

Association Management, Inc.  
**Collection Procedure**

The following is the collection process we suggest for our associations to follow:

1. **Initial Statement:** Sent on a yearly, semi-yearly, quarterly, or monthly basis. The AMI office does this process automatically.
2. **Late Statement:** If the initial statement is not paid within 30 days, a late statement is sent. The late statement includes a penalty fee, typically 12% to 18% per annum interest. The amount of this penalty is usually detailed in the covenants. The AMI office sends out late statements automatically after 30 days, unless instructed otherwise by the Board of Directors.
3. **Final Notice:** If the late statement is not paid within 30 days, a final notice is sent. This notice gives the homeowner 10 days to make payment in full or make payment arrangements. This is done automatically, unless instructed otherwise by the Board of Directors. The cost is \$5.00 and is paid upfront by the homeowners association but is reimbursed to the homeowners association once the homeowner pays in full.
4. **Claim of Lien:** If the homeowner does not respond to the final notice within 10 days by submitting a payment or making payment arrangements, a Claim of Lien is filed at the county courthouse. The AMI office does this automatically. The cost is \$61.21 (\$50.00 administrative fee + \$6.00 recording fee + \$5.21 certified mail). It is paid by the association upfront and then reimbursed to the association when it is paid by the homeowner.
5. **Small Claims Notice:** If the lien amount is not paid within 30 days, a Small Claims Action Notice should be sent. This notice gives the homeowner a chance to avoid small claims as long as they make full payment or make payment arrangements within 10 days of the date on the notice. This is NOT automatic, Neighborhood Managers or the Board of Directors must notify AMI's office when they want small claims notices to be sent and to whom they want them sent. There is no cost for sending a small claims action notice.
6. **Small Claims Action:** If there is no response to the Small Claims Notices within the 10-day period, a Small Claims Action is filed at the county courthouse. The AMI office does this automatically 10 days after the notice has gone out. The cost is \$210.00 (\$150.00 Administrative Fee, \$35.00 Recording Fee, \$25.00 Service Fee). This amount is paid by the association upfront and then reimbursed to the association when it is paid by the homeowner.
7. **Small Claims Judgment:** When a small claims action is filed, it takes a few months to get a judgment on the property. Once a judgment is received from the court the association can collect the delinquent dues through one of three ways:

- a. **Wage garnishment.** The association must know where the individual works to collect through this process.
  - b. **Tax return garnishment.** Tax return garnishments must be filed by the end of December and can only be filed once a year.
  - c. **Turn over to a collection agency.** This will insure that the money is collected, but will cost the association half of the collected amount. (i.e. the association will only get half of what they are owed by the homeowner)
8. **Foreclosure:** The final and most undesirable option for collecting delinquent dues is through foreclosure. If the Board chooses this option, the following procedure is followed.

- a. **File a new claim of lien.** The old lien on the property is released and a new lien that includes all current fees to the account is filed. (Cost: \$6.00)
- b. **Foreclosure Notice:** A foreclosure notice is sent to the homeowner that gives them 10 days to pay off their delinquent account or make payment arrangements. If the homeowner pays within the 10-day period or makes payment arrangements, they can avoid foreclosure.
- c. **Refer to Lawyer.** If the homeowner does not make payment arrangements within the 10-day period, the foreclosure is turned over to a lawyer to prepare the necessary documents. (Approximate cost: \$700)
- d. **90-Day Redemption Period.** The lawyer will give the homeowner a 90-day redemption period where they can avoid foreclosure by paying up their delinquent homeowners assessments.
- e. **Trustee Sale.** If the homeowner does not pay within the 90-day period, the deed to the home is turned over to the sheriff to be sold at public auction. (Cost: \$600-\$1,000)
- f. **Public Auction.** The sheriff puts the home up for public auction. Two things could happen at this point.
  - i. **Purchase by a public buyer.** If someone from the public chooses to purchase the home, they will need to pay off both the first mortgage and all delinquent homeowners assessments, and all of the foreclosure fees mentioned above.
  - ii. **Purchase by the mortgage company.** If no one in the public is willing to purchase the home, the mortgage company will purchase it back for the price of the first mortgage. The mortgage company has no obligation to pay back the homeowners association for the delinquent assessments and those assessments may be written off. Although the association may not get their money, they will have the assurance of getting a new homeowners into the home that will most likely pay their dues.

**Note:** At no time does the association take deed of the home (i.e. you don't have to worry about getting stuck with the house if you go through foreclosure.) Also, the homeowners association has no liability if the person being foreclosed on decides to sue, which is good news for the association.