

Mill Creek Highlands Homeowners Association Collection Policy

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 supersede any existing policies and/or resolutions pertaining to collections, and shall remain in effect until the Board adopts an updated Collection Policy.

1. Payment of Assessments. Regular and Special Assessments, violation fines, late fees, interest charges, and collection costs, including attorneys' fees and management fees, are the personal obligation of the Owner of the Lot 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. 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.

2. Association Lien. Delinquent amounts automatically create a lien against the Lot even before a written lien is recorded. The Association has the right to record a lien against the Lot whenever the Owner's account is past due, and nothing in this Collection Policy shall limit or otherwise affect the Association's right to record a lien against the Lot to protect and provide public notice of the Association's interest in the Lot.

3. First Late Fee & Delinquency Notice. Annual Assessments are assessed against each Lot on the on the 1st of January and become due and payable immediately. All other Assessments, including Special Assessments, are similarly due on the date specified by the Board. An account becomes delinquent when an annual Assessment is not paid in full by January 15, 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. The President, Treasurer, or Manager is authorized and directed to charge a late fee against any delinquent account on the date the account becomes delinquent.

The President, Treasurer, or Manager is further directed to send a notice via First Class U.S. Mail once the account becomes delinquent, informing the Lot Owner of the status of that Owner's account, the late charge, and the steps the Association will take if the Owner does not immediately pay the full amount due. The notice should also contain the following statement: "Nonpayment of your Assessments may lead to a lawsuit to foreclose on the association's lien against your Lot. The homestead exemption under Chapter 6.13 of the Revised Code of Washington will not apply in an action to foreclose on an Association lien."

- 4. Second Late Fee & Delinquency Notice.** If a Lot Owner remains delinquent, the President, Treasurer, or Manager is directed to charge another \$50 late fee on the 15th of the second month. The President, Treasurer, or Manager is also directed to send the Lot Owner a second written notice of delinquency advising the Lot Owner that: if the account is not paid in full in 30 days, it will be turned over to the Association's attorney for collection; a lien will be recorded against the Lot; and the Lot Owner will be liable for all fees and costs associated with collecting on a delinquent account.
- 5. Ongoing Late Fees, Interest, and Other Charges.** Every account with an outstanding balance shall be subject to a monthly late fee of \$25. Interest at the rate of six percent (6%) 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 any fees associated with the collection of the delinquent account charged by its management company. The Board retains the authority to waive this requirement in whole or in part.
- 6. Referral to Association Attorney.** If an account remains delinquent for 30 days after the second written notice, the Board may refer the account to the Association's attorney. Additionally, the Board may consult with the Association's attorney at any time when: the Lot Owner has filed for bankruptcy or is the subject of a petition for relief under the bankruptcy code; a lender has started a foreclosure action against the Lot; or any other legal action has commenced against the Lot. Once an account has been referred to the Association's attorney for collection, the President, Treasurer, or Manager is directed to cease sending delinquency notices and account statements to the delinquent Owner, and is directed to send any such notices to the Association's attorney.
- 7. Assessment of Attorneys' Fees and all Collection Costs.** All attorneys' fees and costs incurred in the collection of past due Assessments shall be assessed against the delinquent Owner's account and shall be collectible as an Assessment. This includes but is not limited to any fees paid to the Association's Manager/Management Company as a result of the Owner's delinquency.
- 8. Payment Plans & Communication 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. If an owner requests an accounting from the Association or its manager, the Owner should be referred to the Association's attorney. Should the Association or its manager provide the Owner with an account ledger or balance due while the Owner's account is being handled by the Association's attorney, the Association shall not be bound by any such statement. The Owner may not rely on a statement of account from any source other than the Association's attorney so long as the attorney is handling the Owner's delinquency.

Any revisions of the amounts demanded of the Lot 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 Lot.

9. Foreclosure. As provided by Article IV Section 8 of the Declaration, 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 attorneys' fees and costs if a foreclosure is started against the owner's property.

10. Appointing a Receiver. Once 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.

11. Payments Received from Delinquent Owner. All payments received may be applied to the oldest amounts due first, as is the Association's standard practice. At the Board's discretion, payments may be applied differently if such application is in the Association's best interest. 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 President, Treasurer, or Manager receives payment from a delinquent Owner after the file has been referred to the Association's attorney, the President, 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 President, 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.

12. Right of Access to Certain Common Areas. The Association may restrict a delinquent Owner's access to recreational facilities or any other common areas not necessary for the Owner to access their property.

13. Suspension of Voting Rights. The Association may suspend a delinquent Owner's voting rights until their delinquency has been paid in full.

14. Waiver & 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. Specifically, the Association retains the right to refer a delinquent account to the Association's attorney at any time. The Association's failure (or the failure of any agent of the Association) to comply with any provision of this policy shall not be viewed as a waiver of the Association's right to proceed to collect delinquent assessments in any lawful manner.

15. Effective Date. This policy was adopted by resolution of the Board of Directors on August 19th, 2019 and has an effective date of December 9th 2019.

16. Date of Publication. A copy of this policy was mailed to all Owners via regular US Mail on or before November 5th 2019 .

SIGNED this 11/03/2019 day of _____ by *Kathleen Garrity*, President of the Board of Directors for Mill Creek Highlands Homeowners Association.

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11/3/2019, 1:33:35 PM PST