

Condominium Home Owners' Association

Serving BC's Strata Property Owners since 1976

Bulletin: 300-334

Condo Smarts

Headline: Financial Crisis for Owners

Topic: Order for Sale

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Dear Condo Smarts: We purchased our home last July for \$385,000 and put 5% down plus paid for our mortgage insurance and property purchase tax. The term of our mortgage is a 5-year open. Our strata council have just passed a special levy for deck repairs that is going to cost each strata lot between \$17,000 and \$31,000 dollars. Our share of the levy is \$23,575. Our mortgage balance is \$363,000 and we need to raise the additional money for our share of the levy. Here's the problem, our recent appraised value is \$335,000. We have no equity left to borrow against and in fact our property value is below the debt load. We know no one who can lend us the additional funds. Is the only option that we wait till the strata corporation seeks an order for sale against our strata lot? All we can see in our future is financial doom unless there is another option. JRV

Dear JR: Unfortunately the turn of the economy has created a serious credit crunch for home owners, especially those living in older strata communities that are in need of major repairs. If you do not meet your payments by the due dates, the strata corporation will issue a demand notice to you for payment and advise a lien may be filed if you do not pay the amount. Once 14 days have expired from the notice period, they may then file a lien against the unit. That lien will take a priority charge over things like mortgages, so the strata has a reasonable assurance they will recover the assessment. The next step is that the strata will instruct their legal council in a short period of time to commence an order for sale proceeding if the amount warrants further

collection. Eventually the strata corporation could achieve a court ordered sale for your strata lot. From the proceeds, the strata would receive the special levy, a portion of the legal and court costs. The balance of your debt would be paid from the remaining proceeds. If there are not enough funds to cover the remaining mortgage(s), you may have a partial debt to be repaid. The outcome is horrid for both the strata and the owners involved. The strata council does not want to seek the sale of owners' homes, but they have a legal obligation to maintain and repair buildings and operate the strata corporation. They do not have the authority to waive or defer the assessment and eventually it has to be collected. Before any owner contemplates being delinquent in their strata fees or special assessments, they should speak to their financial advisor, bank officer or lawyer to consider their options. Sadly, strata corporations are now voting down much needed repairs because many owners cannot afford the levies. Strata corporations may borrow funds for the repairs rather than a special levy. There are banks, credit unions and private institutions that will lend funds to strata corporations, and the owners pay back the funds either through a special levy or strata fees over a 5-10 year period. The cost of interest may be higher, but it might also ensure access to funds for the owners making it easier for owners to repay and approve the resolutions. Legal advice should always be sought in writing resolutions for the purpose of the strata corporation borrowing money.

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