

**PROSPECT COMMONS HOMEOWNERS ASSOCIATION
POLICY FOR COLLECTION OF UNPAID ASSESSMENTS**

Effective: October 1, 2025

1. Introduction. The Board of Directors ("Board") of Prospect Commons Homeowners Association, a Colorado nonprofit corporation ("Association"), acting pursuant to the powers set forth in the Association's Bylaws, Articles of Incorporation, the Prospect Commons Declaration of Covenants, Conditions and Restrictions ("Declaration") (such documents being collectively referred to as the "Association Documents"), and the Colorado Common Interest Ownership Act, as amended ("CCIOA"), has enacted the following Policy effective as of the date set forth above. Unless the context otherwise indicates, capitalized words and terms shall have the meanings set forth in the Association Documents and, if not defined in the Association Documents, then as set forth in CCIOA. This Policy supersedes any previously adopted Policy on the same subject matter.

2. Policy Purpose. The purpose of this Policy is to emphasize that collection of unpaid Assessments is an important part of governing the Association and such collection should be done in a uniform manner in accordance with the Association Documents and CCIOA, specifically as CCIOA has been amended by HB 25-1043. It is the intent of this Policy to provide a framework for the collection of past due Assessments in a timely and efficient manner.

3. Collection of Unpaid Assessments. To assist with the collection of unpaid Assessments in a timely and efficient manner, the Association shall do the following:

3.1 Due Date/Delinquent Payments. Assessments are due upon the date specified by the Board. Any Assessment not paid within 10 days after its due date is considered past due and delinquent. A monthly late charge in the amount of \$25.00 will be assessed against the delinquent Owner. Daily late fees are prohibited. Furthermore, the Association may impose interest at any rate up to 8% per annum on past due Assessments from the date of delinquency.

3.2 Returned Check Charge. In addition to any other charges under the Association Documents and this Policy, if an Owner makes payment of Assessments to the Association by a check which is not honored by the bank on which it was written or is returned by such bank for any reason whatsoever, including but not limited to insufficient funds, the Owner shall immediately pay the Association, as part of the Owner's Assessment, a reasonable returned check charge not to exceed \$20.00.

3.3 Notice to Owner/Payment Plan. If any Assessments are 30 days past due, and before the Association turns over a past due account to a collection agency or an attorney for collection, the Association must contact the Owner, by written notice, regarding the delinquency. The required written notice must be delivered to the delinquent Owner by certified mail, return receipt requested. Additionally, the Association must also contact the Owner by two of the following means:

- telephone call to a telephone number that the Association has on file because the Owner or Designated Contact has provided the

number to the Association. 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;

- text message to a cellular number that the Association has on file because the Owner or the Designated Contact has provided the cellular number to the Association; or
- email to an email address that the Association has on file because the Owner or the Designated Contact has provided the email address to the Association.

If the Owner or Designated Contact has not provided a telephone number, cellular number, or email address, the association may send the required notice via regular mail. The Association shall periodically request from an Owner, or the Owner's Designated Contact, and maintain in the Association's records for purposes of providing the notice required herein a telephone number for phone calls, a cellular number for texts and an email address for emails. The Association shall document its requests to an Owner or Designated Contact for a telephone number, cellular number, and email address.

The cost associated with sending the notice of delinquency via certified mail shall be charged to the delinquent Owner in an amount not to exceed the actual cost of the certified mailing.

The Association must keep a written record of all attempts to contact an Owner regarding a delinquency, specifically including the date of each attempt, the time of each attempt, and the method by which Association made each attempt.

The Owner may designate another contact person for the Association to contact regarding any delinquency. Such designation shall be made in writing and sent to the Association. In such instance, the Association shall send the notice of delinquency to both the Owner and the Owner's designated contact person.

The Owner may designate that all notices regarding delinquency are to be in a language other than English. Such designation shall be made in writing and sent to the Association. In such case, the Association must provide the notice to the Owner in the preferred language as designated by the Owner and in English.

The delinquency notice to all Owners must include the following:

- An itemization of the past due balance, listing the past due amount broken down into past due assessments, fines, fees or other charges owed to the Association.
- That unless the Owner acquired the Owner's Unit or Lot through a foreclosure and does not occupy the Unit or Lot, the Owner will have an opportunity to enter into a payment plan that allows the Owner to pay off the past due

amount in equal payments over eighteen (18) months, with monthly payments to be at a minimum \$25.00 per month. Under such a payment plan, the Owner will be required to make payment of the past due Assessments and also remain current with payment of the regular Assessments as they come due during the term of the payment plan. If the Owner does not comply with the payment plan, the Association can then pursue legal action against the Owner as set forth in this Policy.

- If the Owner enters into a payment plan, the Owner can pay the full past due amount at any time, without penalty.
- The contact information for the Association's property manager in the event the delinquent Owner wishes to request a ledger or enter into a payment plan or has any other questions about the amount owing to the Association.
- If the Owner requests a copy of his or her ledger, the ledger must be provided within seven (7) days of the request.
- That action is required to cure the Owner's delinquency and if the Owner fails to do so within 30 days following the date of the Association's letter, the Owner's past due account may be turned over to a collection agency or an attorney, a lawsuit may be filed against the Owner, a lien may be filed and foreclosed against the Owner's Unit or Lot if the delinquency is related to non-payment of Assessments, and that the sale of the Owner's Unit or Lot at auction to pay delinquent assessments could result in the Owner losing some or all of his or her equity in the Unit or Lot, and the Association may pursue any other remedies available under Colorado law including the recovery of attorney fees and costs of collection.
- The availability of, and instructions on how to access, free online information through the HOA Information Resource Center relating to the collection of assessments by the Association, including the Association's ability to foreclose an association lien for unpaid assessments and force the sale of the Owner's home, and the availability of online information from the Federal Department of Housing and Urban Development concerning credit counseling before foreclosure that may be assessed through a link on the Department of Local Affairs' website.
- A description of the steps the Association must take before commencing legal action for collection of any unpaid assessments and a description of what legal action the Association may take to small claims court, including injunctive relief.

3.4 Owner's Failure to Respond or Comply with Repayment Plan. If after 30 days of the delinquency notice being sent to any delinquent Owner the Owner has not responded or has declined the offer of the eighteen (18) month repayment period, the Association may commence collection pursuant to Section 3.7 or Section 3.8 below.

If the Owner enters into a repayment plan of any length, should the owner fail to make any three (3) of the agreed upon monthly payments within fifteen (15) days of their due date or fails to pay three (3) regular assessments within fifteen (15) days of their due date then the Association may commence the collection process pursuant to Section 3.7 below.

3.5 Monthly Notice of Delinquency. The Association shall send monthly notices to all Owners with an outstanding balance. The monthly notices shall be sent via 1st class mail and email, if Owner provided the Association in writing with Owner's email address and shall include an itemized listing of the past due amount broken down into past due assessments, fines, fees or other charges owed to the Association. The monthly notice shall be sent to the Owner in English and such other preferred language as designated by the Owner. The Association shall not charge any Owner for an account statement showing the total amount the Owner owes.

3.6 Application of Payments on Delinquent Accounts. All payments received with regard to a delinquent Owner's account shall be applied in the following order:

3.6.1 Past due assessments;

3.6.2 Outstanding fines;

3.6.3 Association's attorneys' fees and costs and expenses of enforcement and collection;

3.6.4 Late charges and interest (if any);

3.6.5 Returned check charges; and

3.6.6 Other costs owing under the Association.

3.7 Collection Remedies. Before a delinquent Owner can be sent to a collection agency or to an attorney for collection, the majority of the Association's Board of Directors must vote to take such action with regard to the delinquent Owner in an open Board of Director's meeting and in compliance with the Association's Conduct of Meetings Policy. The Board shall record its vote. The Association's Manager may not commence any collection action without first obtaining the approval of the Association's Board as set forth above. Discussion of the delinquency shall be in executive session pursuant to the Association's Conduct of Meetings Policy.

In the event payment is not received from any delinquent Owner within 30 days after the date of the Association's letter referenced above, the Association may pursue any one or all of the following remedies:

3.7.1 File an Assessment lien against the delinquent Owner's property;

3.7.2 Commence and maintain legal proceedings (lawsuits seeking personal judgments and foreclosure actions) for the recovery of delinquent Assessments, late fees,

interest, attorney fees and costs as may be allowed by the Association Documents or CCIOA (foreclosure actions may not be initiated for unpaid fines, interest or late fees alone);

3.7.3 Pursue collection of judgments obtained against Owner;

3.7.4 Take all other lawful action necessary to collect delinquent Assessments in accordance with the Association Documents and Colorado law; and

3.7.5 Suspend the voting rights of the delinquent Owner during the duration of the delinquency.

If the Association fails to follow the procedures set forth above it shall not be construed as any waiver or release of a delinquent Owner's obligation to pay Assessments or the Association's right to collect the Assessments in accordance with this Policy, the Association Documents and CCIOA.

3.8 Collection Reimbursement. For any Owner that fails to pay assessments, or any money owed to the Association, the Association may require, without the necessity of commencing a legal action, reimbursement for the following, in addition to all assessments or owed money:

3.8.1 Actual collection costs of the unpaid assessments or owed money;

3.8.2 Reasonable attorney fees incurred as a result of the failure to pay; except that the Association is not entitled to reimbursement for attorney fees that exceed Five Thousand Dollars (\$5,000.00), adjusted for inflation pursuant to C.R.S. § 38-33.3-123(1)(g), or fifty percent (50%) of the assessments and/or any owed money, whichever is less; and

3.8.3 Other actual costs incurred as a result of the failure to pay assessments and/or owed money.

If the Association fails to follow the procedures set forth above, or the Declaration, Bylaws, Articles of Incorporation or Rules and Regulations of the Association, other than the payment of assessments owed to the Association, any Owner, or any class of Owners adversely affected by the failure to comply may seek, without the necessity of commencing a legal action, reimbursement for the following:

- Actual collection costs incurred as a result of the failure to comply; and
- Reasonable attorney fees incurred as a result of the failure to comply; except that the Association is not entitled to reimbursement for attorney fees that exceed Five Thousand Dollars (\$5,000.00), adjusted for inflation pursuant to C.R.S. § 38-33.3-123(1)(g), or fifty percent (50%) of the actual costs the Association or the Owner incurred as a result of the failure to comply, whichever is less.

In any legal action to enforce or defend the procedures set forth above, or the Declaration, Bylaws, Articles of Incorporation, or Rules and Regulations of the Association, the Court shall award reasonable attorney fees, actual costs, and actual costs of collection to the prevailing party, except that the Court shall not award attorney fees to the Association in an amount in excess of Five Thousand Dollars (\$5,000.00), adjusted for inflation pursuant to C.R.S. § 38-33.3-123(1)(g), or fifty percent (50%) of the actual cost the Association incurred as a result of the failure to follow the procedures set forth above, or the Declaration, Bylaws, Articles of Incorporation or Rules and Regulations of the Association; whichever is less; provided, that the court may award attorneys' fees in excess of the lesser of Five Thousand Dollars (\$5,000.00), adjusted for inflation pursuant to C.R.S. § 38-33.3-123(1)(g), or fifty percent (50%) of the actual cost incurred by the Association, based on the Court's discretion, if the court finds that the Owner was financially, physically, and reasonably able to comply with the Declaration, Bylaws, Articles of Incorporation or Rules and Regulations of the Association but willfully failed to comply. The factors to be considered by the court in making this determination are as set forth in C.R.S. §§ 38-33.3-123(1)(f) and (g).

4. Foreclosure of Assessment Lien. The Association shall not commence a legal action to initiate a judicial foreclosure proceeding against any Owner that is in compliance with an approved repayment plan pursuant to this Policy.

Further, the Association shall not commence a legal action to initiate a judicial foreclosure proceeding based on an Owner's delinquency in paying assessments unless it has strictly complied with all applicable association lien or foreclosure laws and all applicable lien and foreclosure provisions of the Association's Governing Documents, including, but not limited to the following:

4.1 The Association has obtained a personal judgment against the Owner in a civil lawsuit to collect the amounts due or has attempted to bring a civil lawsuit against the Owner but was (a) prevented by the death or incapacity of the Owner, (b) unable to serve the Owner within One Hundred and Eighty (180) days, or (c) the Owner filed a bankruptcy petition or an involuntary bankruptcy petition was filed against the Owner and the amount due to the Association is subject to the bankruptcy action;

4.2 The Association has provided the Owner with a written offer to enter into a repayment plan in compliance with Section 3.3 of this Policy, above; and

4.3 After the Association has provided the Owner with the written offer to enter into a repayment plan, the Owner has either:

4.3.1 Failed to accept the repayment plan within thirty (30) days after the written offer was made; or

4.3.2 After accepting the repayment plan, failed to pay at least three (3) of the monthly installments after the monthly installments were due.

The above applies exclusively to a Unit owned by an individual who occupies the Unit as the Owner's principal residence, unless the Unit is used for workforce housing, does not apply to a Unit owned by an entity other than an individual or a Unit that is not occupied as the Owner's

principal residence, unless the unit is used for work force housing; and applies to a Unit used for workforce housing.

In addition to the above, at least thirty (30) days prior to commencing legal action to initiate a judicial foreclosure, the Association shall (a) provide written notice of intent to foreclose to the Owner, or the Owner's Designated Contact, that includes the following:

- The Association intends to file a lawsuit against the Owner's Unit or Lot and that if the court forecloses on the lien, the court will order the sale of the Unit or Lot at auction to pay the delinquent assessments due to the Association;
- Based on the sale price of the Unit or Lot at auction, the Owner could lose some or all of the equity in the Unit or Lot;
- the Owner has the right to participate in credit counseling at the Owner's expense and that information relating to obtaining credit counseling and the consequences of foreclosure by the Association is available through the HOA Information and Resource Center or through a link to the Federal Department of Housing and Urban Development on the Department of Local Affairs' website.
- Credit counseling may include discussion of amounts owed to the Association in unpaid assessments and related costs; additional debt that may be incurred by the Owner if foreclosure by the Association is completed; the impact of foreclosure on the Owner's credit; options available to the Owner to retain title to the residence or remain in the residence; and any other options that may be available to the Owner to avoid foreclosure.
- The Owner has the right to engage in mediation prior to litigation;
- The Owner has access to, and instructions on how to access, free online information through the HOA Information and Resources Center relating to foreclosure by an association.

The required written notice of intent to foreclose must be delivered to the delinquent Owner by certified mail, return receipt requested. Additionally, the Association must also contact the Owner by two of the following means:

- telephone call to a telephone number that the Association has on file because the Owner or Designated Contact has provided a number to the Association. 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;

- text message to a cellular number that the Association has on file because the Owner or the Designated Contact has provided the cellular number to the Association; or
- email to an email address that the Association has on file because the Owner or the Designated Contact has provided the email address to the Association.

If the Owner or Designated Contact has not provided a telephone number, cellular number, or email address, after the Association has made a request for such information, the Association may send the required notice via regular mail.

To participate in mediation, the Owner must respond within thirty (30) days of the written notice above and both the Association and the Owner must select a mutually agreeable mediator knowledgeable about the legal requirements for judicial foreclosure of an association lien and common interest community disputes and must schedule the mediation within thirty (30) days after the date of the written or electronic notice. The Owner's failure to comply with the foregoing does not bar the Association from filing a civil action to foreclose its lien.

No later than five (5) business days after commencing legal action to initiate a judicial foreclosure, the Association shall provide written notice and electronic notice to all lien holders identified in the Owner property records of:

- The right to cure the nonpayment pursuant to CRS § 38-38-104; and
- The right of the Owner to file a Motion to Stay the sale of the Unit or Lot at auction pursuant to CRS § 38-38-109.5.

The court may stay any legal action to foreclose the Association's lien to grant the Association a reasonable period of time to come into strict compliance with the law and the Association's Governing Documents. During any such stay, the Association shall not assess or accrue late fees, interest, or other delinquency charges against the Owner.

At any time following the commencement of a legal action to initiate a judicial foreclosure, the Owner or the Owner's Designated Contact may file a motion with the court to stay the sale of the Unit or Lot with notice of the Owner's intent to list the Unit or Lot for sale at the Fair Market Value of the Unit or Lot or an alternate amount, as specified in the motion. Notice must be provided to the Association. If the Association does not object, Owner shall list the Unit or Lot for sale at the price specified in the motion. The court's Order to stay is in effect for nine (9) months and may be extended for good cause shown or if a sale of the Unit or Lot is imminent. The proceeds of any sale shall be paid into the registry of the court and distributed by the court in accordance with lien priority and all applicable Colorado law.

If a Unit has been foreclosed pursuant to a lien as set forth above, the following persons shall not purchase the foreclosed Unit:

- A member of the Association's executive board;

- An employee of a community association management company representing the Association;
- An employee of a law firm representing the Association;
- An immediate family member, as defined in C.R.S. § 2-4-401(3.7), of any executive board member, community association management company employee, or law firm employee; or
- A community association management company representing the Association.

The above prohibition applies to any individual or community association management company that was, at any time during the five (5) year period immediately prior to the sale of the foreclosed Unit, an individual or community association management company as described above.

A person that purchases a foreclosed Unit, as set forth above, acquires the Unit subject to any covenants or limitations on the use or sale of the Unit to which the previous Owner was subject.

5. Enforcement. Either the Association or an Owner seeking to enforce this Policy, or any rights and responsibilities under the Governing Documents or this Policy related to disputes arising out of assessments, fines or fees owed to the Association and for which the amount does not exceed \$7,500.00, exclusive of interest and costs, may file a claim in Small Claims Court for such enforcement, including injunctive relief.

6. Violation of Foreclosure Laws. Should the Association violate this Policy, or any law of the State of Colorado with regard to foreclosure, the affected Owner may, within five (5) years of the violation, file a civil lawsuit in a court of competent jurisdiction to seek damages. The court may award up to \$25,000.00, plus costs and reasonable attorney fees, if the Owner proves the violation by a preponderance of the evidence.

7. Association's Attorney Fees and Costs. Any delinquent Owner shall be responsible for attorney fees, subject to the limitations of C.R.S. § 38-33.3-123(1)(c), (f), and (g) and actual costs incurred by the Association in the collection of past due Assessments pursuant to this Policy, the Association Documents and CCIOA. No attorney fees shall be assessed to any delinquent Owner until all notice requirements set forth in this Policy have been complied with. Where litigation is filed to collect past due Assessments, the Court shall determine the reasonableness of all attorney fees and costs, including a determination of whether the Association incurred inflated or duplicative attorney fees due to a stay as a result of the Association's failure to strictly comply with all applicable lien or foreclosure laws and any applicable lien or foreclosure provisions of the Association's Governing Documents.

8. **Foreclosure and Bankruptcy Notices.** If the Association receives any bankruptcy or foreclosure notice regarding an Owner with unpaid Assessments, the Association may seek advice from its attorney regarding the appropriate action to be taken.

9. **Variations.** The Board may from time to time vary from the requirements set forth in this Policy if the Board determines in its sole discretion that such variance is reasonable under the circumstances.

10. **Amendment.** This Policy may be amended from time to time by the Board.

CERTIFICATION

The undersigned, being the duly elected and acting President or Secretary of the Prospect Commons Homeowners Association, a Colorado nonprofit corporation ("Association") certifies that the foregoing Policy for Collection of Unpaid Assessments was approved by the vote of a majority of the Association's Directors at a meeting of the Association's Board of Directors held on October 9, 2025.

Prospect Commons Homeowners Association, a
Colorado nonprofit corporation

By: Marci J. Thompson

[Association Letterhead]

[Date]

[Name and Address of Owner]

Re: [Insert Association Name] - Past Due Assessments

Dear Owner:

Under the Declaration for [Insert Name of Community], you are obligated to pay assessments to [Insert Association Name] ("Association"). You have not paid your assessments when due.

1. The total amount currently due to the Association is \$ _____. A copy of your ledger showing how that amount was determined is enclosed with this letter.

2. Before the Association turns your account over to a collection agency or attorney for collection, it must contact you by this written notice, which must be delivered by certified mail, return receipt requested, and two of the following means: telephone, text or email, except that the Association may contact you via regular mail if you have not provided a telephone number, cell phone number, or email address. The Association will keep a record of all such attempts to reach you.

3. Unless you acquired your Unit through a foreclosure and do not presently occupy the Unit, you have a one-time opportunity to enter into a payment plan that allows you to pay off the past due amount in equal payments over a period of eighteen (18) months, in an amount chosen by you, but which must be at a minimum \$25.00 per month and designed to pay the full past due amount in no more than eighteen (18) months. Under such a payment plan, you will be required to make payment of the past due assessments (together with any late charges, interest and other amounts owing to the Association) and also remain current with payment of your regular assessments as they come due during the term of the payment plan. You may pay the past due amount in full at any time. If you do not comply with the payment plan, by missing three (3) agreed upon payments within fifteen (15) days of their due date, the Association can then pursue legal action against you. If you wish to enter into such a payment plan, please contact [insert property manager's name, phone number and email address].

4. If you have questions about the amount you owe the Association, or would like to request an updated ledger, which must be provided to you within seven (7) days of request, you may contact [insert property manager's name, phone number and email address].

5. Action is required to cure your delinquency. If you fail to do so within 30 days following the date of this letter, your account may be turned over to a collection agency, the Association may file suit in small claims court, or your account may be turned over to an attorney, a lawsuit may be filed against you, a lien may be filed and foreclosed against your property, which foreclosure may result in the sale of your Unit or Lot at auction to pay delinquent assessments and could result in you losing some or all of the equity in your Unit or Lot, and the Association may pursue any other remedies available under Colorado law.

6. Before turning your account over to a collection agency or attorney for collection, the majority of the Association's Board of Directors must vote to take such action.

7. Before initiating a foreclosure action, (a) you have the right to participate in credit counseling at your expense before the foreclosure and (b) you have the right to participate in mediation with the Association.

8. Free online information is available to you through the HOA Information Resource Center relating to collection of assessments by the Association, including the Association's ability to foreclose its lien for unpaid assessments and force the sale of your home. This information may be found at dre.colorado.gov/hoa-center. Additionally, online information from the Federal Department of Housing and Urban development concerning credit counseling before foreclosure may be found at the following link on the Department of Local Affairs' website at hud.gov/stat/sfn/housing-counseling or by calling 1-800-569-4287.

Very truly yours,

[Insert Association Name]

By:

_____ *[insert name of signer/title]*

Enclosure (Owner Ledger)