April 2019 Newsletter

Everything You Didn't Want To Know About Collections (And Really Didn't Want To Ask)

Part Two – Why HOA Collections are Different.

HOA collections and traditional collections are about as similar as apples and bananas.

HOA Collections

1. Virtually no outbound collection calls.
2. No reporting to the credit bureaus (leverage).
3. A lien maintained by the HOA that is the instrument used to foreclose on the property (non-judicial).
4. Actual foreclosure of the property to recover debt owed (leverage).
5. Debt recovery rate in the first 150 days of about 60% (Red Rock rate 89%).

Traditional Collections

1. Multiple outbound collection calls often using a "dialer" (usually 3 to 5 calls per week).
2. Reporting to the credit bureaus (leverage).
3. No legal attachment to debt.
4. Possible judgment obtained through court system.
5. Annual debt recovery rate of about 3%.

As you can see, these two types of debt collection have very little in common in the method used to collect the debt as well as the results obtained.

It is important to point out one fundamental fact about debt collection and that is the fact that that without leverage there is virtually no debt collection. In traditional collections the leverage is negative reporting to the credit bureaus. In HOA collections, the leverage is foreclosure. Without the specter of possible foreclosure, there is virtually no leverage. Homeowners today are for the most part unaroused by the HOA's lien unless the HOA is prepared to use the instrument.