

**Pinehurst at Waldenwood Owners' Association**  
**COLLECTION POLICY FOR DELINQUENT ASSESSMENTS**

Prompt payment of assessments by all owners is critical to the financial health of the Association and to the preservation and enhancement of the property values of our homes. Your Board of Directors takes very seriously its obligations under the Association's governing documents and Washington State law to enforce the members' obligations to pay assessments. The policies and practices in this Collection Policy shall remain in effect until the Board adopts an updated Collection Policy.

**1. Payment of Assessment**

Regular and special assessments, late fees, interest charges, and collection costs, including attorneys' fees and management fees, are the personal obligation of the owner of the property at the time the assessment or other charge is due. It is the owner's responsibility to pay each assessment in full regardless of whether a payment statement or payment coupon is received. There is no right of offset; an owner may not withhold assessments owed to the Association on the alleged grounds that the owner is entitled to recover money or damages from the Association for some other obligation or by asserting non-use of the Association's benefits.

**2. Association Lien**

The Association has the right to record a lien against the property if the owner fails to pay the assessment when due, if the assessment remains delinquent for more than 30 days, and after the association gives 15 days written notice of the association's intent to record a lien. Nothing in this Collection Policy shall limit or otherwise affect the Association's right to record a lien against the property to protect and provide public notice of the Association's interest in the property, and to pass the cost of doing so onto a delinquent owner.

**3. First Late Fee & Delinquent Letter**

Assessments are assessed against each property on the first (1st) of the month, and become due and payable immediately. All other assessments, including special assessments, are due on the date specified by the Board. An account becomes delinquent when any assessment is not paid in full by the fifteenth (15<sup>th</sup>) of the month in which it is due, and/or when a special assessment is not paid by its due date. A delinquent account will incur a late fee in the amount of \$25 on the date the account becomes delinquent (and each month thereafter). The Treasurer or Manager is authorized and directed to charge a late fee against any delinquent account on the date the account becomes delinquent. The Treasurer or Manager is further directed to send a delinquency letter via First Class U.S. Mail once the account becomes delinquent,

informing the property owner of the delinquency, the late charge, and the fact that the Association will record a lien if the owner fails to pay in full within 30 days.

#### **4. Second Late Fee & Delinquent Letter**

If a property owner remains delinquent, the Treasurer or Manager is directed to charge another late fee on the 15th of the second month. The Treasurer or Manager is also directed to send the property owner a second written notice of delinquency on the 15th of the second month. The second delinquent letter shall notify the property owner that: if the account is not paid in full in 15 days, a lien will be recorded against the property and the costs incurred as a result of that lien will be assessed to the owner's account.

#### **5. Third Late Fee & Lien Recording**

If a property owner remains delinquent, the Treasurer or Manager is directed to cause a lien to be recorded 15 days after the second delinquency letter was mailed. The Treasurer or Manager is also directed to charge another late fee on the 15th of the third month. The Treasurer or Manager is also directed to send the property owner a copy of the lien when it is mailed for recording, and is directed to assess the lien recording fees/costs to the owner's account.

#### **6. Fourth Late Fee, Delinquency Letter, and Referral to Association Attorney**

If a property owner remains delinquent, the Treasurer or Manager is directed to cause a fourth and final notice to be mailed to the owner on the 15<sup>th</sup> of the sixth month of the delinquency (i.e., in June for a January assessment). The letter should notify the owner that if they do not pay in full within 10 days of the date of the letter, their account shall be referred to the association's attorney for collection, which will result in substantial legal fees being added to what they owe. If an account remains delinquent for ten (10) days after the fourth written notice, the Treasurer or Manager is then directed to refer the account to the Association's attorney for collections. The Association may choose to refer the delinquent account to the Association's attorney at any time, and failure to do so at any time does not prevent the Association from referring the delinquent account to the Association's attorney at a later date.

Additionally, the Treasurer or Manager is directed to consult with the Association's attorney and turn over for legal action any account where the property owner has filed for bankruptcy, is the subject of a petition for relief under the bankruptcy code, or whose lender has started a foreclosure action against their property, or where any other legal action has started against the property. Once an account has been referred to the Association's attorney for collection, the Treasurer or Manager is directed to cease sending delinquency notices and/or account statements to the delinquent owner, and is directed to send any such notices to the Association's attorney instead.

The Board has the ultimate authority to determine whether an attorney is consulted or retained.

#### **7. Ongoing Late Fees and Interest Charges**

Regardless of whether the Association refers a delinquent account to its attorney for collection, every account with an outstanding balance shall be subject to a monthly late fee of \$25.00. Interest at the rate of twelve percent (12%) per annum shall be collected on all outstanding balances, including but not limited to late charges and legal fees. Interest charges will be assessed from the original due date after the outstanding balance becomes due and will be assessed each month until the account is brought current. The Association may also assess against the delinquent unit any fees charged by its management company as a result of the owner's delinquency, including fees to monitor the account in delinquency and to send notices of delinquency. The Board retains the authority to waive this requirement in whole or in part.

#### **8. Payment of Attorneys' Fees**

The Treasurer or Manager is directed to pay the Association's attorney the attorney's usual and customary charges for time incurred in connection with the attorney's representation of the Association, together with all costs incurred by the attorney, including but not limited to: fees and charges for filing, service of process, messenger service, court reporters, electronic or computer assisted legal research, photocopies, postage, long distance calls, investigator's services, and credit and title reports. Payment is due promptly upon receipt of the attorney's monthly invoice.

#### **9. Assessment of Attorneys' Fees and Collection Costs**

The Association's attorney's minimum legal fee shall be assessed against each delinquent property owner's account (including repeat collections) when the account is turned over to the Association's attorney for collection. All legal fees and costs, including amounts beyond the minimum legal fee, incurred in the collection of past due Assessments shall be assessed against the delinquent property owner's account and shall be collectible as an Assessment, including but not limited to any fees paid the Association's management company as a result of the owner's delinquency.

#### **10. Payment Plans & Other Agreements with Delinquent Owners**

Once an account is placed with the Association's attorney for collection, all contacts with the delinquent owner should be handled through the attorney. Any revisions of the amounts demanded of the property owner and/or any payment plans proposed by the delinquent owner should be handled through or immediately communicated to the attorney. The Board will consider payment plan requests on a case-by-case basis and with the advice of the Association's attorney. The Board is

under no obligation to grant payment plan requests. Payment plans shall not interfere with the Association's ability to record a lien against the property.

#### **11. Foreclosure**

If an owner fails to respond to the Association's attorney's attempts to collect from the owner, the Board of Directors may decide to foreclose on the Association's lien. The owner could lose ownership of the property if a foreclosure is completed, and will be responsible for significant additional legal fees and costs if a foreclosure is started against the owner's property.

#### **12. Appointing a Receiver**

If a foreclosure lawsuit has been filed, the Association may request that the Court appoint a Receiver to take possession of a property that is not occupied by the owner. The Receiver has the authority to refurbish and rent out the property on behalf of the Association.

#### **13. Assessment Deposit**

As provided by Section 8.15 of the Declaration, the Association may assess a deposit charge in the amount of one annual assessment. The deposit will be held in a separate account to the owner's credit. The Association may resort to the deposit at any time the owner is 10 days or more past delinquent in paying any assessment. The assessment deposit is not a prepayment of any assessment. The deposit may be refunded to the owner at the Board's discretion in cash or as a credit to the owner's assessment account.

#### **14. Special Assessments**

If a special assessment is payable in installments and an installment payment of that special assessment is delinquent for more than 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 monthly late fees, interest charges, collection costs, and all other collection actions specified in this Collection Policy and the Association's governing documents.

#### **15. Payments Received from Delinquent Owner**

All payments received may be applied to the oldest amounts due first, whether assessments, interest, fees, or other costs. All payments collected from delinquent owners during the collection process shall be made out to the Association, but mailed or delivered to the attorney's office so that the attorney can keep accurate, up-to-date records of the remaining amounts due. If the Treasurer or Manager receives a payment from a delinquent owner after the file has been referred to the Association's attorney,

the Treasurer or Manager is directed to provide a copy of the payment to the attorney before depositing it in the Association's account. Only upon approval from the Association's attorney should any payment be deposited. The Treasurer or Manager is directed to send an updated account ledger for the accounts in collection to the Association's attorney once a month for the duration of the collection action.

**16. Suspension of Voting Rights and Right to Use Common Areas**

The Association may, under Section 3.1.3 of the Declaration, suspend the voting rights and right to use of the Common Areas by an Owner for any period during which any assessment for such Owner's Lot remains unpaid.

**17. Additional Collection Action**

Nothing in this Collection Policy limits or otherwise affects the Association's right to proceed in any lawful manner to collect any delinquent amounts owed to the Association.

**18. Effective Date**

This policy was adopted by resolution of the Board of Directors on November 12, 2013 and has an effective date of **January 1, 2014**.