCPA litigation

FDCPA is a strict liability statute

A tension exists between prompt, accurate collection and fear of cost

- Board members unfamiliar with statutes and regulations may fear the consequences of error and wait too long

Why Are Delinquencies Allowed?

- Procrastination results in a surprising number of cases being lost to Statute of Limitations
- Delinquency collections are often poorly administered and unnecessarily expensive

Are your associations aware of FDCPA rules?

Fair
Debt
Collection
Practices
Act



Properly Administered Delinquency Recovery

- Professional communication with owners
- FDCPA Notices are followed
- Notices of Lien and Pre-foreclosure posted at proper times and places



Time and Effort Needed



- More than can be expected of volunteer board members
- Usually exceeds what associations can pay community managers
- Delinquencies are perishable

**Have your associations ever lost
a delinquent account due to
Statute of Limitations?**

A Successful Assessment Recovery Firm

Defining Characteristic:

- Definitive procedure and a case management system that provides customers with 24/7 real-time Internet access affordably and reliably



“Can our software do that?”

A Successful Assessment Recovery Firm

- Reports immediately available
- Safeguards association against FDCPA litigation
- Accurately and consistently executing the assessment recovery process

CAI Business Partner, National Corporate Member website is a good place to begin looking

Executive Session with Condo Attorney



**"Every time we come up with a great idea,
you have to bring up the law & prison."**

A Successful Assessment Recovery Firm

Attributes to Look for:

- Assessment of the association's total delinquencies
- Maintains full owner contact info and property description
- Maintains all related details and case notes
- Provides immediate, free access to reports (standard and custom)
- Provides secure and easily-accessible archives of all related letters and recorded documents

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"We're looking for a bold and innovative solution, but I'd settle for a way out of this mess."

A Successful Assessment Recovery Firm

Attributes to Look for:

- Provides case and association level delinquency statistics
- Maintains list of all other lien holders and interested parties
- Operates with a reliable process
 - Consistent pacing without interruption
 - Meticulous observance of laws / statutes
 - Respecting delinquent owners
 - With a mind to the association's financial integrity

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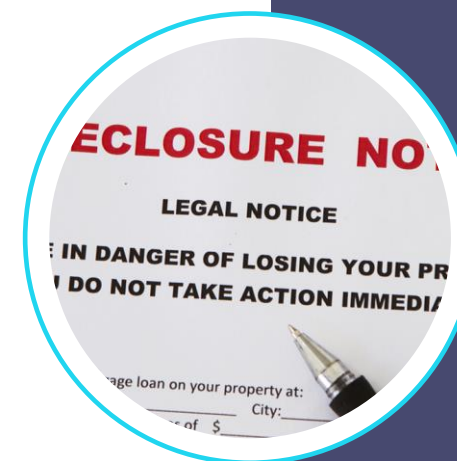
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"We're looking for a bold and innovative solution,
but I'd settle for a way out of this mess."

Standard and Custom Reports

- Case Activity – balance, status and case notes
- Delinquent Cash Status – balance, cash collected, amounts waived
- Association Summary – Association level delinquency statistics for all cases worked on
- Foreclosure Status – current status of all cases in foreclosure steps
- Accounting Disbursement – payments received and disbursed with application category breakdown



Standard and Custom Reports

- Payment Audit – Payments received with application category splits
- Balance Summary – Total balance (with category breakdown) for each case
- Closed Cases – List of closed cases with collection statistics
- Foreclosure Recommendation – List of cases that meet association criteria to begin foreclosure

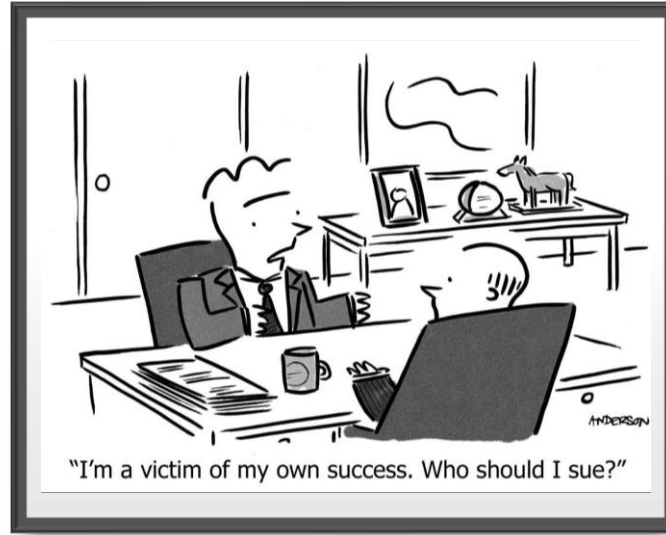


One of the **best** advantages of using web-based case management software:



"As you can see, we've been able to significantly boost productivity by making everyone work much, much harder."

**Free Up
Manager & Board
Time to Focus
on Association
Improvements**



A firm exclusively dedicated to recovery
enjoys the highest level of success

**Do your associations receive assessment statements
in a customized, professional format?**

97%

Will never need to complete a Foreclosure

The Problem is not
The Problem
The problem is Your
Attitude about
The Problem.



On the other hand, associations that let delinquencies proliferate without taking action, gain a reputation for being powerless, and often wind up dealing with persistent large delinquencies for many years, as well as serious assessment delinquency losses.

Use a Professional Collection Firm





**"Frankly sir, we're tired of being
on the cutting edge of technology."**

Keys to Success

- Maintain a positive cash balance with assessments paid in full and on time
- Maintain paid in full assessments with the services of a professional, full-service assessment collection agency

Questions?

If you have questions about this presentation or specific to your delinquency issues, please contact us.

We are available for phone consultation, board meeting presentations or to assess your recovery needs and implement a strategy to get you paid.

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