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2008 Florida Community Association Mortgage Foreclosure Survey Shows Rising Vacancies, Falling Revenue As Lenders Ignore Maintenance and Assessments

Negative Budget Impact Spurs Concern over Maintenance and Security Issues, Increased Fees and Assessments for Remaining Owners

FT. LAUDERDALE, FL (April 17, 2008) – A new survey of property owners in Florida’s condominium, homeowner and other community associations shows rising mortgage foreclosures are causing revenue shortfalls that pose significant threats to operating and maintenance budgets and to the health and security of many communities.

The 2008 Florida Community Association Mortgage Foreclosure Survey, conducted online statewide from March 26-April 8 under the auspices of the Community Association Leadership Lobby, or CALL (www.callbp.com), shows a direct correlation between rising mortgage foreclosures and corresponding decline in revenues from maintenance fees and other assessments in the state’s condo and homeowner (HOA) communities.

More than 60% of the nearly 500 survey respondents said that banks and mortgage lenders now holding title to the foreclosed units or homes are not meeting their legal obligation to pay regular fees or other assessments to the association. More than 40% reported 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 and security issues related to vacant units as the 2008 tropical storm season approaches.

CALL Co-executive Directors David Muller and Yeline Goin, attorneys with the law firm Becker & Poliakoff, which established CALL in 2003, said the survey results are a sober reminder that individual mortgage foreclosures are having a negative ripple effect that can undermine the property values and available services in entire communities – particularly in Florida’s common ownership residential condos, HOAs and other community associations.

“As a result of the mortgage foreclosure crisis, community associations statewide are now seeing the compounding effects of declining revenue collection and will likely have to balance association budgets through increased monthly fees and assessments for members, many of whom are already burdened with increased mortgage, insurance and property tax obligations,” said David Muller, CALL co-Executive Director and a community association attorney in Becker & Poliakoff’s Sarasota office. “As the 2008 storm season approaches, strains on many community association budgets from the downward-spiraling mortgage foreclosure crisis could leave many communities vulnerable and ill-prepared to cover storm damage costs and rising insurance rates in the coming months.”

“Public policy makers need to take a hard look at the impact mortgage foreclosures are having in community associations, where the pain is being felt as much more than a crisis of declining real estate prices,” said Yeline Goin, CALL’s Tallahassee-based co-Executive Director and a community association attorney with Becker & Poliakoff. “The Governor’s H.O.P.E. task force and Florida state legislators need to address in particular the growing number of vacant mortgage-foreclosed units and homes and declining revenue collection that undermines the ability to maintain the health and general welfare of millions of Florida community association residents statewide.”

Three quarters of the 2008 Florida Community Association Mortgage Foreclosure Survey respondents (75.4%) were members of their association’s Board of Directors, making them most likely within their communities to have knowledge of the current level of foreclosures and the impact on revenue collection and budgetary considerations in their community.

Key findings of the survey include:

- More than half (58.2%) of survey respondents statewide reported a definite increase in the number of mortgage foreclosures in their associations, with a particularly sharp increase of 71.1% in mortgage foreclosures in homeowners associations (HOAs) and a 52.9% increase in foreclosures in condominium associations.
- 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%.
- 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.
- 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.
- Fully 66% of respondents said their association’s Board of Directors intends to increase maintenance fees and/or pass special assessments to compensate for anticipated shortfall in revenues due to declining maintenance fee and assessment collections resulting from mortgage foreclosures.

Sponsored by the Community Association Leadership Lobby (CALL), an advocacy group established in 2003 by Florida-based law firm Becker & Poliakoff to advance the shared interests of the state’s common-ownership community associations, the 2008 Florida Community Association Mortgage Foreclosure Survey polled more than 4,500 known owners of property in Florida condos, homeowners and other community associations.

The survey received a total of 487 responses, giving a margin of error for the total survey sample of +/- 5% at the 98% confidence level. Condominium owners represented the largest segment of respondents (64.5%), followed by those owning property in homeowners’

associations (32.3%). Results of the survey can be seen in a summary report posted to the website of the Community Association Leadership Lobby at: www.callbp.com/pubs_public.php.

About the Community Association Leadership Lobby (CALL)

The Community Association Leadership Lobby is the leading organization working to enhance the quality of life and protect property values for Florida's community association residents. CALL advocates on behalf of more than 4,000 member communities, including condominiums, homeowners' associations, mobile home communities and cooperatives throughout the state. More information on the Community Association Leadership Lobby can be found at www.callbp.com.

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