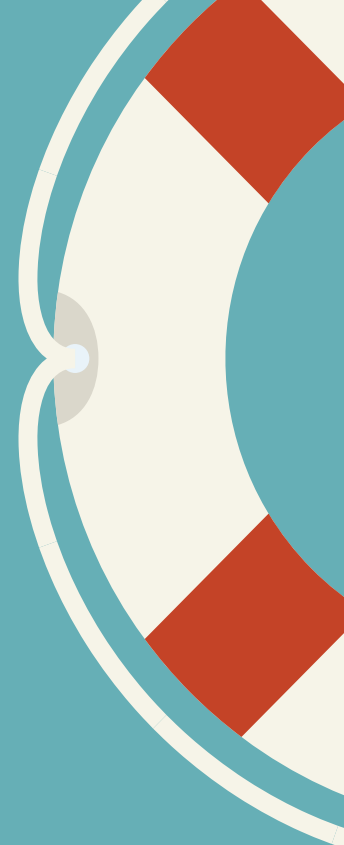


# HIDDEN FIGURES

## FINANCIAL LIFELINES IN RECEIVERSHIP



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**T**he financial aspects and workings of receiverships can be difficult to explain, let alone fully grasp if you are not dabbling with receiverships day-in and day-out. More so, you can almost guarantee each receivership matter you come across will differ from the previous one. That said, below is a short synopsis of how receiverships work through their financial hardships.

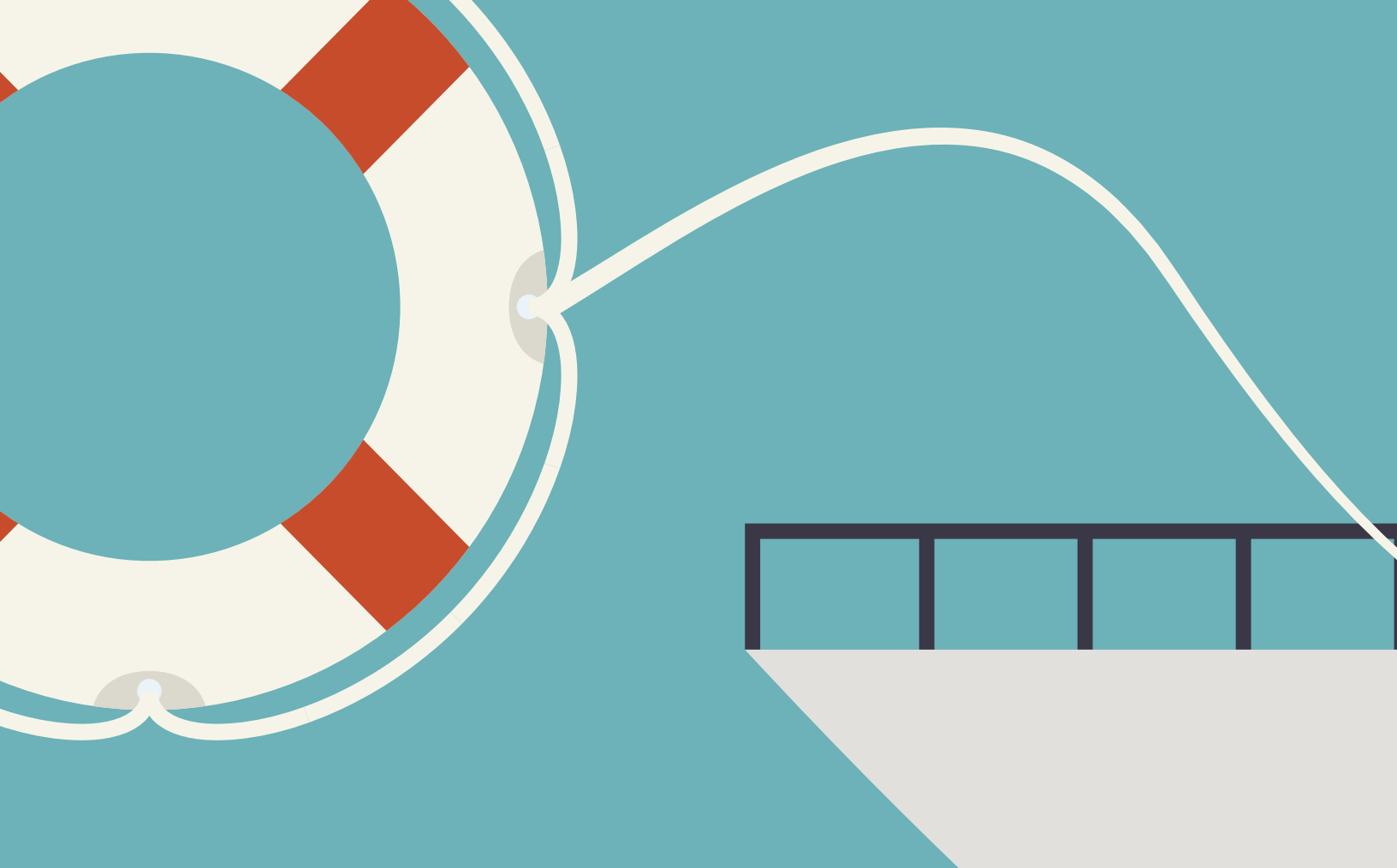
### **ASSOCIATIONS OFTEN UTILIZE RECEIVERSHIP AS A FORM OF RELIEF TO COLLECT FROM DELINQUENT AND NON-RESPONSIVE HOMEOWNERS WHEN OTHER COLLECTION EFFORTS HAVE FAILED.**

To obtain a receiver, the association's attorney files a lawsuit against the property and homeowner pursuant to CRS 38-33.3-316, The Colorado Common Interest Ownership Act (CCIOA). The homeowner's property becomes the asset of the "receivership estate" and is used to produce income while it is in the custody of the court. In a perfect world, the property's rental income is used to pay the debt owed to the association and the case is closed. But when costs arise that need to be covered, such as clean-up of a vacant

property or repairs, the financial aspects of the receivership are often misunderstood, especially in instances where money is not available from the property. Here are the basics:

A receiver has an enormous fiduciary responsibility while administering the receivership estate. They must track the estate's income and expenses and are accountable to the court and parties involved. Receivers first use income generated from a property to pay for hard costs but may need the association's help when deficiencies exist. This is key when a property is vacant and needs some work. In these instances, the association must understand that they are the "bank" for the estate and may need to loan money to the Receiver (but are not required to) for the matter to proceed. Receivers can borrow money anywhere, but since the association has a vested interest and must approve the request, this is most common.

Upon approval, the association loans funds and increases the property's debt balance to correspond with the loan; it also earns interest until paid back. Repairs are made, and the property is either rented or continues to produce income, which is in turn is paid over to the association to repay costs, including the attorney fees and receiver fees. Additionally, in some cases, there are other costs that



must be paid for the receivership to proceed, i.e., delinquent water bills, property tax liens, and in rare occasions, evictions costs. In all these instances, a good receiver will work with the association for the best solution so that these costs are funded and collections efforts can continue.

Receivers remain transparent throughout the process and will keep the association updated on the estate's financials and any progresses made towards the debt balance. Once the debt balance is satisfied, all accounting and financial statements are submitted to the court for approval. Afterwards, the property can then be turned back over to the homeowner and the receivership estate closed. 🏠

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*The Receiver Group is an equitable solutions-focused firm that specializes in all types of receivership appointments regarding equity disputes, real property preservation (foreclosure, rents & profits), asset liquidation and post-judgment collection matters*

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