

Condominium Home Owners' Association

Serving BC's Strata Property Owners since 1976

Bulletin: 300-344

Condo Smarts

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Dear Condo Smarts: Our strata corporation had their vote on our leaky condo repairs on July 28th. At that time the owners voted in favour of the repairs, with the expectation that those in financial hardship could make applications to the Homeowner Protection Office for interest free loans. July 31st came along and everyone found out that the loan program was cancelled by the provincial government, so we have canvassed our owners to find that at least 20 people will not be able to pay the assessments on October 1st. The property manager told us that we have no choice but to enforce the resolution and if an owner does not pay the amount we must immediately proceed with a court ordered sale. Our council members are very stressed over this choice. Surely there are other options besides forcing people out of their homes? Karen Richardson, Burnaby

Dear Karen: There are several options that the strata corporation may consider, but first I would recommend that the strata council have a discussion with their lawyer to ensure what you do for funding options is legally permitted, and if you defer, amend or delay your repairs, you still meet your obligations under the Strata Act. The strata corporation does have an option of convening a special general meeting so that they may contemplate amending the 3/4 resolution that you passed earlier, and consider funding alternatives. A strata corporation is permitted to borrow funds in the same manner as a person. In your strata, your repairs are 3.8 million dollars, with a property estimate value of \$15 million. You would likely be seeking a commercial loan through a lending institution or private

lender, with a five-year term that can be amortized over as long as 25 years. The current average market rates for a strata are averaging 6-9%, and the strata corporation may decide to either repay the amount monthly as either a special levy or as part of a budget item included in the strata fees. This would have an impact monthly of \$200-300 per month on the average strata fees. One benefit of the strata corporation borrowing is that the loan does not reflect the personal titles or credit of each owner, but beware of predatory lenders that hide commissions, financing fees and high rates. Another alternative is the possibility of phasing the repairs over a longer period with a scaled payment schedule in smaller amounts, or simply phasing the payment schedule over a longer period. Each of the options has associated pitfalls. Borrowing funds increases monthly fees and adds additional costs. Phasing a project drags out the repair time and elevates construction and site costs, and phased payments on the full repair may not resolve the financial crisis for 20 of your owners. If you don't amend your resolutions then yes you will be proceeding with collections and repairs and eventually owners may lose their homes. In addition to legal advice it may be time to call an information meeting of your owners before the clock runs out on payment deadlines.

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