

COLLECTIONS WITHOUT CHAOS

How a Consistent Collection Process Protects Cash Flow and Reduces Board Conflict

A practical guide to written collection policies, payment plans, legal escalation, owner privacy, and consistent enforcement of assessment obligations.

A consistent process protects everyone

Assessments fund the association's obligations. Collections should therefore be systematic, documented, and applied equally - not driven by personal relationships, emotion, or who happens to know a delinquent owner.

Because Communities Deserve Better!

Community Association Management, Limited

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Collections Are a Cash-Flow System, Not a Personal Conversation

Every association depends on assessments to pay vendors, maintain common areas, fund insurance, support reserves, and meet its contractual obligations. When assessments are not collected consistently, the shortfall does not disappear. It is absorbed by cash reserves, deferred work, borrowing, or the owners who did pay on time.

That is why collections should be governed by a written process rather than by individual judgment. A Board can be compassionate without becoming inconsistent, and it can offer structured repayment options without turning each delinquent account into a separate negotiation.

The standard

Collections should be systematic, not personal. Similar accounts should move through the same process, with documented exceptions only when there is a defensible reason to treat the situation differently.

What a written collection policy should establish

- When an assessment becomes delinquent and when late charges or interest apply
- When statements and collection notices are sent
- When an account advances from internal collection activity to legal collections
- Who may approve a payment plan and what terms are permitted
- How owner payments are applied to the account
- When legal counsel or a collection partner becomes involved
- What information the Board receives about delinquent accounts

Why consistency matters

A Board member should not make a side agreement, knock on a homeowner's door to collect money, or decide that a neighbor should receive different treatment because of personal knowledge about the owner's circumstances. Those actions can undermine the policy, create unequal treatment, and place individual directors in unnecessary conflict with their neighbors.

The Board's role is to establish the collection standard and monitor results. Management and the association's legal collection resources should administer that standard.

1. Use a Defined Progression Before Accounts Become Emergencies

Community uses a structured 30-, 60-, and 90-day collection progression, with legal escalation based on the association's adopted policy and account-specific thresholds. The purpose is not to race toward legal action. It is to prevent delinquent accounts from quietly aging without meaningful follow-up.

A typical progression

Stage	Purpose	What the Board should expect
30 days	Early intervention	Clear notice of the delinquency, account status, and next steps.
60 days	Escalation	Continued written follow-up and visibility that the account remains unresolved.
90 days	Decision point	Review for legal escalation based on the association's policy, balance, and circumstances permitted by the policy.
Legal	Formal recovery	Counsel or the collection partner applies the legal collection process and controls legal-stage payment arrangements.

Returned mail should trigger research, not silence

If collection notices are being returned, the association should make reasonable efforts to confirm ownership and the best available mailing address. A collection process is stronger when it can show that notices were directed to the correct owner and that the association did not simply continue mailing to a known bad address.

What the Board should see

The monthly financial package should allow the Board to see delinquent balances, aging, recent payment activity, collection status, and whether an account is advancing through the process. A delinquency report should answer not only "How much is owed?" but also "What is happening next?"

2. Payment Plans Should Be Structured - Not Open-Ended

A payment plan can be an effective collection tool when it creates a realistic path to cure the delinquency while keeping the owner current on new assessments. It should not become an indefinite extension that allows the past-due balance to grow.

Community's pre-legal payment-plan standard

- Community may approve a payment plan before the account enters legal collections.
- The delinquent balance is generally required to be resolved within the same calendar year - typically over approximately four to five months.
- The owner must pay current assessments while also reducing the past-due balance.
- The payment plan is placed on automatic ACH draft so the schedule is structured and measurable rather than dependent on repeated promises.

A payment plan should cure the problem

The goal is not merely to reduce the monthly pressure on the owner. The plan should return the account to current status within a defined period while preventing new delinquency from accumulating.

Once legal collections begin

After an account has been referred to legal collections, the legal firm or collection partner controls payment-plan approval. Legal-stage arrangements are generally shorter and may require a substantial immediate down payment, often by credit card, before the remaining balance is scheduled.

Settlement authority should be documented

Late fees or interest can sometimes be used as a documented settlement tool once the principal obligation is being resolved. Any reduction should be authorized under a consistent Board-approved framework - not offered informally by an individual director. The objective is to collect what the association is owed and return the account to compliance, not to reward delay or create unequal treatment.

Optional credit reporting

Depending on the association's selected collection program and applicable requirements, credit reporting may also be available as an additional collection tool. Boards should understand how it works, when it is used, and the consumer-reporting compliance obligations associated with it before electing that option.

3. Legal Collections Should Be the Next Step - Not the First Step

Legal collection tools are important because an association cannot allow substantial delinquency to remain unresolved indefinitely. They are also costly and consequential. A disciplined process should therefore create meaningful opportunities to resolve the account before a lien or foreclosure proceeding becomes necessary.

One final effort before a lien

Community's legal collection partner makes direct telephone outreach before filing a lien. That outreach provides another opportunity to resolve the account before additional legal costs and property-level consequences are created.

North Carolina: lien and foreclosure

For planned communities in North Carolina, unpaid assessments can support an association lien after the statutory conditions are met. Current law allows nonjudicial foreclosure of an assessment lien when the assessment remains unpaid for 90 days or more, but the Board must vote to commence foreclosure against the specific lot and statutory notice and procedure requirements apply.

North Carolina law also permits installment arrangements at the Board's discretion and provides for recovery of reasonable collection-related attorneys' fees and costs subject to statutory notice and limitations.

South Carolina: the governing documents and legal regime matter

South Carolina associations operate under a more document-driven framework, and the available lien and foreclosure remedies can differ by association type and governing documents. For horizontal property regimes, state law provides a lien for unpaid common expenses and permits foreclosure by suit in a manner similar to a real-property mortgage.¹ Planned-community Boards should confirm the authority and process that applies to their documents with association counsel before authorizing foreclosure.

Collection costs should follow the delinquent account

Community's collection model is designed so that collection costs are charged to the delinquent owner where legally and contractually permitted, rather than shifted to owners who paid on time. Recovery can be limited when an owner files a liquidation bankruptcy or when a mortgage lender forecloses and applicable law or lien priority prevents full recovery. In those situations, some unpaid amounts may ultimately become an association expense.

4. Privacy and Equal Treatment Protect the Process

A delinquent account is an association receivable, not a public disciplinary tool. Publishing "deadbeat lists," discussing individual owners casually, or using embarrassment as a collection strategy creates unnecessary privacy, governance, and reputational risk.

Do not turn personal knowledge into collection policy

Directors will sometimes know why an owner has not paid: job loss, illness in the family, divorce, a dispute with a neighbor, or another personal circumstance. That knowledge may create understandable sympathy, but it should not cause the Board to abandon the policy for one owner while enforcing it against another.

Likewise, a Board member should not personally visit an owner, demand payment, negotiate a side agreement, or promise that management will stop collection activity. Those actions blur the line between governance and administration and can create inconsistent treatment.

Equal treatment is a control

The most defensible collection process applies the same policy to similarly situated owners, documents approved exceptions, and keeps collection administration with management and qualified legal resources.

Questions every Board should ask

- Do we have a current written collection policy?
- Can we see which accounts are at 30, 60, 90 days and in legal collections?
- Are payment plans structured to cure the balance rather than extend it indefinitely?
- Are new assessments kept current during a payment plan?
- Do Board members avoid personal collection activity and side agreements?
- Are legal costs and collection charges allocated consistently and where permitted?
- Do we know which accounts have stalled and why?
- Are bankruptcy and mortgage-foreclosure accounts being tracked separately because recovery may be limited?

1 Sources: N.C. Gen. Stat. § 47F-3-116(e), (f), (i) (2026); S.C. Code § 27-31-210. North Carolina addresses collection costs, installment plans, and foreclosure requirements for assessment liens. South Carolina's Horizontal Property Act provides a lien and judicial foreclosure remedy for qualifying condominium regimes.

How Community Builds a Consistent Collection Process

Community Association Management, Limited integrates assessment collections with accounting, homeowner account history, monthly financial reporting, and legal escalation so the Board can see both the financial impact and the operational status of delinquency.

Our collection framework includes

- Written association collection policies and a structured 30/60/90-day progression
- Monthly delinquency reporting with account status and collection stage
- Pre-legal payment plans designed to resolve the balance within the calendar year while keeping current assessments paid
- Automatic ACH draft for approved pre-legal payment plans
- Returned-mail research to improve owner and address accuracy
- Direct pre-lien outreach by the legal collection partner
- Legal-stage payment plans controlled by counsel or the collection partner
- Collection costs charged to the delinquent owner where legally and contractually permitted
- Optional credit reporting when selected and appropriate
- Integrated visibility between accounting, management, collections, and Board reporting

The Board sets the standard. The process applies it.

A Board should not have to reinvent the collection decision every month. Once the association adopts a sound policy, the better operating model is to let the process work, monitor the exceptions, and reserve Board attention for policy changes, material settlements, and significant legal decisions.

Before delinquency becomes a budget problem

Ask whether your association can clearly explain who is delinquent, where each account is in the process, what happens next, and which exceptions have been authorized. If those answers require several people and several spreadsheets, the collection system is already creating unnecessary risk.

Ready to evaluate your association's collection process?

Visit communityassociationmanagement.com to learn more or request a conversation about your association's management and collection needs.

Because Communities Deserve Better!

Educational Notice: This white paper is intended for general educational discussion. It is not legal, tax, accounting, credit-reporting, or collection-law advice. Association requirements vary by governing documents, contracts, account circumstances, and applicable law. Boards should consult association counsel regarding lien, foreclosure, bankruptcy, settlement, and other legal collection decisions.