

## Unpaid Condo Common Charges on Credit Reports



Approximately one year ago, a data aggregation company based in California named Sperlonga entered into an agreement to start providing condominium and HOA owner payment and account status data to the credit reporting company Equifax. It is our understanding that Sperlonga charges a monthly flat fee to the condominium or HOA for this service or a fee based on the number of account delinquencies it reports to Equifax.

As many property managers and board members know from first-hand experience, due to the weak NY laws governing condominiums and HOAs, collecting common charge payments can be an expensive and frustrating process. Until approximately one year ago, it was not possible to report common charge delinquencies on a credit report until there was legal action and a judgment obtained. Now delinquent owner accounts can be included on credit reports approximately 60 days after payments are past due. In addition to adversely affecting owners who do not pay their common charges on time, if a condominium or HOA enrolls all of its units into this program, not just the delinquent ones, then the owners who pay on time should have their credit ratings enhanced.

It appears that one reason that this technology has not been utilized much in NY yet is because many NY management companies use different bookkeeping software programs than those that are used in other parts of the country where this service has been popular. As a result, the new technology cannot interface with the NY management companies' bookkeeping software. Because property management bookkeeping software is expensive and difficult to change, this



new technology may not catch on in NY until there are some technological advances. Additionally, there are some related Debtor and Credit law issues that will probably get worked out in other states first, which will hopefully enable NY condominiums and HOAs to eventually implement this technology free of any legal challenges and less potential liability.

(Disclaimer: This article is not intended to provide legal advice or to explain the intricacies of this new technology. If you are interested in this new technology, you should direct inquiries to the service providers.)

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