

# Arrears Management Tip Sheet



THE AGENCY  
FOR CO-OPERATIVE  
HOUSING

L'AGENCE  
DES COOPÉRATIVES  
D'HABITATION

When arrears grow, the workload for staff and directors grows. They can avoid that extra work by

- having good rules in place that every member understands
- reviewing member accounts every day, if necessary
- understanding that the older arrears get, the harder they are to collect
- knowing that letting a member's arrears grow does the member no favour.





# Arrears management should be a priority for all co-ops

**Why? The co-op depends on this main source of revenue to run smoothly.**

- The co-op may have a cash-flow problem.
- Bad debts may be so high that the co-op runs an operating deficit.
- The culture of non-payment will get worse as members see that it's okay to pay late.
- Housing charges will have to go up to cover lost revenue.



## Here is a list of tips to help your co-op better manage arrears.

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### Have good rules for arrears

Good rules that are part of your Rules or By-laws will include

- a definition of arrears that says all payments not received in full and on time are arrears. Even when a payment agreement is in place
- the date and time housing charges are due
- options for payment, including cheques, e-transfers and pre-authorized debits, but not cash
- when you send late notices
- when the eviction process starts
- the number of late payments allowed in a 12-month period
- how you deal with failed payments (like NSF's)



- procedures for payment agreements
- forbidding directors in arrears
- giving authority to staff to manage arrears

In general, your rules must

- work with your provincial eviction system
- make sure you deal with arrears within the month when the housing charge was due

## Remember...

You can have the best arrears rules in the world, but you will have an arrears problem if

- staff does not administer the rules on time every month
- members do not know and understand the rules.

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## Put everything in writing

Everything about arrears must go to members in writing with a copy in their file. Good documentation in member files prepares you if you need to start an eviction.

Your co-op's rules say that housing charges are each member's responsibility. So address letters to all the members in the unit.

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## Follow up with members who don't show a zero balance every month

Each month, you need to follow up with households that do not have a zero balance. Send a letter asking for payment or explaining that you are applying a credit. Your letter should include a copy of the member ledger from the accounting system and an explanation of what it means.

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## Give the Board a full and accurate arrears report every month

The Agency has a sample [Monthly Management Report to the Board](#) on our website, linked to an arrears report. Using these models will save you time.



Your arrears report should show

- each unit with arrears, including
  - how much the household owes
  - how long they have been in arrears
  - if they have been in arrears before and how often
  - whether the arrears are going up or down
  - what steps you have taken to collect the arrears, and how successful you were
- information about the arrears of former members
- a total of all the arrears, with a comparison to previous months

Make sure the Board compares the total arrears on the report with the receivables on the balance sheet. If the numbers don't match, staff should be able to explain the difference.

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## **Write off some arrears to bad-debt expense every month**

The impact of arrears on your co-op's finances is hard to understand when you only see it on the balance sheet. The Board should adopt a policy of writing off some arrears each month (You can still collect them!). Your auditor can recommend some wording. Do this, and you'll avoid a nasty surprise for your board and members by ensuring that a bad-debt expense doesn't unexpectedly take your co-op from a surplus to a deficit at year end.

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## **Member account information must be available in real time**

Even if your bookkeeper is off-site, member accounts must always be reconciled at year end, so:

- record payments right away.
- do housing-charge calculations as soon as you get the information and then record the new amount.

When records are accurate and up-to-date, you can follow up on arrears more easily.

