REES BROOME, PC

COMMUNITY ASSOCIATIONS NEWSLETTER

Changing Landscape of Assessment Collections

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When Collections Get Complicated: 2026 Trends and Strategies for 2027

As 2026 comes to a close, community associations are facing an increasingly complex collections landscape, with emerging trends contributing to higher costs and longer recovery timelines. These challenges make year-end an ideal opportunity to review collection practices, address outstanding delinquencies, and prepare for the year ahead.

Below, we highlight trends we are seeing, and practical steps associations can take to strengthen their collection efforts in 2027.

Collection Trends We're Watching

1. Artificial Intelligence Is Changing the Collection Process

One of the most notable developments this year has been the growing use of artificial intelligence (AI) by delinquent owners. Owners are increasingly relying on AI to generate lengthy, often multi-page correspondence to boards, managers and legal counsel disputing assessment balances, challenging collection practices, raising erroneous legal arguments, or threatening legal action. We are also seeing AI used to negotiate payment arrangements and prepare pleadings and other court filings.

While AI makes it easier for owners to generate sophisticated-looking correspondence, these submissions often contain repetitive arguments, inaccurate information, unsupported legal claims, or citations to nonexistent legal authority. The sheer volume and length of these communications can create substantial additional work, even when the underlying issues are relatively straightforward. These additional demands can also result in an increase in collection costs and attorney fees and prolong resolution of the dispute, sometimes creating expenses disproportionate to the assessments being collected.

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The takeaway: Associations should anticipate more extensive owner correspondence, increased collection expenses, and potentially longer collection timelines. Adopting collection policies with clear procedures and taking prompt action to collect delinquent assessments can help minimize unnecessary costs and delays.

2. Mortgage Foreclosures Are Increasing, with a Modest Uptick in Bankruptcies

We are seeing an increase in mortgage foreclosure activity involving delinquent owners, along with a more modest uptick in bankruptcy filings. Both can complicate collection efforts and potentially limit an association's ability to recover unpaid assessments.

A bankruptcy filing can trigger an automatic stay restricting collection activity during the bankruptcy process, while a mortgage foreclosure can affect an association's lien rights and recovery options. In both bankruptcy and foreclosure proceedings, quick action is important for optimal recovery due to statutory deadlines, lien priorities, and other legal limitations .

The takeaway: Early intervention is critical. Associations should identify and timely refer delinquent accounts to the association's legal counsel rather than allowing balances to accumulate. The existence of recorded liens and judgments securing unpaid assessments can help identify where notices of a pending foreclosure or bankruptcy proceeding should be sent, potentially allowing the association more time to protect its interest. Additionally, when management or the board receives any notice of a foreclosure or bankruptcy filing, they should be forwarded to the association's legal counsel upon receipt.

Year-End Collections Checklist: Is Your Association Ready for 2027?

Year-end is an excellent opportunity for boards and managers to evaluate existing policies, identify problem accounts, and consider the following:

1. Review collection and turnover policies. Have your collection policies been updated to reflect changes in applicable statutes, case law, the governing documents, or current best practice? Are delinquent accounts being referred to legal counsel by a certain timeframe or when an account reaches a certain balance? Delayed turnover can limit collection options, particularly where lien deadlines, statutes of limitations, or other time-sensitive requirements apply.

2. Evaluate payment plan practices. Are there consistent standards for approving payment arrangements, establishing repayment terms, and addressing defaults? Consider

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whether a policy resolution authorizing management, a committee, or legal counsel to approve certain payment plans without individual board approval could reduce costs and expedite recovery.

3. Ensure the association is maximizing its collection authority. Review your governing documents, applicable statutes, and court procedures to ensure the association's adopted policies authorize recovery of all permissible late fees, interest, collection costs, and attorneys' fees. If existing authority is limited, consult with legal counsel about updating policies or amending governing documents.

4. Maintain good recordkeeping and documentation. Ensure that governing documents, collection policies, assessment schedules, approved budgets, account ledgers, and payment histories are accurate and readily accessible. Well-maintained records are an important component of addressing owner disputes and undertaking collection activity.

Looking Ahead

As collection matters become more complex, a proactive and consistent approach remains the best way to control costs and maximize recovery. Clear policies, accurate records, timely account turnover, and early communication with legal counsel can make a meaningful difference.

Taking time now to review your community's collection procedures and address lingering delinquencies can position your association for a more efficient and successful 2027.

Contact your Rees Broome attorney to review your association's collection practices and prepare for the year ahead!

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