To: Chair Port and Members of the Senate Housing and Homeless Committee

From: Ellen Bump, Treasurer and Board Member of Eagan Oaks Townhomes Association

Date: March 12, 2025

RE: SF 1750

Dear Chair Port and Members of the Committee:

I am the treasurer of a 45-unit townhome association. I volunteer to serve on my HOA board simply because someone has to do it. It's a thankless job that takes a significant amount of my personal time but is necessary to ensure that the community in which I live remains a desirable place to live.

While there are many portions of SF1750 that are fine and the way we do business anyway, my concerns are with the unintended consequences of a few parts of the bill that will negatively impact HOAs – specifically, those that limit an HOA board's ability to enforce rules, collect assessments, minimize costs and attract new board members.

- **The proposed caps on fines for violations do not contemplate egregious violations.** There are many HOAs that prohibit renting under their governing documents. A $2,500 cap on a single violation coupled with a potential $1,500 cap on legal fees that can be charged back might be seen as the cost of doing business for an owner who decides to use their home as investment property. They can recoup the costs through the rent collected and buy their way out of the violation, because most HOAs won't be able to afford to pay the balance of the substantial legal fees that would be required to enforce the rule through costly litigation.

- **The proposed restrictions on collecting late dues will have a negative impact on HOAs.** An HOA's income comes from the monthly collection of its budgeted dues. Caps on attorney fees that can be assessed against a unit associated with collecting late dues are not reasonable. As a non-profit corporation, our annual assessments are budgeted to equal our anticipated operating expenses plus a contribution to our reserve fund. There are occasions when a homeowner forgets to pay their monthly dues, and a late letter that includes a small late fee and interest usually spurs them to pay and is an incentive to not forget again. But when we have a homeowner who allows their debt to accumulate, the board has to make difficult decisions about how to deal with the income deficit, for instance, what maintenance can be deferred. Without the means that are in place today to encourage payment of dues, including the possibility of foreclosure and ability to charge back all attorney fees, the board will ultimately have to increase dues to cover the bad debt. It doesn't seem quite fair for all of the homeowners who pay their dues regularly and on time to ultimately also pay for a homeowner who doesn't pay their dues. It's not that I'm not sympathetic to someone who may be experiencing some financial difficulties, but the larger the debt grows, the less likely it is that the debtor will be able to pay. **The proposed minimums on when foreclosure proceedings can start will negatively impact HOAs and will make it less likely that the homeowner who is in debt will be able to find a way out of paying that debt.**

- **The proposed Meet and Confer process will have a chilling effect on the ability of an HOA to attract good board members and will lead to resignations.** The requirement for one board member to meet a potentially hostile homeowner prior to commencement of an "enforcement action" to try to work out a resolution is not an activity that most board members are equipped to handle. Within the current steps that need to be taken for any type of enforcement action, such as foreclosure proceedings, there is plenty of time for a homeowner to reach out to the board to propose a resolution, like a payment plan, and we would encourage that. But the onus should be on the homeowner and not on a volunteer board member to initiate that conversation.

- **The proposed requirement for drafting plain language documents would require a tremendous amount of legal effort and cost**, and I'm not sure that the effort would result in something much different than what exists today. The cost to draft the plain language documents might be large enough to require a special assessment for an association the size of mine. Most volunteer board members do not have the skills to draft the documents nor the time nor the willingness to take on the liability for any mistakes in drafting. Unfortunately, we do live in a litigious society, so we would have to have some sort of legal protection against inadvertent mistakes. I think that we would be better off with some sort of generic document that could be provided to all homeowners who live in HOAs in Minnesota that generally describes what it means to live in an HOA and where to seek more information within their governing documents.

Like every other type of living situation, HOAs have their pros and their cons. I don't doubt that there are some HOA boards who overstep their boundaries. However, after my reading of SF1750, I fear that the portions of the proposed legislation that I have mentioned will drive HOAs to be a less desirable place to live. Costs will increase for all HOA members. We won't be able to enforce the really egregious violations of our rules. And we will have even greater difficulty in attracting good board members.