The Importance of a Written Collection Policy for Your Association

Many Associations do not give sufficient attention to the collection of unpaid dues and, therefore, face the continuing challenge of chasing payment from a number of delinquent members. Board members may not be comfortable asking their neighbors to pay past-due debts, while others may view the collections process as complicated. Nevertheless, boards have a fiduciary responsibility to manage the debt and with proper planning, can craft enforceable policies that inform members of their obligations and limit potential losses.

**What Is A Collection Policy and Why Do We Need One?**

A Collection Policy should be an organized, repeatable practice that an association adopts to avoid financial loss as a result of unit owner delinquencies. A well-drafted policy offers a road map and checklist to guide the Board of Directors on how to handle delinquent unit owners within their association. It is also an educational tool for unit owners, outlining their obligations to the association and the consequences of failing to meet those responsibilities.

**What are the Benefits of a Collection Policy?**

Our experience indicates the benefits of establishing and enforcing the Collection Policy include:

- Uniform enforcement of rules to prevent the association from exposure to legal actions
- Avoid claims of selective enforcement, ensuring that all unit owners are treated impartially
- Build community trust through the consistent application of rules and regulations
- Increased success in the collection of past-due assessments
- Reduce the day-to-day responsibility of the board to monitor/manage collection of assessments
- Improve the economic health and stability of the association

**How does the Association implement a Collection Policy?**
The first step to implementing a collection policy is to read and understand the governing documents and the applicable state statues. The next step is to draft a clear and concise policy that outlines the obligations of the homeowners, and also outlines the right action for the board to take at the right time. Dates and penalty amounts are key for homeowners to understand that fees are collected at a certain time and that not meeting that timeline will result in fees including legal fees, liens, late payment fees, as permitted by governing documents, state statutes and federal regulations. Including examples of documents will help homeowners understand the process and exactly what to expect if they are delinquent.

Boards should review the collection policy with legal counsel prior board approval. Once board approval is received at a regular board meeting, it is critical to communicate the policy via a newsletter, mailing, and resale documents. Sentry strongly recommends an annual review of the collection policy by the board with adjustments made to meet the needs of the association.

What should be Included in a Collection Policy?

The Collection Policy should contain specific provisions required by state statutes and the association governing documents, and include a defined progression of steps to be taken by those responsible for collecting past-due assessments. The sanctions imposed by the association, the remedies sought, and the tone of the notifications of statements distributed should be communicated effectively. Include the following in your policy:

- Assessment amount as outlined by both the governing documents and the annual budget
- Schedule of payments of when assessments are due (monthly, quarterly, semi-annual and annual)
- Delinquency schedule of when assessments are considered past due per governing documents (example, 10th, 15th, 30th, of the month)
- Example notices which may include: Reminder Statement, Late Notice, Intent to Lien and Lien
- Late fee/interest charges that will be applied to an outstanding balance when assessments are past due
- Payment Plan provisions for allowing unit owners to make installment payments
- Legal action/attorney provision for when a unit owner’s account is forwarded to the association’s attorney once all previous provisions have failed to collect the past-due balance

The overall financial health of an association depends on the Board’s ability to collect assessments from its members to help maintain and enhance the community property. As an experienced leader in this industry, Sentry Management understands how challenging it can be to manage and collect assessments. Sentry’s community managers will continue to provide guidance based on best practices and will work with Board Members to engage in a structured assessment management process to facilitate the effective collection of assessments.

By increasing awareness of the rules and making it easier for members to satisfy their obligations, associations are likely to mitigate their account delinquencies and streamline the process for pursuing those delinquencies that may arise. Sentry’s goal is to assist every association in implementing a collection policy. If the association already has a collections policy in place, your Sentry community manager will complete a policy review and make recommendations on how to strengthen the policy to best support the community’s objectives.
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Erin has 22 years of business experience and joined Sentry in 2013. Her early career was in operational planning and supervision. For the last ten years, she has been responsible for HOA/POA collections. Her department has a very knowledgeable staff which provides support for collection activity for all Sentry-managed communities. The Department supports all phases of the collection process including acting as the liaison with the association’s attorney of choice.

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