

**RESOLUTION OF CASTLE VALLEY RANCH TOWNHOMES ASSOCIATION, INC.
ADOPTING A POLICY AND PROCEDURE FOR THE COLLECTION OF UNPAID
ASSESSMENTS**

SUBJECT: Adoption of a policy and procedure regarding the collection of unpaid assessments.

PURPOSE: To provide notice of the Association's adoption of a uniform and systematic procedure to collect assessments and other charges of the Association.

AUTHORITY: The Declaration, Articles of Incorporation, Bylaws of the Association, and Colorado law.

EFFECTIVE DATE: September 16th, 2024

RESOLUTION: The Association hereby adopts the following Resolution:

1. **Due Dates.** The installments of the annual assessments as determined by the Association and as allowed for in the Declaration shall be due and payable in monthly installments, in advance, or on such other dates, and with such frequency (which may be other than monthly, but not less than annually), as the Executive Board determines from time to time. Assessments or other charges not paid in full to the Association within fifteen (15) days of the due date shall incur late fees and charges as provided below.

2. **Late Charges and Interest on Delinquent Installments.** The Association may impose, on a monthly basis, a late charge as established by the Executive Board for each past due installment per month for each Owner who fails to pay the assessment within fifteen (15) days of the due date every month. This late charge shall be an assessment pursuant to the Declaration and CCIOA for each delinquent Owner. The Association shall also impose interest at an annual percentage rate equal to 8% per annum or less from the date it becomes due and payable if not paid by the due date established by the Executive Board.

3. **Receipt Date.** The Association shall post payments on the day that the payment is received in the Association's bank office.

4. **Registration of Owner Contact Information.** All Owners shall register with their Association the Owner's current email address, telephone number, cell phone number and current address at all times.

5. **Courtesy Notice.** The Association may, at its discretion, send a courtesy notice prior to sending the mandatory Notice of Delinquency to inform Owner(s), or representative of the Owner(s) if specified by the Owner(s), of their default. The Association may set a time frame for response if they choose to respond to the courtesy notice before the actual Notice of Delinquency is sent.

6. **Records Requirement.** The Association must maintain records of any contact(s) made with the Owner and/or their designated contact, including:

- i.) The type of communication used, and
- ii.) The date and time the contact was made.

7. **Notice of Delinquency.** After an installment of an annual assessment or other charge due to the Association becomes more than thirty (30) days delinquent and before the Association turns the delinquent account over to a collection agency or refers it to the Association's attorney for legal action, the Association shall cause a Notice of Delinquency to be sent to the delinquent Owner. If the Owner designates another person as contact, all notices must be sent to both the designated person and the Owner. The Notice of Delinquency may be in English or in another language if specified by the Owner. If the Owner does not specify what language is preferred, the Notice of Delinquency shall be in English.

The Notice of Delinquency must include:

- i.) the amount past due with an accounting of how the total was determined;
- ii.) whether the opportunity to enter into a payment plan exists and instructions for contacting the Association to arrange for and to enter into a payment plan;
- iii.) the name and contact information for the individual the Owner may contact to request a copy of the ledger to verify the amount of the debt;

iv.) a notice that action is required to cure the delinquency and that failure to do so within thirty (30) days may result in the Owner's delinquent account being turned over to a collection agency, a lawsuit being filed against the Owner, appointment of a receiver, the filing and foreclosure of a lien against the Owner's property, or other remedies available under Colorado law including, without limitation, revoking the Owner's right to vote if allowed by the Association's Declaration or Bylaws;

v.) Specifications of whether the delinquency concerns:

a.) unpaid assessments;

b.) unpaid fines, fees, or charges; or

c.) both unpaid assessments and unpaid fines, fees, or charges;

vi.) If the Notice concerns unpaid assessments, then the Notice must notify the Owner that unpaid assessments may lead to foreclosure;

vii.) Include a description of the steps the Association must take before the Association may take legal action against the Owner, including a description of the Association's covenant violation cure process laid out in the Association's Covenant Enforcement Policy; and

viii.) Include a description of what legal action the Association may take against the Owner, including a description of the types of matters that the Association or Owner may take to Small Claims Court, including injunctive matters for which the Association seeks an order requiring the Owner to comply with the governing documents of the Association.

The Notice of Delinquency shall be:

ix.) Sent by certified mail with return receipt; and

x.) By two (2) of the following allowed methods at the Board of Directors' discretion:

a. Telephone call made to Owner or their representative that the Association has on file that has been provided to the Association by the Owner. If the Association attempts to contact the Owner or designated contact by telephone but is unable to contact the Owner or designated

contact, the Association shall, if possible, leave a voice message for the Owner or designated contact;

- b. Text message sent to a cell phone that the Association has on file that has been provided to the Association by the Owner; or
- c. Email to an email address that the Association has on file that has been provided to the Association by the Owner.

The cost for the certified mailing will be charged back to each Owner, not to exceed the actual cost of certified mail.

8. **Payment plans.** The Association shall offer a payment plan to any delinquent Owner and make a good faith effort to coordinate such a plan. Such payment plan may be determined at the discretion of the Board of Directors but shall be for a term of not less than twelve (12) months and shall provide that the Owner must remain current with regard to future assessments.

If the Owner fails to accept the repayment plan offered by the Association within thirty (30) days after receipt of the written offer, the offer shall be deemed declined.

If the Owner declines the repayment plan within thirty (30) days after the Association's offer or after accepting the repayment plan, or the Owner fails to pay at least three (3) of the monthly installments within fifteen (15) days after the monthly installments were due under the payment plan, the Association may pursue legal action against the Owner.

An owner who has entered into a repayment plan may elect to pay the remaining balance under the repayment plan at any time during the duration of the payment plan.

9. **Monthly Notices to Delinquent Owners are Mandatory.** On a monthly basis, the Association must send, at the Association's own expense, to each Owner with a delinquent account an itemized list of all assessments, fees, fines, and charges owed. This monthly notice must be sent:

- i.) By first class mail, and

ii.) Email if the Association has the relevant email on file provided by the Owner. The monthly notices must be sent in English unless the Owner has indicated another preferred language. The monthly notices shall be sent to the Owner or to the Owner and the designated contact of the Owner if a designated contact is specified by Owner. The monthly notices shall be sent by the Association even after legal action has been started against the Owner. If the Owner's account has been transferred to a collection agency or to Association's attorney for collection, the monthly notice must indicate that legal fees might not be posted on the Owner's account and that the Owner should contact the collection agency or Association's attorney for an up-to-date balance.

10. **Referral of Delinquent Accounts to Attorneys.** After the deadline stated in the Notice of Delinquency has expired, the Association may, but shall not be required to, refer delinquent accounts to a its attorneys for collection. Any delinquent account must first be discussed by the Board of Directors during an executive meeting of the Board. The Association may pursue legal action against the Owner only if a majority of the Board of Directors approves this action in a recorded vote at a meeting conducted pursuant to the Association's Conduct of Meetings Policy. Upon referral to the Association's attorneys, the attorneys shall take all appropriate action to collect the accounts referred. After an account has been referred to an attorney, the account shall remain with the attorney until the account is settled, has a zero balance, or is written off. The attorney is authorized to take whatever action is necessary, in consultation with the President of the Board of Directors or other authorized representative, believed to be in the best interests of the Association, including but not limited to:

- i.) Filing a lawsuit against the delinquent Owner for a money judgment;
- ii.) Instituting a judicial foreclosure action of the Association's lien if approved by the Board of Directors;
- iii.) Filing necessary claims, documents, and motions in bankruptcy court in order to protect the Association's interests; and
- iv.) Filing a court action seeking appointment of a receiver.

All payment plans involving accounts referred to an attorney for collection shall be set up and monitored through the attorney or as otherwise agreed to by the parties.

Upon referral of any matter to the Association's attorney, the manager, acting on behalf of the Association, shall pay the Association's attorneys their usual and customary charges as well as any costs incurred by the attorney on the Association's behalf, promptly upon receipt of the monthly invoice from the attorney.

The Association may require, without starting legal proceedings, an Owner to reimburse the Association for collection costs, attorney's fees, or other costs resulting from the Owner failing to timely pay assessments or other money owed. The reimbursement amount is limited for attorney's fees to \$5,000 or 50% of the original money owed.

11. **Judicial Foreclosure.** The Association may foreclose its lien only if the delinquency is equal or higher than six months of common expenses assessments based on a periodic budget adopted by the Association. Each foreclosure action has to be approved by the Board of Directors by resolution or a recorded vote taken at a Board meeting.

The Association may not foreclose on a Unit if the debt securing the lien consists only of one or both of the following:

- i.) Fines that the Association has assessed against the Owner as a result of covenant violations; or
- ii.) Collection costs or attorney fees that the Association has incurred and that are only associated with assessed fines as a result of covenant violations.

The Association shall not commence a legal action to initiate a foreclosure proceeding until the Association has:

- iii.) Obtained a personal judgment against the Owner in a civil action;
- iv.) Attempted to bring a civil action against the Owner but was prevented by the death or incapacity of the Owner;
- v.) Attempted to bring a civil action against the Owner but the Association was unable to serve the Owner within one-hundred eighty (180) days; or
- vi.) The Owner is in a civil action bankruptcy.

These foreclosure requirements:

- vii.) Apply to a Unit owned by an individual who occupies the Unit as a principal address;
- viii.) Do not apply to a Unit owned by an entity other than an individual or a Unit that is not occupied as the Unit Owner's principal residence; and
- ix.) Apply to a Unit used for workforce housing.

At least thirty (30) days before initiating legal action to foreclose a lien, the Association must provide notice to the Unit Owner that the Owner has the right to engage in mediation prior to litigation. The Association must also provide notice to all lienholders identified on the Unit's property records of the pending legal action for foreclosure. The notice must include the amount of any outstanding assessment and other money owed.

12. **Prohibited Parties from Purchasing a Foreclosed Unit.** If the Association forecloses on a Unit, the following parties are prohibited from purchasing the foreclosed Unit:

- i.) A Board member;
- ii.) An employee of the community association management company representing the Association that was, at any time during the five (5) year period immediately preceding the sale of the foreclosed Unit, a person that was subject to, or that was owned by or affiliated with a person that was subject to, the prohibition;
- iii.) An employee of a law firm representing the Association; or
- iv.) An immediate family member of any of the foregoing.

13. **Right to Redemption.** An Owner has a right to redemption for one hundred eighty (180) days following a completed foreclosure sale. An Owner wishing to redeem the Unit must file a notice of intent to redeem within thirty (30) days after the completed foreclosure sale. The following people have the right of redemption in order of priority:

- i.) The Unit Owner;
- ii.) A Tenant of the Unit;
- iii.) A nonprofit entity whose primary purpose is the preservation and/or development of affordable housing.

- iv.) A community land trust;
- v.) A cooperative housing corporation; and
- vi.) The state of Colorado or any political subdivision of the state of Colorado.

If two (2) or more people or entities with the right to redemption attempt to redeem the property, the person with the highest priority is awarded the property. If the highest priority lienor has not redeemed the property, each subsequent lienor in order is entitled to redeem, within five (5) business days. Time is of the essence. To redeem a Unit, the entity or person redeeming must reimburse the purchaser from the foreclosure in accordance with Colorado law.

14. **Appointment of a Receiver.** The Association may seek the appointment of a receiver if an Owner becomes delinquent in the payment of assessments pursuant to the Declaration, Colorado law, and this Resolution. A receiver is a disinterested person appointed by the court who manages the rental of the property, collects the rent, and disburses the rent according to the court's order. The purpose of a receivership for the Association is to: obtain payment of current assessments; reduce past due assessments; correct any violations of the Declaration, Bylaws, or Rules and Regulations; and prevent the waste and deterioration of the property.

15. **Bankruptcies and Foreclosures.** Upon receipt of any notice of a bankruptcy filing by an Owner, or upon receipt of a notice of foreclosure by any holder of an encumbrance against any Lot within the Association, the manager shall advise the Association's attorney of the same and may turn the account over to the Association's attorney.

16. **Attorney Fees on Delinquent Accounts.** As an additional expense permitted under the Declaration and by Colorado law, the Association shall be entitled to recover its reasonable attorney fees and collection costs incurred in the collection of assessments or other charges due to the Association from a delinquent Owner. The reasonable attorney fees incurred by the Association shall be due and payable immediately when incurred.

17. **Personal Obligation for Late Charges.** In addition to being a continuing lien on the Lot, the late charge shall be the personal obligation of the Owner(s) of the Lot for which such

assessment or installment is unpaid. All late charges shall be due and payable immediately, without notice, in the manner provided herein for payment of assessments.

18. **Returned Check Charges.** In addition to any and all charges imposed under the Declaration, Articles of Incorporation, Bylaws, the Rules and Regulations of the Association, or this Resolution, a fee as determined by the Executive Board shall be assessed against an Owner in the event any check or other instrument attributable to or payable for the benefit of such Owner is not honored by the bank or is returned by the bank for any reason whatsoever, including but not limited to, insufficient funds. This returned check charge shall be an assessment pursuant to the Declaration and CCIOA for each Owner who tenders payment by check or other instrument which is not honored by the bank upon which it is drawn. Such returned check charge shall be due and payable immediately, upon demand. Notwithstanding this provision, the Association shall be entitled to all additional remedies as may be provided by applicable law. Returned check charges shall be the obligation of the Owner(s) of the Lot for which payment was tendered to the Association. Returned check charges shall become effective on any instrument tendered to the Association for payment of sums due under the Declaration, Articles, Bylaws, Rules and Regulations, or this Resolution after the date adopted.

If two or more of an Owner's checks are returned unpaid by the bank within any (fiscal) year, the Association may require that all of the Owner's future payments, for a period of one (1) year, be made by certified check or money order. This returned check charge shall be in addition to any late fees or interest incurred by an Owner. Any returned check shall cause an account to be past due if full payment of the installment of the assessment is not timely made by the due date.

19. **Application of Payments.** All sums collected on a delinquent account shall be remitted to the Association's attorney until the account is brought current. If the Owner has both unpaid assessments and unpaid fees, fines, or other charges on the Owner's account, any payment made by the Owner is first applied to the assessments owed. The remaining amount shall be applied to fees, fines and other charges owed pursuant to the Declaration, Articles, Bylaws, Rules and Regulations, or this Resolution. If an Owner pays down the assessment balance so that the remaining balance is made up of only fines, attorney fees, or other costs, the Association may not

foreclose as its remedy as the Association cannot foreclose on a lien that consists only of fines, collection costs and attorney fees, except for such fees and costs associated with the initial unpaid assessment balance. The Association may proceed with the collections process on these unpaid balances by obtaining a judgement against the Owner in Small Claims Court and collecting through the garnishment of wages.

20. **Waivers.** The Association is hereby authorized to extend the time for the filing of lawsuits and liens, or to otherwise modify the procedures contained herein, as the Association shall determine appropriate under the circumstances.

21. **Notification to and Communication with Owners.** The Association shall, upon request, provide all Owners with a copy of this Resolution which shall become effective upon its adoption. All communication with a delinquent Owner shall be handled through the Association's attorney once a matter has been referred to the attorney. Neither the manager, nor any member of the Board of Directors, shall discuss the collection of the account directly with an Owner after it has been turned over to the Association's attorney unless the attorney is present or has consented to the contact.

22. **Ongoing Evaluation.** Nothing in this Resolution shall require the Association to take specific actions other than to notify the Owners of the adoption of these policies and procedures. Once an Owner's account is turned over to the Association's attorney, all communication regarding the account must be made through the attorney. However, the Association has the option and right to continue to evaluate each delinquency on a case-by-case basis.

23. **Sole Collections Policy.** This policy shall be the sole existing policy of the Association regarding the collection of unpaid assessments and shall replace and supersede any previous rules and regulations of the Association addressing the collection of past due assessments.

24. **Defenses.** Failure of the Association to comply with any provision in this Collection Policy shall not be deemed a waiver of the Association's right to require strict compliance and shall not

be deemed a defense to payment of assessment fees or other charges, late charges, returned check charges, attorney fees, and/or costs as described and imposed by this Collection Policy.

25. **Amendment.** This Collection Policy may be amended from time to time by the Board of Directors.

26. **Survival.** In the event a court of competent jurisdiction finds a provision of this collection policy void or otherwise unenforceable, the other provisions shall remain in full force and effect.

PRESIDENT'S CERTIFICATION:

The undersigned, being the President of Castle Valley Ranch Townhomes Association, Inc., a Colorado nonprofit corporation, certifies that the foregoing Resolution was adopted by the Board of Directors of the Association, at a duly called and held meeting of the Board of Directors on September 16th, 2024, and in witness thereof, the undersigned has subscribed his/her name.

**CASTLE VALLEY RANCH
TOWNHOMES ASSOCIATION, INC.,** a
Colorado nonprofit corporation

By:  _____

President

