

## **2008 Florida Community Association Mortgage Foreclosure Survey**

*Report of Final Results, Based on 487 Responses  
April 16, 2008*

### **Summary**

Mortgage foreclosures in Florida's condominium, homeowner and other community associations are causing worrisome revenue shortfalls that threaten to undermine the ability to fund operating and maintenance expenses in many communities, according to the 2008 Florida Community Association Mortgage Foreclosure Survey.

Results of the survey, conducted online statewide from March 26-April 8, 2008 under the auspices of the Community Association Leadership Lobby (CALL), show a direct correlation between rising mortgage foreclosures and declining revenues from maintenance fees and other assessments in the state's condo and homeowner (HOA) communities, which represent a significant portion of Florida's population, with millions of Floridians currently living in the state's common-ownership residential communities.

Nearly two-thirds of survey participants said that banks and mortgage lenders now holding title to the foreclosed units or homes currently are not meeting their legal obligation to pay fees or other assessments owing to the association.

More than 40% of survey respondents reported that mortgage-foreclosed units or homes in their communities have been vacant for more than six months -- with one in five citing vacancies of more than one year. Respondents expressed concern about maintenance, health and security issues related to abandoned units, particularly as the 2008 tropical storm season approaches.

Survey respondents cited issues such as electricity and water shut-off to vacant units or homes, pools left unattended, mold and pest control. As one concerned property owner asked: "What will happen during the hot, humid summer months? I'm very worried about mold problems and will be asking our Board to take on the electric charges for the health of the buildings."

Among other issues troubling many property owners surveyed were the rapidly declining property values in their communities linked to mounting mortgage foreclosure and frustration with the slow pace of banks' processing of mortgage foreclosures. "Some cases are dragging on for over a year," lamented one survey respondent.

## Key Findings

Key findings of the 2008 Florida Community Association Mortgage Foreclosure Survey include:

- More than half (58.2%) of survey respondents statewide reported a definite increase in the number of mortgage foreclosures in their associations;
- A 52.9% increase in foreclosures was reported in condominium associations and a particularly sharp increase in mortgage foreclosures (71.1%) reported in homeowners' associations (HOAs);
- A majority (50.9%) of survey respondents polled reported a decline in the collection of maintenance fees and other assessments as a result of mortgage foreclosures in their communities;
- Almost 60% of respondents reported that mortgage lenders who have foreclosed on units or homes in community associations are not currently paying monthly maintenance fees and/or other assessments as required by law;
- Almost all participants (86.7%) registered some level of concern about the impact that foreclosures will have on the financial health of their community association, with many reporting that they are either "very concerned" (15.7%) or "extremely concerned" (28.9%);
- One in four respondents (26%) say the mortgage foreclosure rate within their community over the past year had increased by at least 50%, with 13.5% reporting a jump of more than 100%;
- Four out of every 10 respondents (42.3%) reported units or homes left vacant for six months or more, with 20.5% – one in five – reporting that units or homes have been uninhabited for one year or more as a result of mortgage foreclosures; and,
- Fully 66% of respondents said their association's Board of Directors intends to increase maintenance fees or special assessments to compensate for anticipated shortfall in revenues due to declining maintenance fee and assessment collections resulting from mortgage foreclosures.

## Survey Demographics

The first six questions of the 2008 Florida Community Association Mortgage Foreclosure Survey detail the demographics of the participants and showed that respondents own property in community associations of all types and sizes from around the state of

Florida. Condominium owners represent the largest segment of respondents (64.5%), followed by homeowners' associations (32.3%), cooperative associations (2.4%), mobile home communities (0.4%), condo hotels (0.2%), and timeshare units (0.2%).

The majority of respondents (75.4%) currently sit on the Board of Directors of their community association, giving them an even greater understanding of the actual challenges facing Florida homeowner association and condo communities in regard to mortgage foreclosures and delinquencies.

HOA associations represented in the survey tend to be larger than those of condo participants, with 31% of HOA owners residing in communities with 200-499 homes and 27% in associations of 500 homes or more. Most HOA communities represented in the survey are comprised of detached single family homes (75.7%) or attached town homes (16.9%). The size of condominium associations represented in the survey responses ranges from mid-rise buildings of 3-6 stories (33.6%), to high-rise buildings of 7 stories or more (28.5%), with low-rise buildings of just 1-2 stories accounting for 27.9% of responses.

Geographically, the survey drew Florida community owners from the Southeast (42.5%), the Southwest (31.5%), Central Eastern Florida (9.9%), Central Western Florida (6.9%), the Northwest (4.5%), the Orlando area (2.2%), and other areas.

## **Questions on Mortgage Foreclosure Proceedings**

The majority of association Boards of Directors are being kept apprised of the mortgage foreclosure situation in their communities, said the survey respondents, most often by the association's attorney (26.3%) or by the bank or mortgage lender (25.8% of cases).

An increase in foreclosures is reported by more than half (58%) of the survey respondents, with almost one-third (32%) indicating an increase of up to 10% in foreclosures over the past twelve months. Smaller subsets of respondents report an increase of 100% or more (13.5%), an increase of 51-100% (12.5%), with 7.7% reporting no increase at all.

Units or homes that are abandoned or left vacant are an increasing challenge for more than half (52.8%) of the survey respondents, with fully one fifth (20.5%) of respondents saying that mortgage-foreclosed homes or units in their communities have been left vacant for 12 months or more.

Respondents who own property in homeowners' association report more mortgage foreclosures (71.1%) than do condominium unit owners (52.9%). On a related note, a larger number of HOA respondents (17.5%) compared to condo respondents (11.5%) indicate their communities have experienced an increase in foreclosures of 100% or more.

Vacancies are also reported with increased frequency in homeowners' associations (70.7%) versus condominiums (44.8%). Similarly, the number of months a unit remains vacant tends to be greater among homeowners' associations than condos, with 28% of HOA respondents indicating a 6-12 month vacancy period compared to 19.5% among condo respondents.

## **Questions on the Impact of Mortgage Foreclosures on Communities**

As a result of mortgage foreclosures, association revenues from maintenance fees and other assessments are falling, according to more than half (50.9%) of survey respondents. A majority of respondents (55.9%) also indicated that mortgage lenders who have started foreclosure proceedings are not currently paying monthly maintenance fees and/or other assessments as required by law.

More than half (52.8%) of the associations represented by survey participants are taking a proactive position to avert financial difficulties, with the most popular actions including: a) legal action to force a mortgage lender to pay outstanding fees (41.2%); b) an increase in regular monthly "maintenance" fees for all remaining owners (36.5%); and/or c) an increase in special assessment fees for all remaining owners (30.4%).

Respondents indicated the decline in revenue collection due to mortgage foreclosures is somewhat more of an issue among homeowners' associations (54.7%) than in condominiums (49.6%). HOAs are also having more difficulty (51.1%) in obtaining payment of monthly maintenance fees from mortgage lenders who have foreclosed on a unit, compared to condos (38.0%). Perhaps not surprisingly, HOAs are demonstrating a more aggressive approach than condominiums when it comes to taking legal action (45.8% for HOAs versus 37.5% for condos).

More condo owners (38.6%) responding to the survey reported that their associations intend to pass along an increase in monthly maintenance fees to non-defaulting owners than did property owners in HOAs, where 33.9% expected increased maintenance fees to cover for the decline in revenues from mortgage foreclosures. Likewise, 38.6% of condo owner respondents anticipate increased special assessments, versus 18.6% of HOA respondents.

The overwhelming majority of survey participants (86.7%) registered concern about the impact that mortgage foreclosures will have on the financial health of their community association, with 15.7% saying they are "very concerned" and 28.9% reporting they are "extremely concerned" about the mortgage foreclosure situation in their communities.

## **Methodology**

The 2008 Florida Community Association Mortgage Foreclosure Survey was conducted online from March 25 to April 8, 2008, under the auspices of the Community Association Leadership Lobby (CALL).

The results contained in this report are based on the responses of 487 participants who own property in a community association in Florida. Not all respondents answered all questions.

The total population polled exceeding 4,500 known residents of condos, homeowner associations and other community associations throughout the state. Participants responded to e-mail invitations to participate from CALL and/or were otherwise invited to participate by other community association organizations statewide.

With 487 total responses from among a polled population of 4,500, the margin of error for the total sample is +/- 5 percentage points at the 98% confidence level.

All questions and responses to the survey are detailed below.

## 2008 Florida Community Association Mortgage Foreclosure Survey

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### Survey Questions and Response Data

Listed below are the actual questions asked and responses collected in the 2008 Florida Community Association Mortgage Foreclosure Survey.

The number of responses to each question is indicated by "Total #" and the corresponding percentage to each response is indicated by "Total %." Breakouts of the number of HOA and Condo property owner responses for each question are also indicated.

#### **1. Do you own property in a community or homeowners' association in Florida?**

*NOTE: 487 respondents answered "Yes," and their responses are reflected below. Respondents who answered "No" were removed from the survey results.*

#### **2. Are you a member of the Board of Directors of your community association?**

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Response Options	Total #	Total %	HOA #	HOA %	Condo #	Condo %
Yes	352	75.4%	111	73.5%	232	77.1%
No	115	24.6%	40	26.5%	69	22.9%

[Please note for the above and subsequent questions that totals may not add to 100% across categories, since there are other sub-sets in addition to HOAs and condos that are not reflected.]

### 3. Indicate the type of community association in which you own property:

# Units	Total #	Total %
Condominium	301	64.5%
Condo hotel	1	0.2%
Homeowners' association	151	32.3%
Cooperative association	11	2.4%
Mobile home community	2	0.4%
Timeshare	1	0.2%

### 4. Please indicate the location of your unit/home:

# Units	Total #	Total %	HOA #	HOA %	Condo #	Condo %
Southeast	197	42.5%	67	44.7%	123	41.1%
Southwest	146	31.5%	48	32.0%	94	31.4%
Central west	32	6.9%	3	2.0%	27	9.0%
Central east	46	9.9%	19	12.7%	27	9.0%
Central FL	10	2.2%	6	4.0%	4	1.3%
Northwest	21	4.5%	3	2.0%	16	5.4%
North central	1	0.2%	1	0.7%	0	0.0%
Northeast	0	0.0%	0	0.0%	0	0.0%
Other	11	2.4%	3	2.0%	8	2.7%

Description of regional codes:

Southeast Florida (Key West, Miami, Fort Lauderdale, West Palm Beach and Stuart)

Southwest Florida (Bradenton/Sarasota, Fort Myers, Naples and Marco Island)

Central West Florida (Crystal River, Clearwater and St. Pete/Tampa)

Central East Florida (Port St. Lucie, Melbourne and Daytona Beach)

Central Florida (Ocala, Orlando, Kissimmee/St. Cloud and Winter Haven)

Northwest Florida (Pensacola to Panama City)

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North Central Florida (Tallahassee, Lake City, Gainesville, Cedar Key)  
 North East Florida (Jacksonville, St. Augustine)

### 5. How many units/homes are in your association?

# Units	Total #	Total %	HOA #	HOA %	Condo #	Condo %
500 or more	63	13.6%	40	27.0%	23	7.6%
200-499	115	24.8%	46	31.1%	62	20.6%
100-199	91	19.6%	29	19.6%	58	19.3%
50-99	109	23.5%	18	12.2%	88	29.2%
25-49	49	10.6%	8	5.4%	41	13.6%
5-24	31	6.7%	5	3.4%	25	8.3%
Under 5	2	0.4%	1	0.7%	1	0.3%
Don't know	4	0.9%	1	0.7%	3	1.0%

### 6. Which of the following describes your unit/home?

# Units	Total #	Total %	HOA #	HOA %	Condo #	Condo %
Detached single family home	118	25.7%	112	75.7%	4	1.3%
Mid-rise unit (3-6 stories)	102	22.2%	1	0.7%	100	33.6%
High-rise unit (75' / 7 stories +)	92	20.0%	0	0.0%	85	28.5%
Low-rise unit (1-2 stories)	96	20.9%	10	6.8%	83	27.9%
Attached town home	51	11.1%	25	16.9%	26	8.7%

### 7. Is your Board of Directors made aware of mortgage foreclosure proceedings against property owners in your association?

# Units	Total #	Total %	HOA #	HOA %	Condo #	Condo %
Yes	308	70.8%	113	79.6%	189	67.0%
No	57	13.1%	15	10.6%	39	13.8%
Don't know	70	16.1%	14	9.9%	54	19.1%

### 8. If so, how is the Board notified? (Choose one)

# Units	Total #	Total %	HOA #	HOA %	Condo #	Condo %
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By the bank or mortgage holder	101	25.8%	36	27.7%	63	25.0%
By the unit/home owner	17	4.3%	2	1.5%	15	6.0%
By the insurance company	1	0.3%	1	0.8%	0	0.0%
By your association's attorney	103	26.3%	37	28.5%	64	25.4%
Don't know	98	25.0%	27	20.8%	68	27.0%
Other	72	18.4%	27	20.8%	42	16.7%

**9. Has the number of mortgage foreclosures against units/homes in your association increased during the last 12 months?**

# Units	Total #	Total %	HOA #	HOA %	Condo #	Condo %
Yes	252	58.2%	101	71.1%	148	52.9%
No	122	28.2%	24	16.9%	91	32.5%
Don't know	59	13.6%	17	12.0%	41	14.6%

**10. If your answer to Question 9 was "Yes," can you place an approximate percentage of increase in the rate of mortgage foreclosures in your association during the past 12 months as compared to the prior year 12 month period?**

# Units	Total #	Total %	HOA #	HOA %	Condo #	Condo %
Increased by 0-10%	100	32.1%	32	28.1%	67	34.9%
Increased by 11-25%	41	13.1%	22	19.3%	19	9.9%
Increased by 26-50%	14	4.5%	6	5.3%	8	4.2%
Increased by 51-100%	39	12.5%	10	8.8%	28	14.6%
Increased by more than 100%	42	13.5%	20	17.5%	22	11.5%
Has not increased	24	7.7%	2	1.8%	20	10.4%
Don't know	52	16.7%	22	19.3%	28	14.6%

**11. Are any units/homes presently vacant (uninhabited) in your condo, homeowners association or co-op as a result of mortgage foreclosure proceedings?**

# Units	Total #	Total %	HOA #	HOA %	Condo #	Condo %
Yes	227	52.8%	99	70.7%	125	44.8%
No	152	35.3%	27	19.3%	119	42.7%

Don't know	51	11.9%	14	10.0%	35	12.5%
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**12. What is the longest period of time that a unit/home has remained vacant in your condo, homeowners association or co-op as a result of mortgage foreclosure proceedings?**

# Units	Total #	Total %	HOA #	HOA %	Condo #	Condo %
One month	8	2.1%	2	1.5%	6	2.5%
Two to three months	11	2.9%	6	4.5%	5	2.1%
Three to six months	32	8.5%	8	6.1%	24	10.2%
Six to nine months	48	12.8%	21	15.9%	27	11.4%
Nine months to one year	36	9.6%	16	12.1%	19	8.1%
More than one year	77	20.5%	37	28.0%	38	16.1%
Don't know	163	43.5%	42	31.8%	117	49.6%

**13. Are mortgage foreclosures in your community/building causing a revenue shortfall that is placing a burden on the association's finances?**

# Units	Total #	Total %	HOA #	HOA %	Condo #	Condo %
Yes	205	50.9%	75	54.7%	128	49.6%
No	169	41.9%	53	38.7%	110	42.6%
Don't know	29	7.2%	9	6.6%	20	7.8%

**14. Have you experienced difficulties in securing payment of monthly maintenance fees and other assessments from mortgage lenders who have foreclosed on units/homes in your association?**

# Units	Total #	Total %	HOA #	HOA %	Condo #	Condo %
Yes	168	42.5%	70	51.1%	95	38.0%
No	127	32.2%	34	24.8%	89	35.6%
Don't know	100	25.3%	33	24.1%	66	26.4%

**15. Are mortgage lenders who have foreclosed on units/homes in your association currently paying monthly maintenance fees and/or other assessments?**

# Units	Total #	Total %	HOA #	HOA %	Condo #	Condo %
Yes	35	9.5%	16	12.1%	19	8.2%
No	207	55.9%	76	57.6%	128	54.9%
Don't know	128	34.6%	40	30.3%	86	36.9%

**16. How concerned are you about the impact that foreclosures will have on the financial health of your association?**

# Units	Total #	Total %	HOA #	HOA %	Condo #	Condo %
Not concerned	54	13.4%	12	8.8%	39	15.1%
Somewhat concerned	102	25.4%	39	28.5%	61	23.6%
Concerned	67	16.7%	25	18.2%	42	16.3%
Very concerned	63	15.7%	23	16.8%	40	15.5%
Extremely concerned	116	28.9%	38	27.7%	76	29.5%

**17. Has your association taken any action to cover a shortfall in revenues caused by mortgage foreclosures in your community?**

# Units	Total #	Total %	HOA #	HOA %	Condo #	Condo %
Yes	133	33.6%	55	39.9%	77	30.8%
No	209	52.8%	63	45.7%	141	56.4%
Don't know	54	13.6%	20	14.5%	32	12.8%

**18. If the answer to Question 17 above is "Yes," does that plan include the following? (Choose all that apply)**

# Units	Total #	Total %	HOA #	HOA %	Condo #	Condo %
An increase in regular monthly "maintenance" fees for all remaining owners	54	36.5%	20	33.9%	34	38.6%
An increase in special assessment fees for all remaining owners	45	30.4%	11	18.6%	34	38.6%
Bank loans or refinancing	8	5.4%	2	3.4%	6	6.8%
Legal action to force a mortgage lender to pay outstanding fees and/or assessments	61	41.2%	27	45.8%	33	37.5%
All of the above	12	8.1%	5	8.5%	7	8.0%
Other	32	21.6%	19	32.2%	13	14.8%