Resort Collections

...From the Third Party

by Linda George
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Here we are again, providing a bit of insight into the subject of delinquent association assessments and the burden "bad debt" expenses are to the resort ownership base. At this time of year, the annual assessments are delinquent and late notices have gone out from almost every resort association.

The Management Company or Board of Directors has worked very hard preparing the annual budget for approval, including the administrative expense dedicated to "bad debt." Some of the considerations in reaching this estimated budget expense were A.) Status of the Association, B.) Accuracy of past projections, C.) National economy, and D.) Strength of the resort owner base.

An association remaining under developer control is provided some relief by the developer guaranteed budget. (That developer will certainly be sure a third party agency is working hard to protect his interest.) When the association takes control, the number of paying members lost due to death, bankruptcy, etc. has already escalated the bad debt expense.

The annual budget projections are based on history and known or expected increases in expenses. Industry standards for bad debt may be a conservative projection for your resort and create a budget shortage. Likewise overestimating bad debt expense adds unnecessary cost to be shared by paying owners.

The economy is the most difficult predictor, since the budget is usually prepared before national gross measurements are available. The demographics of the owner base majority may provide a more accurate vision of the economy.

For an older resort or a resort with an aging member base, bad debt can be an enormous drain on the annual budget. As the membership ages, they travel less, fixed income and poor health becomes more of an issue than delinquent assessments or credit scores.

What does a third party agency have to do with any of these issues? First and foremost, your third party agency should have a clear understanding of these cost factors and a knowledgeable third party can provide valuable assistance in reducing that bad debt expense. Through dedicated collection efforts, intensive research and sound recommendations, many bad debt accounts can be eliminated by reclaiming those properties. Your third party agency can quickly and cost-effectively recover the unit weeks, saving you the high lien foreclosure cost and the time delays. A line item listing of the procedures and charges by the third party for these special services is recommended. With a collection contract in place, the third party agency will provide those special services at a discounted rate.

It is most important for your Association Board, your Management Team and the Resort Developer to possess, understand, enforce and comply with the terms of the Resort Prospectus as well as the appropriate State Statutes. Communication and cooperation between those involved will go a long way in reducing bad debt expense.

The benefit of contracting a knowledgeable third party agency reaches far beyond delinquent account collections.

Congratulations to those who take full advantage of these benefits ...

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