

ASSOCIATION COLLECTION POLICY

LIENS AND FORECLOSURES

General Statement. Prompt payment of Assessments by all owners is critical to the financial health of the Association and to the enhancement of the property values of our homes. Your Board of Directors takes very seriously its obligation under the Declaration of Covenants, Conditions and Restrictions (CC&R'S) and the California Civil Code to enforce the members' obligation to pay assessments. When any owner becomes delinquent in the payment of assessments, the Association and the remaining owners are unfairly burdened with a delinquent account. The Association and its Board of Directors must exercise due diligence in the collection of delinquent assessments utilizing available methods of collection. The policies and practices outlined shall remain in effect until such time as they may be changed, modified, or amended by a duly adopted resolution of the Board of Directors. Therefore, pursuant to the CC&R'S and Civil Code Section 1365(d), the following are the Association's assessment practices and policies:

1. **Personal Obligation for Payment of Assessments.** Assessments, late charges, interest and collection costs, including any attorneys' fees, are the personal obligation of the owner of the property at the time the assessment or other sums are levied (Civil Code Section 1367(a); Civil Code Section 1367.1(a)).
2. **Due Dates of Assessments.** Regular monthly assessments are due and payable on the first day of each month. A courtesy billing statement is sent each month to the billing address on record with the Association. However, it is the owner of record's responsibility to pay each assessment in full each month regardless of whether a statement is received. All other assessments, including special assessments are due and payable on the date specified by the Board on the Notice of Assessment, which date will not be less than thirty (30) days after the date of notice of the special assessment.
3. **Application of Payments.** Any payments made shall be first applied to assessments owed, and only after the assessments owed are paid in full, shall such payments be applied to late charges, interest, and collection expenses, including attorneys' fees, unless the owner and the Association enter into an agreement providing for payments to be applied in a different manner.
4. **Delinquency Dates.** Assessments not received within fifteen (15) days of the stated due date are delinquent unless the Declaration of Covenants, Conditions, and Restrictions (CC&Rs) specifies a longer time period, in which case the longer time period will apply.
5. **Late Charges.** Delinquent payments will be subject to a late charge of Ten Percent (10%) or Ten Dollars (\$10), whichever is greater, for each delinquent assessment payment unless the Declaration of Covenants, Conditions and Restrictions (CC&Rs) specifies a smaller amount, in which case the late charge shall not exceed the amount authorized by the CC&Rs.
6. **Interest Charges.** Payments delinquent by thirty (30) days or more will be subject to an interest charges at the rate of twelve percent (12%) per annum and will be assessed against any outstanding balance, including delinquent assessments, late charges, and cost of collection, which may include attorneys' fees. If the Declaration of Covenants, Conditions and Restrictions (CC&Rs) provides for an interest charge at a smaller rate, the smaller rate will be applicable. Such interest charges shall accrue thirty (30) days after the assessment becomes due and shall continue to be assessed each month until the account is brought current.

7. **Special Assessment Payments.** If a special assessment is payable in installments and an installment payment of that special assessment is delinquent for more than thirty (30) days, all installments will be accelerated and the entire unpaid balance of the special assessment shall become immediately due and payable. The remaining balance shall be subject to a late charge and interest as provided above.

8. **Pre-lien Letter.** If an assessment is not received within fifteen (15) days after the assessment becomes delinquent, the Association or its designee will send a pre-lien letter to the owner by certified and first class mail, to the owner's mailing address(es) of record advising of the delinquent status of the account and impending collection action. The owner will be charged a fee for the pre-lien letter.

9. **The Decision to Lien.** If the pre-lien letter fails to resolve the delinquent account within thirty (30) days, the Board of Directors will consider recording a lien against the delinquent owner(s)' separate interest. For liens recorded on or after January 1, 2006, the decision to record a lien for delinquent assessments will be made only by the Board of the Association and may not be delegated to an agent of the Association. The Board must approve the decision by a majority vote of the Board members in an open meeting. The Board will record the vote in the minutes of that meeting. The Board will maintain the confidentiality of the owner or owners of the separate interest by identifying the matter in the minutes by the parcel number of the property, rather than the name of the owner or owners.

10. **The Lien Notice Letter.** The Board will follow up its decision to record a lien with a lien notice letter mailed to the owner(s) of the separate interest by certified mail, return receipt requested. The lien notice letter will include all of the following:

(a) A general description of the collection and lien enforcement procedures of the Association and the method of calculation of the amount, a statement that the owner of the separate interest has the right to inspect the association records, pursuant to Section 8333 of the California Corporations Code, and the following statement in 14-point boldface type, if printed, or in capital letters, if typed: "IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION."

(b) An itemized statement of the charges owed by the owner, including items on the statement which indicate the amount of any delinquent assessments, the fees and reasonable costs of collection, reasonable attorney's fees, any late charges, and interest, if any.

(c) A statement that the owner will not be liable to pay the charges, interest, and costs of collection, if it is determined the assessment was paid on time to the association.

(d) The right to request a meeting with the Board.

(e) The right to dispute the assessment debt by submitting a written request for dispute resolution to the Association pursuant to the Association's "meet and confer" program.

(f) The right to request alternative dispute resolution with a neutral third party before the Association may initiate foreclosure against the owner's separate interest, except that binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

11. **Meet and Confer Program.** Prior to recording a lien for delinquent assessments, the Association will offer the owner(s) and, if so requested by the owner(s), participate in dispute resolution pursuant to the

Association's "meet and confer" program.

12. Legal Effect of Recording Lien. The amount of the assessment, plus any costs of collection, late charges, and interest assessed, will be a lien on the owner's separate interest in the development from and after the time the Association causes to be recorded with the County Recorder a notice of delinquent assessment, which will state the following:

- (a) The amount of the assessment and other sums imposed;
- (b) A legal description of the owner's separate interest;
- (c) The name of the record owner of the separate interest against which the lien is imposed;
- (d) The itemized statement of the charges owed by the owner described in paragraph 10(b) above will be recorded together with the notice of delinquent assessment;
- (e) In order for the lien to be enforced by nonjudicial foreclosure, the notice of delinquent assessment must state the name and address of the trustee authorized by the association to enforce the lien by sale; and
- (f) The notice of delinquent assessment must be signed by the person designated in the Declaration of Covenants, Conditions, and Restrictions (CC&Rs) or by the Association for that purpose, or if no one is designated, by the President of the Association.

13. Mailing of Lien Copies. A copy of the recorded notice of delinquent assessment will be mailed by certified mail to every person whose name is shown as an owner of the separate interest in the Association's records, and the notice will be mailed no later than ten (10) calendar days after recordation.

14. Payment of Amounts Due Pursuant to Lien. Within twenty-one (21) days of the payment of the sums specified in the notice of delinquent assessment, the Association will record or cause to be recorded in the office of the County Recorder a lien release or notice of rescission and provide the owner of the separate interest a copy of the lien release or notice that the delinquent assessment has been satisfied.

15. Failure to Follow Lien Procedures. If it is determined that a lien previously recorded against the separate interest was recorded in error, the party who recorded the lien shall, within twenty-one (21) calendar days, record or cause to be recorded in the County Recorder's Office in which the notice of delinquent assessment is recorded a lien release or notice of rescission and provide the owner of the separate interest with a declaration that the lien filing or recording was in error and a copy of the lien release or notice of rescission.

16. Liens for Recovery of Costs Due to Damage to Common Area. If authorized in the Association's Declaration of Covenants, Conditions and Restrictions (CC&Rs), a monetary charge imposed by the Association as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to common areas and facilities for which the owner or the owner's guests or tenants were responsible may become a lien against the owner's separate interest enforceable by the sale of the interest by non-judicial foreclosure. All other collection methods for such monetary penalties will also remain available to the Association.

17. No Liens for Monetary Penalties. Monetary penalties imposed by the Association as a disciplinary measure for failure of an owner to comply with the Association's governing documents may not be characterized nor treated as an assessment that may become a lien against the owner's separate interest to

be enforced by non-judicial foreclosure. All other collection methods for such monetary penalties will remain available to the Association.

18. Priority of Association Liens. A lien created pursuant to the foregoing procedures will be prior to all other liens recorded subsequent to the notice of assessment, except that the Declaration of Covenants, Conditions and Restrictions (CC&Rs) may provide for the subordination thereof to any other liens and encumbrances.

19. Limitations on Assignment of Association's Lien and Foreclosure Rights. The Association may not voluntarily assign or pledge its right to collect payments or assessments, or to enforce or foreclose a lien to a third party, except when the assignment or pledge is made to a financial institution or lender chartered or licensed under federal or state law, when acting within the scope of that charter or license, as security for a loan obtained by the Association; however, the foregoing provision may not restrict the right or ability of the Association to assign any unpaid obligations of a former member to a third party for purposes of collection. Subject to the limitations of this paragraph, after the expiration of thirty (30) days following the recording of a lien, the lien may be enforced in any manner permitted by law, including judicial and non-judicial foreclosure. Any non-judicial foreclosure will be conducted in accordance with California Civil Code Sections 2924, 2924b, and 2924c applicable to the exercise of powers of sale in mortgages and deeds of trust. The fees of a trustee may not exceed the amounts prescribed in California Civil Code Sections 2924c and 2924d.

20. Secondary Addresses Provided by Owners. Owners may provide written notice by facsimile transmission or United States mail to the Association of a secondary address. If a secondary address is provided, the Association will send any and all correspondence and legal notices required pursuant to this policy to both the primary and the secondary address of the owner(s).

21. Receipts Requested by Owner. When an owner makes a payment, the owner may request a receipt and the Association shall provide it. The receipt will indicate the date of payment and the person who receives it. The Association shall provide a mailing address for overnight payment of assessments. The mailing address for overnight payment of assessments is: 1259 Callens Road, Suite A, Ventura, CA 93003.

22. Payment Plans. An owner may submit a written request to meet with the Board to discuss a payment plan for the debt. The Association will provide the owner(s) the standards for payment plans, if any exist. The Board will meet with the owner(s) in executive session within forty-five (45) days of the postmark of the request, if the request is mailed within fifteen (15) days of the date of the postmark of the notice, unless there is no regularly scheduled Board meeting within that period, in which case the Board may designate a committee of one or more members to meet with the owner(s). Payment plans may incorporate any assessments that accrue during the payment plan period. Payment plans shall not impede the Association's ability to record a lien on the owner's separate interest to secure payment of delinquent assessments. Additional late fees will not accrue during the payment plan period if the owner(s) is/are in compliance with the terms of the payment plan. In the event of a default on any payment plan, the Association may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan.

23. Collection Alternatives Available to the Association If Demand Does Not Result in Payment in Full. If the owner's assessment account remains delinquent for more than thirty (30) days following the Association's lien notice letter, the Association will be entitled to pursue either of two alternatives:

(a) **Small Claims Actions:** First, the Association may elect to instruct its property manager to pursue the Association's claims against the owner in a Small Claims Court Action.

(b) **Foreclosure of Lien.** Second, the Association may elect to foreclose the lien previously recorded on the owner(s)' separate interest, subject to the limitations and procedures set forth below.

24. Limitations on Foreclosures. The Board may elect to pursue either judicial or non-judicial foreclosure of the lien, subject to the following limitations:

(a) The Association may not seek to collect delinquent regular or special assessments through either judicial or non-judicial foreclosure for either (i) an amount less than one thousand eight hundred dollars (\$1,800) not including any accelerated assessments, late charges, fees and costs of collection, attorney's fees, or interest or (ii) an assessment which is less than twelve (12) months delinquent, whichever is less.

(b) For delinquent assessments less than one thousand eight hundred dollars (\$1,800) or twelve months delinquent, the Association may pursue the following collection activities:

(i) An action in Small Claims Court;

(ii) Recording a lien on the owner's separate interest upon which the association may not foreclose until the amount of the delinquent assessments secured by the lien, exclusive of any accelerated assessments, late charges, fees and costs of collection, attorney's fees, or interest, equals or exceeds one thousand eight hundred dollars (\$1,800) or the assessments are more than twelve (12) months delinquent; or

(iii) Any other manner provided by law, except for judicial or nonjudicial foreclosure.

25. Procedures for Foreclosure. For delinquent assessments which equal or exceed the sum of one thousand eight hundred dollars (\$1,800) or which are more than twelve (12) months delinquent, the Association may initiate either judicial or non-judicial foreclosure pursuant to the following procedures:

(a) The decision to initiate foreclosure of a lien for delinquent assessments that has been validly recorded will be made only by the Board of Directors of the Association and may not be delegated to an agent of the Association. The Board must approve the decision by a majority vote of the Board members in an executive session. The Board will record the vote in the minutes of the next meeting of the Board open to all members. The Board will maintain the confidentiality of the owner or owners of the separate interest by identifying the matter in the minutes by the parcel number of the property, rather than the name of the owner or owners. A Board vote to approve foreclosure of a lien shall take place at least 30 days prior to any public sale.

(b) Prior to initiating a foreclosure on an owner's separate interest, the Association will offer the owner and, if so requested by the owner, participate in dispute resolution pursuant to the Association's "meet and confer" program. The decision to pursue dispute resolution or a particular type of alternative dispute resolution will be the choice of the owner, except that binding arbitration will not be available if the association intends to initiate a judicial foreclosure.

(c) The Board will provide notice by personal service to an owner of a separate interest who occupies the separate interest or to the owner's legal representative, if the Board votes to foreclose upon the separate interest. The Board will provide written notice to an owner of a separate interest who does not occupy the separate interest by first-class mail, postage prepaid, at the most current address shown on the books of the Association. In the absence of written notification by the owner to the Association, the address of the owner's separate interest may be treated as the owner's mailing address.

(d) In addition to the requirements of California Civil Code Section 2924, a notice of default will be served by the Association on the owner's legal representative in accordance with the manner of service of a summons under California law.

(e) A nonjudicial foreclosure by the Association to collect upon a debt for delinquent assessments will be subject to a right of redemption. The redemption period within which the separate interest may be redeemed from a foreclosure sale under this paragraph ends ninety (90) days after the sale.

26. Liens Recorded in Error. If it is determined through dispute resolution pursuant to the association's "meet and confer" program or alternative dispute resolution with a neutral third party that the association has recorded a lien for a delinquent assessments in error, the Association will promptly reverse all late charges, fees, interest, attorney's fees, costs of collection, costs imposed for the notice of lien, and costs of recordation and release of the lien, and pay all costs related to the dispute resolution or alternative dispute resolution.