

VIP Property Management
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To: Clients of VIP

From: Rudy Frame

Re: Collection Procedures

Date: March 2008

Rob Lefko, accountant for VIP Property Management, and Jason Harman, association manager, met with James Hazlewood, partner in the law firm of Carpenter Hazlewood, and Marian Johnson, paralegal for Carpenter Hazlewood specializing in debt collection, on Wednesday, March 12, 2008. The purpose of the meeting was to review the procedures in place at VIP.

Q. Is the collection process used by VIP Property Management adequate?

A. The collection efforts of VIP are more effective than most associations.

Q. Is there any way to minimize the amount of money each association is spending on the collection of past due fees?

A. The fees charged by Carpenter Hazlewood are standard for each step in the collection process and fulfill the necessary requirements should an association decide to take the action to the next step and eventually foreclose on a property.

Q. Is there any way to speed up the collection process?

A. Carpenter Hazlewood's policy is to get the initial demand letter out within 24 hours of receiving the request. After that, there are certain time periods dictated by Federal law that must be adhered to. For instance, the recipient of the first demand letter has 30 days within which to respond before a lawsuit can be filed. Then, approximately 10 days are required to prepare and file the lawsuit. Once the lawsuit has been filed, it must be served on the individual which can take another several days. Once served, the recipient has 20 days to file an answer. If there is no answer within the 20 day period, Carpenter Hazlewood files a default and then files a Judgment. Then the process continues.

Q. Homeowner association dues are an automatic lien against a property. Is it necessary to physically file a lien against a property and if so, what is the additional cost?

A. It is not absolutely necessary to physically file the lien. However, unless a lien is filed, someone doing a search for credit or some other reason will not know that there are delinquent dues against the property. The additional cost is \$175 plus a \$10 fee to the recorder's office for recording and another \$10 fee to the recorder's office when the lien is released.

- Q. Due to the nature of the economy at present, should an association stop trying to collect past due fees at some point in the collection process?
- A. Carpenter Hazlewood does not recommend that an association cease trying to collect a debt.
- Q. The foreclosure process is lengthy and expensive for homeowner associations. Whereas, due to deeds of trust that are used in Arizona, a lender can foreclose on a property fairly quickly. If an association is in the process of foreclosing on a property and later a lender forecloses under a deed of trust, should the homeowner association cease or postpone their foreclosure process?
- A. No. There are too many instances where the foreclosure sale is postponed or canceled for some reason. In order for the homeowner association to postpone a foreclosure action, approval must be given by a judge and a valid reason must be given. Another foreclosure action is not considered a valid reason by a judge. Should a postponement be granted, it is only good for nine months.
- Q. What is Carpenter Hazlewood's success rate in collecting past due fees for homeowner associations?
- A. Carpenter Hazlewood has an excellent success rate for collections. In 2006, 31 collection matters were resolved for VIP of which 23 were resolved without a lawsuit representing a success percentage of 100%. In 2007, 48 collection matters were resolved for VIP of which 35 were resolved without a lawsuit representing a success percentage of 97.45% when factoring in \$300 that was unrecovered. The overall success rate for all associations that Carpenter Hazlewood represents for 2006 and 2007 based on 5,307 closed files was 92.66% and 89.5%.