



State of Distress: Florida Community Association Mortgage Foreclosures Spawn Crisis within State’s Condo and HOA Population, Says New CALL Survey

Respondents Cite Rising Foreclosures, Home Vacancies and Bank Refusal to Cover Unpaid Fees as Root Causes of Critical Financial Burden

Estimated 4 Million Floridians Living in Community Associations Face Alarming Multiplier Effect of Foreclosures on Stability of their Communities, Survey Confirms

FT. LAUDERDALE, FL (Feb. 24, 2008) – Results of a new survey of Florida’s condominium, homeowner and other community association property owners shows mounting financial pressures caused by bank foreclosures have negatively impacted communities’ ability to comply with State-mandated fiscal requirements and are undermining delivery of services critical to the upkeep, repair and safety of condos and HOAs statewide.

In a final report titled “State of Distress: The Mortgage Foreclosure Crisis within Florida’s Condominium and Homeowner Association Population,” two-thirds (65.3%) of respondents living in communities hit by mortgage foreclosures said lender foreclosures are “causing a revenue shortfall that is placing a burden on the association’s finances.” As a result, 37.9% said the foreclosure-related revenue crunch for Florida condos and HOAs has resulted in “postponements of major capital investments in upkeep or repair” of buildings and other property.

And, when asked if the Florida Legislature, which is set to reconvene in regular session on March 3rd in Tallahassee, “should increase the liability of first-mortgage holders for unpaid assessments,” a resounding 90.3% responded “Yes,” that the Legislature should act “in order to decrease the financial burden of unpaid assessments on community associations.”

Conducted online for the second year in a row under the auspices of the Community Association Leadership Lobby, or CALL (www.callbp.com), the Florida community association mortgage foreclosure survey elicited responses from 1,589 property owners between Jan. 15-Feb. 1 on a range of questions related to the mortgage foreclosure crisis in their communities. Three quarters of survey respondents were in a position as elected members of their community’s Board of Directors to have in-depth information and insight into the financial pressures caused by foreclosures.

According to CALL co-Executive Directors David Muller and Yeline Goin, the survey results are a sober reminder that mortgage foreclosures are having an alarming multiplier impact on the stability of common ownership residential communities across the state.

“In community after community, unpaid assessments from foreclosed properties have undercut maintenance, repairs and safety, while generating higher assessments for the entire community that threaten to push more owners into default and mortgage foreclosure,” said David Muller,

Sarasota-based CALL co-Executive Director and a shareholder and community association attorney with Becker & Poliakoff.

“These survey results are an urgent wake-up call for State Legislators to act immediately to transfer the burden of unpaid assessments from foreclosed properties away from these communities and onto the lender-owners of the individual properties in foreclosure in order to avert widespread fiscal failure in condos and HOAs across the State,” said Yeline Goin, Tallahassee-based co-Executive Director of CALL and a community association attorney with Becker & Poliakoff.

Among the key findings of the survey detailed in the “State of Distress” report are:

- More than half of all respondents (53%) reported higher rates of vacant units in their communities than 12 months ago as a result of mortgage foreclosures; of those who reported higher vacancy rates, 15% reported that 10% or more of the units/homes in their communities are now currently vacant due to mortgage foreclosures and 68.9% reported mortgage-related vacancy rates in their community from 1-9% at present;
- Fully 57% of respondents statewide say that getting mortgage lenders who have been slow to foreclose on units/homes to pay outstanding monthly maintenance fees to the associations has proven difficult;
- More than half of respondents statewide (52.8%) report that as a result of revenue shortfalls their association is taking steps to reduce expenses, with increased monthly assessment fees the most commonly reported way that associations are protecting their finances;
- Two-thirds of respondents (66.6%) to a question about the impact of foreclosures on property values in the communities said they foresee further property value declines in 2009, with Southeast Florida respondents the most pessimistic (71%) on the property value outlook; and,
- A super-majority of respondents (73.6%) forecast no improvement in the mortgage foreclosure outlook in their communities during the next 12 months, estimating the number of foreclosures will either stay the same or increase above the number of foreclosures this past year.

Comments demonstrating the palpable fear and financial pain becoming widespread in condos and HOAs statewide were also volunteered by 450 of the survey participants, many of which echoed concerns such as the following:

Help is desperately needed here. If not resolved, you will start to see associations fail, leaving hundreds of thousands of homeowners unable to keep up with the mounting debt.

- Southwest Florida Condo unit owner

I don't know how much longer the association can survive under these circumstances.

- Southeast Florida Condo Board member

With the federal government pumping our tax dollars into the financial institutions, the Florida Legislature needs to better protect the associations by forcing the financial institutions to pay back all delinquent fees and legal fees 100% and not a smaller percentage.

- Southwest Florida Board member, 500-home HOA

We are looking at next year's budget and most likely will have to increase fees to cover people in foreclosure. It's very hard on the rest of us paying folks.

- Central West Florida Board member, 50-99 unit Condo

Our association is, thus far, more impacted by owner delinquencies based on the owners' expectation that their property will be foreclosed. ... Owners who stop paying their association fees and mortgages, but are not foreclosed by the first mortgagee, are a burden to our association.

-- Northeast Florida Board member, 25-49 unit Condo

“State of Distress” details the responses received by a total of 1,589 participants in the online 2009 Florida Community Association Mortgage Foreclosure Survey, which invited more than 4,500 known owners of property in Florida condos, homeowners and other community associations to respond online to a set of 19 questions about mortgage foreclosure in their communities.

The margin of error for the 2009 survey's total sample of 1,589 responses is +/- 3% at the 98% confidence level. The 2009 survey response represented triple the response rate of the 2008 Florida Community Association Mortgage Foreclosure Survey, conducted online in March-April 2008.

The “State of Distress” report of final survey results, as well as the 2008 mortgage foreclosure survey report, are posted online for public viewing at 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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