

WHAT'S NEW?

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NEW CONCEPTS

ASSOCIATION MANAGEMENT

COMMERCIAL/RESIDENTIAL
REAL ESTATE SERVICES

BUSINESS OPPORTUNITIES

GENERAL CONTRACTING

RENTAL MANAGEMENT

MORTGAGE SERVICES

CONSULTING

Featured Article – Insurance & Foreclosure “An Ounce of Prevention.”

Unless you've been in a cave, (and a pretty deep one at that), the daily news informing us of the mortgage foreclosure debacle seems almost inescapable.

The Star Tribune recently ran a 3 part series of articles concerning vacant homes, particularly, in outer ring suburban areas where land has been relatively inexpensive to acquire. The combination of affordable prices, low cost land, low interest rates often from sub prime mortgages and the belief that all real estate will increase in value brought in so many buyers.

I guess we could say that there are a variety of culprits to blame for this mess, aggressive real estate agents who recruited unsuspecting “straw buyers”, speculators, aggressive loan officers, and builders trying to create their own market. In Minnesota one in 40 homes is set to go into foreclosure by 2010 and the other homes near the foreclosed home will lose over \$4,000 in value. It is predicted that 28,000 homes in Minnesota will be foreclosed in 2008 alone.

Many town home associations in the Twin Cities area have been affected and it's not unusual for an association to have several units foreclosed or even over 50% of the association's total units. Additional costs are often passed on to the homeowners for items such as plowing, lawn services, repairs and other maintenance items. The flood of foreclosures is also hurting associations in an unexpected way as lenders seem to be taking months to foreclose before they start picking up the responsibility of the delinquent assessments on these homes.

This situation can trigger several other insurance issues that you should be aware of.

1. **Deductible** – The association's package insurance policy will have a property deductible which is usually between \$5,000 and \$10,000. If there is an insurance claim on a vacant unit, the association may have to absorb this deductible if the lender is not available to pay the claim damages within it.

2. **Vacancy** – Carriers providing master insurance to an association may state specific exclusionary language as follows:

If the “building” where “loss” occurs has been vacant for more than 60 consecutive days before that “loss,” the insurance company will:

a. Not pay for “loss” caused by any of the following even if they are Covered Causes of Loss:

- (1) Vandalism;
- (2) Sprinkler leakage, unless you have protected the system against freezing;
- (3) Building glass breakage;
- (4) Water damage;
- (5) Theft; or
- (6) Attempted theft.

b. Reduce the amount we would otherwise pay for the “loss” by 15%

Most carriers will consider a town home building vacant only if the entire building is vacant. So for example, if an association building has six units, the above exclusion will not apply so long as there is a resident in one of the units.

If there is a totally vacant building in your association, then you need to contact your agent, and/or carrier to ask for a “vacancy permit” which will restore much of the coverage taken by this exclusion.

This exclusion can also come into play when an entire building's group of unit owners are “snow birds” and leave Minnesota for the winter, which we all know can last much longer than 60 days! If that is the case, a vacancy permit will also be needed in this instance as well.

3. **Water damage** – caused by freezing pipes: If the unit owner packs up, moves out, and mails the keys to the lender AND shuts off the heat resulting in a frozen pipe and water damage, then there is a strong chance that the claim will also be denied. Here is how the standard exclusion reads:

Water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air-conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:

- (1) You do your best to maintain heat in the “buildings;” or
- (2) You drain the equipment and shut off the supply if the heat is not maintained.



Tony Baldwin, Vice President of Wells Fargo Insurance Services

The wording in the first point “do your best to maintain heat in the building,” is vague enough that I would be concerned about the carrier and policyholder disagreeing on the definition of what “doing your best” really means. When the preventive measures are done by the policyholder (the association versus a mortgage company) to prevent the loss in a claim situation, I have seen carriers attempt to interpret this wording in their favor and deny water damage claims.

This exclusion can also affect the unit owners who live next to an adjoining wall with a vacant unit. The water damage claim from the vacant unit may do damage to their unit and the same exclusion could apply.

Come this fall, associations should carefully check (as much as it is possible to do so) all vacant units for compliance with 1 and 2 above and maintain proper documentation of their efforts.

I generally consider myself to be an upbeat person, thus I hate to seem pessimistic, however; as Benjamin Franklin once said “an ounce of prevention is worth a pound of cure.” Therefore, please keep these dynamics in mind as you take a look at your current policy.

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What's in the News?

Featured Article:
“An Ounce of Prevention” –pg. 1

Featured Association:
Oak Creek Condominium
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Home Savings Store –pg. 2

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Featured Employee

Look for our featured employee
Toni Crockett in the next feature
of What's New.



"There's no way we can come to a decision,
the meeting has only lasted half an hour."

Featured Association—Oak Creek Condominium Association— “Keeping delinquencies in check”

“Why do our association dues continue to go up year after year? We never seem to get what we pay for!” Sound familiar? If you have lived in an association for any length of time, this is an all too frequent lament. Certainly there are a number of factors that influence a budget year after year, for example; the rise in the cost of goods and services (from utility increases to now surcharge costs for the price of gas as is common in trash and grounds contracts). A second influence comes from homeowner demands where the expectation is that they see more happen sooner rather than later, (as in the landscape project taking 1–2 years to complete instead of the original 3–5 years.) However, another influence that often goes overlooked is the impact that delinquencies have on what an association needs in order to keep their assessments from rising, so says New Concepts property manager Nick Reider.

“If you see historically that you always collect 5–10% less than expected in any one given month, you have to raise member’s monthly assessments just in order to have what is needed to meet your monthly obligations.” Nick went on to say “Because associations are non-profit organizations and only charge what is needed in order to meet their budget, when you have regular non paying members, you will always run short on being able to meet your expenses. Your choices then are to hold vendor payments back, which could affect service; or you have to resort to cutting back on services promised, for example being able to plant only half of the trees and shrubs planned because the money is not there.”

“Having a solid collection policy in place and a great working relationship with your management company is a must!” states Jennifer Toohey, Board President of the Oak Creek Condominium Association, in Champlin, MN and an attorney with the law firm of Hellmuth & Johnson, PLLC, which maintains a large and active practice serving community associations. She attributes both as being fundamental reasons as to why Oak Creek continues to have nearly zero delinquencies over the past several years.



What is the collection policy that has helped to establish Oak Creek’s success in this area? First of all keep accounts short. Ms. Toohey says, “In addition to the monthly statements that are sent to all homeowners, reminder letters are sent out to all late paying members at both the 30 & 60 day mark. If an account occasionally gets past that 60 day mark, then it is time to turn things over to the association’s legal counsel for collections. 99% of the time, if people haven’t paid with

the reminder letters, they choose to pay their late dues after receiving one demand letter from the association’s attorney rather than to continue to incur legal fees.”

Second, make things easy for the homeowners Ms. Toohey says. “We like the fact that New Concepts has a customizable option that allows us to provide special messages every month in the monthly statement that goes out to all members. Our members have commented on this being a nice touch to stay in the know about what is going on in the association. Members who are connected feel better about making their monthly payments.” Toohey also appreciates that New Concepts has a direct payment option that allows the monthly payment to be deducted from a member’s bank account without having to give another thought of whether or not a check has been sent.

Lastly, it should be noted that it is because of the professional approach that the Oak Creek board takes in serving as directors to their association that makes the real difference. This board makes it a point to periodically sit down to review their association’s policies, in order to insure that they are current and meaningful. Taking this approach also helps the board to stay focused in their task to serve all members consistently and fairly. It is for this reason we wish to recognize Oak Creek as true leaders. ■

New Concepts now offering some of their most popular seminars “free” and online!

People have always commented that they have appreciated being at one of our seminars, however, have not necessarily liked traveling to our office in St. Louis Park just to attend. Well now you won’t have to. Seminars will now be offered online in the comfort of your own home. To register for any upcoming seminar simply go to www.webinar.com and click on the “join a webinar” button to register. While you can register the same day as any seminar being taught, participation is limited, so make sure you have a spot reserved and register early. To register you will need to supply your e-mail address and identify

the seminar you wish to attend by using the 9 digit I.D. # associated with that class. Prior to the seminar you will be given written confirmation and instructions to use in order to log on that day. Please note that you will also be dialing a phone number in order to hear the seminar, depending on your service, long distance rates could apply. The offerings in July or August will be:

“Taming the Beastly Board Meeting” – Tues. July 29, 2008 from 7–8 p.m. I.D. #646761949.

What is this thing called “the board meeting?” What is it for? Why is it useful? This seminar will

discuss the role of the board and the management company. Emphasis will be given on tips for running a smooth and productive meeting. –Instructor Toni Crockett.

“What’s my money being spent on anyways?” –Wed. Aug. 6 from 7–8 p.m. I.D. #762320299.

Whether you are member of the board and don’t want to confess that you have no idea how to read a financial statement, or you are a homeowner just wanting to know how your association dollars are spent, this seminar is for you! –Instructor Gene Sullivan. ■

Home Savings Store

Home Savings Store –Products and services available at special pricing just for our homeowners and subscribers. To take part in any of these specific offerings, please contact our Home Savings Store Coordinator **Courtney Graf at 952-224-2663** and ask her for full details.

Featured Service - Home Valu Interiors

Whether you are looking to merely freshen up your home with new wall and floor coverings, or are looking for a total remodel of your kitchen and bath; save hundreds and thousands of dollars (just like the large contractors) by allowing New Concepts to put you in contact with project coordinator Mike Demaris at Home Valu. Here is what a few recent New Concepts homeowners have said about this program:

“My wife and I remodeled our home (and at great discounts) using the New Concepts program with Home Valu. We have been absolutely delighted with the way they have stood behind their work 100%. Each installer used was a pleasure to work with, and the materials used were top quality!” –Randy & Carolyn Miller, Colby Lake 1st Add. Homeowner, Woodbury, MN.

“I recently used the services of Home Valu to remodel my bathroom. I was so pleased with their service and work, next year I plan to do another project where I will be using them.” –Jacqueline Gildrist, SunGate West Homeowner, St. Louis Park, MN.

That’s not all –other services available to you.....

Mortgage

Whether you’re refinancing to reduce a high rate adjustable mortgage, preparing to pay the cost of a special assessment, or getting back on your feet from near foreclosure we can help. Allow us to introduce you to one of our preferred lenders. They won’t just put you in something to make a sale; they will counsel you to see what makes sense.

Preferred Realtor Network

Because we are involved with the resale disclosures on every sale at your association, we know who does the best in getting the job done quickly and at top dollar. If you do not have a relationship with an experienced agent, we can help. Discounts are also available on the cost of a re-sale disclosure by going through this program.

Home Maintenance

Whether the need is for a job large or small, the professionals with Start To Finish Contracting are available to take care of that laundry list of items you have been wanting to get off your “to do” list.