

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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HOUSE BILL 331

Short Title: HOAs/Uniform Lien Procedure. (Public)

Sponsors: Representatives Bryan and Stam (Primary Sponsors).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Judiciary Subcommittee B.

March 19, 2013

A BILL TO BE ENTITLED

AN ACT TO STABILIZE TITLES AND TO PROVIDE A UNIFORM PROCEDURE TO ENFORCE CLAIMS OF LIEN SECURING SUMS DUE CONDOMINIUM AND PLANNED COMMUNITY ASSOCIATIONS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 47C-3-116 is repealed.

SECTION 2. Article 3 of Chapter 47C of the General Statutes is amended by adding a new section to read as follows:

"§ 47C-3-116.1. Lien for sums due the association; enforcement.

(a) Any assessment attributable to a unit which remains unpaid for a period of 30 days or longer shall constitute a lien on that unit when a claim of lien is filed of record in the office of the clerk of superior court of the county in which the unit is located in the manner provided in this section. Once filed, a claim of lien secures all sums due the association through the date filed and any sums due to the association thereafter. Unless the declaration provides otherwise, the following sums due the association are secured by a claim of lien once filed and are enforceable in the same manner as unpaid assessments under this section: (i) reasonable attorneys' fees and costs, other fees, charges, late charges, and charges imposed pursuant to G.S. 47C-3-102, 47C-3-107, 47C-3-107.1, and 47C-3-115; and (ii) any other sums due and payable to the association under the declaration, the provisions of this Chapter, or as the result of an administrative, arbitration, mediation, or judicial decision.

(b) The association must make reasonable and diligent efforts to ensure that its records contain the unit owner's current mailing address. No fewer than 15 days prior to filing the lien, the association shall mail a statement of the assessment amount due by first-class mail to the physical address of the unit and the unit owner's address of record with the association and, if different, to the address for the unit owner shown on the county tax records for the unit. If the unit owner is a corporation or limited liability company, the statement shall also be sent by first-class mail to the mailing address of the registered agent for the corporation or limited liability company. Notwithstanding anything to the contrary in this Chapter, the association is not required to mail a statement to an address known to be a vacant unit or to a unit for which there is no United States postal address.

(c) A claim of lien shall set forth the name and address of the association, the name of the record owner of the unit at the time the claim of lien is filed, a description of the unit, and the amount of the lien claimed. A claim of lien may also appoint a trustee to conduct a foreclosure as provided in subsection (f) of this section. The first page of the claim of lien shall contain the following statement in print that is in boldface, capital letters, and no smaller than



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1 the largest print used elsewhere in the document: **"THIS DOCUMENT CONSTITUTES A**
2 **LIEN AGAINST YOUR PROPERTY, AND IF THE LIEN IS NOT PAID, THE**
3 **HOMEOWNERS ASSOCIATION MAY PROCEED WITH FORECLOSURE AGAINST**
4 **YOUR PROPERTY IN LIKE MANNER AS A MORTGAGE UNDER NORTH**
5 **CAROLINA LAW."** The person signing the claim of lien on behalf of the association shall
6 attach to and file with the claim of lien a certificate of service attesting to mailing of the claim
7 of lien by first-class mail to the record owner at the addresses specified in subsection (b) of this
8 section. If the unit owner is a corporation or limited liability company, the claim of lien shall
9 also be sent by first-class mail to the mailing address of the registered agent for the corporation
10 or limited liability company. Notwithstanding anything to the contrary in this Chapter, the
11 association is not required to mail a claim of lien to an address which is known to be a vacant
12 unit or to a unit for which there is no United States postal address. A lien for unpaid
13 assessments is extinguished unless proceedings to enforce the lien are instituted within three
14 years after the filing of the claim of lien in the office of the clerk of superior court.

15 (d) A claim of lien filed under this section is prior to all liens and encumbrances on a
16 unit except (i) liens and encumbrances, specifically including, but not limited to, a mortgage or
17 deed of trust on the unit, recorded before the filing of the claim of lien in the office of the clerk
18 of superior court; and (ii) liens for real estate taxes and other governmental assessments and
19 charges against the unit. This subsection does not affect the priority of mechanics' or
20 materialmen's liens.

21 (e) The association shall be entitled to recover the reasonable attorneys' fees and costs it
22 incurs in connection with the collection of any sums due. A unit owner may not be required to
23 pay attorneys' fees and court costs until the unit owner is notified in writing of the association's
24 intent to seek payment of attorneys' fees, costs, and expenses. The notice must be sent by
25 first-class mail to the physical address of the unit and the unit owner's address of record with
26 the association and, if different, to the address for the unit owner shown on the county tax
27 records for the unit. The association must make reasonable and diligent efforts to ensure that its
28 records contain the unit owner's current mailing address. Notwithstanding anything to the
29 contrary in this Chapter, there shall be no requirement that notice under this subsection be
30 mailed to an address which is known to be a vacant unit or a unit for which there is no United
31 States postal address. The notice shall set out the outstanding balance due as of the date of the
32 notice and state that the unit owner has 15 days from the mailing of the notice by first-class
33 mail to pay the outstanding balance without the attorneys' fees and court costs. If the unit owner
34 pays the outstanding balance within this period, then the unit owner shall have no obligation to
35 pay attorneys' fees, costs, or expenses. The notice shall also inform the unit owner of the
36 opportunity to contact a representative of the association to discuss a payment schedule for the
37 outstanding balance as provided in subsection (i) of this section and shall provide the name and
38 telephone number of the representative.

39 (f) Except as provided in subsection (h) of this section, the association may foreclose a
40 claim of lien in like manner as a mortgage or deed of trust on real estate under power of sale, as
41 provided in Article 2A of Chapter 45 of the General Statutes. The following provisions and
42 procedures shall be applicable to and complied with in every nonjudicial power of sale
43 foreclosure of a claim of lien, and these provisions and procedures shall control to the extent
44 they are inconsistent or in conflict with the provisions of Article 2A of Chapter 45 of the
45 General Statutes:

- 46 (1) The association shall be deemed to have a power of sale for purposes of
47 enforcement of its claim of lien.
48 (2) The terms "mortgagee" and "holder" as used in Article 2A of Chapter 45 of
49 the General Statutes shall mean the association, except as provided
50 otherwise in this Chapter.

- 1 (3) The term "security instrument" as used in Article 2A of Chapter 45 of the
2 General Statutes shall mean the claim of lien.
- 3 (4) The term "trustee" as used in Article 2A of Chapter 45 of the General
4 Statutes shall mean the person or entity appointed by the association under
5 subdivision (6) of this subsection.
- 6 (5) After the association has filed a claim of lien and prior to the
7 commencement of a nonjudicial foreclosure, the association shall give to the
8 unit owner notice of the association's intention to commence a nonjudicial
9 foreclosure to enforce its claim of lien. The notice shall contain the
10 information required in G.S. 45-21.16(c)(5a).
- 11 (6) The association shall appoint a trustee to conduct the nonjudicial foreclosure
12 proceeding and sale. The appointment of the trustee shall be included in the
13 claim of lien or in a separate instrument filed with the office of the clerk of
14 court in the county in which the unit is located as an exhibit to the notice of
15 hearing. The association, at its option, may from time to time remove a
16 trustee previously appointed and appoint a successor trustee by filing a
17 Substitution of Trustee with the clerk of court in the foreclosure proceeding.
18 Counsel for the association may be appointed by the association to serve as
19 the trustee and may serve in that capacity as long as the unit owner does not
20 contest the obligation to pay the amount of any sums due the association, or
21 the validity, enforcement, or foreclosure of the claim of lien as provided in
22 subdivision (12) of this subsection.
- 23 (7) If a valid debt, default, and notice to those entitled to receive notice under
24 G.S. 45-21.16(b) are found to exist, then the clerk of court shall authorize
25 the sale of the property described in the claim of lien by the trustee.
- 26 (8) If, prior to the expiration of the upset bid period provided in G.S. 45-21.27,
27 the unit owner satisfies the debt secured by the claim of lien and pays all
28 expenses and costs incurred in filing and enforcing the association
29 assessment lien, including, but not limited to, advertising costs, attorneys'
30 fees, and the trustee's commission, then the trustee shall dismiss the
31 foreclosure action and the association shall cancel the claim of lien of record
32 in accordance with the provisions of G.S. 45-36.3. The unit owner shall have
33 all rights granted under Article 4 of Chapter 45 of the General Statutes to
34 ensure the association's satisfaction of the claim of lien.
- 35 (9) Any person, other than the trustee, may bid at the foreclosure sale. Unless
36 prohibited in the declaration or bylaws, the association may bid on the unit at
37 a foreclosure sale directly or through an agent. If the association or its agent
38 is the high bidder at the sale, the trustee shall allow the association to pay the
39 costs and expenses of the sale and apply a credit against the sums due by the
40 unit owner to the association in lieu of paying the bid price in full.
- 41 (10) Upon the expiration of the upset bid period provided in G.S. 45-21.27, the
42 trustee shall have full power and authority to execute a deed for the unit to
43 the high bidder.
- 44 (11) The trustee shall be entitled to a commission for services rendered which
45 shall include fees, costs, and expenses reasonably incurred by the trustee in
46 connection with the foreclosure whether or not a sale is held. Except as
47 provided in subdivision (12) of this subsection, the trustee's commission
48 shall be paid without regard to any limitations on compensation otherwise
49 provided by law, including, without limitation, the provisions of
50 G.S. 45-21.15.

1 (12) If the unit owner does not contest the obligation to pay or the amount of any
2 sums due the association or the validity, enforcement, or foreclosure of the
3 claim of lien at any time after the expiration of the 15-day period following
4 notice as required in subsection (b) of this section and if no person or entity
5 other than counsel for the association serves as trustee in the foreclosure,
6 then attorneys' fees and the trustee's commission collectively charged to the
7 unit owner shall not exceed one thousand two hundred dollars (\$1,200), not
8 including costs or expenses incurred. The obligation to pay and the amount
9 of any sums due the association and the validity, enforcement, or foreclosure
10 of the claim of lien remain uncontested as long as the unit owner does not
11 refuse to pay any portion of the sums claimed due by the association and
12 does not dispute, contest, or raise any objection, defense, offset, or
13 counterclaim as to the amount or validity of any portion of the sums claimed
14 due by the association or the validity, enforcement, or foreclosure of the
15 claim of lien.

16 (g) The provisions of subsection (f) of this section do not prohibit or prevent an
17 association from pursuing judicial foreclosure of a claim of lien, from taking other actions to
18 recover the sums due the association, or from accepting a deed in lieu of foreclosure. Any
19 judgment, decree, or order in any judicial foreclosure or civil action shall include an award of
20 costs and reasonable attorneys' fees for the prevailing party, which shall not be subject to the
21 limitation provided in subdivision (f)(12) of this section.

22 (h) A claim of lien securing a debt consisting solely of fines imposed by the association,
23 interest on unpaid fines, or attorneys' fees incurred by the association solely associated with
24 fines imposed by the association may only be enforced by judicial foreclosure, as provided in
25 Article 29A of Chapter 1 of the General Statutes. In addition, an association shall not levy,
26 charge, or attempt to collect a service, collection, consulting, or administration fee from any
27 unit owner unless the fee is expressly allowed in the declaration, and any claim of lien securing
28 a debt consisting solely of these fees may only be enforced by judicial foreclosure, as provided
29 in Article 29A of Chapter 1 of the General Statutes.

30 (i) The association, acting through its executive board and in the board's sole
31 discretion, may agree to allow payment of an outstanding balance in installments. Neither the
32 association nor the unit owner is obligated to offer or accept any proposed installment schedule.
33 Reasonable administrative fees and costs for accepting and processing installments may be
34 added to the outstanding balance and included in an installment payment schedule. Reasonable
35 attorneys' fees may be added to the outstanding balance and included in an installment schedule
36 after the unit owner has been given notice, as required in subsection (e) of this section.
37 Attorneys' fees, costs, and expenses incurred in connection with any request that the association
38 agrees to accept payment of all or any part of sums due in installments shall not be included or
39 considered in the calculation of fees chargeable under subdivision (f)(12) of this section.

40 (j) Where the holder of a first mortgage or first deed of trust of record or other
41 purchaser of a unit obtains title to the unit as a result of foreclosure of a first mortgage or first
42 deed of trust, the purchaser and its heirs, successors, and assigns shall not be liable for the
43 assessments against the unit which became due prior to the acquisition of title to the unit by the
44 purchaser. The unpaid assessments shall be deemed to be common expenses collectible from all
45 the unit owners, including the purchaser, its heirs, successors, and assigns. For purposes of this
46 subsection, the term "acquisition of title" means and refers to the recording of a deed conveying
47 title or the time at which the rights of the parties are fixed following the foreclosure of a
48 mortgage or deed of trust, whichever occurs first."

49 **SECTION 3.** Article 3 of Chapter 47C of the General Statutes is amended by
50 adding a new section to read as follows:

51 **"§ 47C-3-116.2. Validation of certain nonjudicial foreclosure proceedings and sales.**

1 All nonjudicial foreclosure proceedings commenced by an association before July 1, 2013,
2 and all sales and transfers of real property as part of those proceedings pursuant to the
3 provisions of this Chapter, Chapter 47A of the General Statutes, or provisions contained in the
4 declaration of the condominium, are declared to be valid unless an action to set aside the
5 foreclosure is commenced on or before July 1, 2013, or within one year after the date of the
6 sale, whichever occurs last."

7 **SECTION 4.** G.S. 47F-3-116 is repealed.

8 **SECTION 5.** Article 3 of Chapter 47F of the General Statutes is amended by
9 adding a new section to read as follows:

10 **"§ 47F-3-116.1. Lien for sums due the association; enforcement.**

11 (a) Any assessment attributable to a lot which remains unpaid for a period of 30 days or
12 longer shall constitute a lien on that lot when a claim of lien is filed of record in the office of
13 the clerk of superior court of the county in which the lot is located in the manner provided in
14 this section. Once filed, a claim of lien secures all sums due the association through the date
15 filed and any sums due to the association thereafter. Unless the declaration provides otherwise,
16 the following sums due the association are secured by a claim of lien once filed and are
17 enforceable in the same manner as unpaid assessments under this section: (i) reasonable
18 attorneys' fees and costs, other fees, charges, late charges, and charges imposed pursuant to
19 G.S. 47F-3-102, 47F-3-107, 47F-3-107.1, and 47F-3-115; and (ii) any other sums due and
20 payable to the association under the declaration, the provisions of this Chapter, or as the result
21 of an administrative, arbitration, mediation, or judicial decision.

22 (b) The association must make reasonable and diligent efforts to ensure that its records
23 contain the lot owner's current mailing address. No fewer than 15 days prior to filing the lien,
24 the association shall mail a statement of the assessment amount due by first-class mail to the
25 physical address of the lot and the lot owner's address of record with the association and, if
26 different, to the address for the lot owner shown on the county tax records for the lot. If the lot
27 owner is a corporation or limited liability company, the statement shall also be sent by
28 first-class mail to the mailing address of the registered agent for the corporation or limited
29 liability company. Notwithstanding anything to the contrary in this Chapter, the association is
30 not required to mail a statement to an address known to be a vacant lot on which no dwelling
31 has been constructed or to a lot for which there is no United States postal address.

32 (c) A claim of lien shall set forth the name and address of the association, the name of
33 the record owner of the lot at the time the claim of lien is filed, a description of the lot, and the
34 amount of the lien claimed. A claim of lien may also appoint a trustee to conduct a foreclosure,
35 as provided in subsection (f) of this section. The first page of the claim of lien shall contain the
36 following statement in print that is in boldface, capital letters, and no smaller than the largest
37 print used elsewhere in the document: **"THIS DOCUMENT CONSTITUTES A LIEN**
38 **AGAINST YOUR PROPERTY, AND IF THE LIEN IS NOT PAID, THE**
39 **HOMEOWNERS ASSOCIATION MAY PROCEED WITH FORECLOSURE AGAINST**
40 **YOUR PROPERTY IN LIKE MANNER AS A MORTGAGE UNDER NORTH**
41 **CAROLINA LAW."** The person signing the claim of lien on behalf of the association shall
42 attach to and file with the claim of lien a certificate of service attesting to mailing of the claim
43 of lien by first-class mail to the record owner at the addresses specified in subsection (b) of this
44 section. If the lot owner is a corporation or limited liability company, the claim of lien shall
45 also be sent by first-class mail to the mailing address of the registered agent for the corporation
46 or limited liability company. Notwithstanding anything to the contrary in this Chapter, the
47 association is not required to mail a claim of lien to an address which is known to be a vacant
48 lot on which no dwelling has been constructed or to a lot for which there is no United States
49 postal address. A lien for unpaid assessments is extinguished unless proceedings to enforce the
50 lien are instituted within three years after the filing of the claim of lien in the office of the clerk
51 of superior court.

1 (d) A claim of lien filed under this section is prior to all liens and encumbrances on a lot
2 except (i) liens and encumbrances, specifically including, but not limited to, a mortgage or deed
3 of trust on the lot, recorded before the filing of the claim of lien in the office of the clerk of
4 superior court; and (ii) liens for real estate taxes and other governmental assessments and
5 charges against the lot. This subsection does not affect the priority of mechanics' or
6 materialmen's liens.

7 (e) The association shall be entitled to recover the reasonable attorneys' fees and costs it
8 incurs in connection with the collection of any sums due. A lot owner may not be required to
9 pay attorneys' fees and court costs until the lot owner is notified in writing of the association's
10 intent to seek payment of attorneys' fees, costs, and expenses. The notice must be sent by
11 first-class mail to the physical address of the lot and the lot owner's address of record with the
12 association and, if different, to the address for the lot owner shown on the county tax records
13 for the lot. The association must make reasonable and diligent efforts to ensure that its records
14 contain the lot owner's current mailing address. Notwithstanding anything to the contrary in this
15 Chapter, there shall be no requirement that notice under this subsection be mailed to an address
16 which is known to be a vacant lot on which no dwelling has been constructed or a lot for which
17 there is no United States postal address. The notice shall set out the outstanding balance due as
18 of the date of the notice and state that the lot owner has 15 days from the mailing of the notice
19 by first-class mail to pay the outstanding balance without the attorneys' fees and court costs. If
20 the lot owner pays the outstanding balance within this period, then the lot owner shall have no
21 obligation to pay attorneys' fees, costs, or expenses. The notice shall also inform the lot owner
22 of the opportunity to contact a representative of the association to discuss a payment schedule
23 for the outstanding balance, as provided in subsection (i) of this section, and shall provide the
24 name and telephone number of the representative.

25 (f) Except as provided in subsection (h) of this section, the association may foreclose a
26 claim of lien in like manner as a mortgage or deed of trust on real estate under power of sale, as
27 provided in Article 2A of Chapter 45 of the General Statutes. The following provisions and
28 procedures shall be applicable to and complied with in every nonjudicial power of sale
29 foreclosure of a claim of lien, and these provisions and procedures shall control to the extent
30 they are inconsistent or in conflict with the provisions of Article 2A of Chapter 45 of the
31 General Statutes:

- 32 (1) The association shall be deemed to have a power of sale for purposes of
33 enforcement of its claim of lien.
- 34 (2) The terms "mortgagee" and "holder," as used in Article 2A of Chapter 45 of
35 the General Statutes, shall mean the association, except as provided
36 otherwise in this Chapter.
- 37 (3) The term "security instrument," as used in Article 2A of Chapter 45 of the
38 General Statutes, shall mean the claim of lien.
- 39 (4) The term "trustee," as used in Article 2A of Chapter 45 of the General
40 Statutes, shall mean the person or entity appointed by the association under
41 subdivision (6) of this subsection.
- 42 (5) After the association has filed a claim of lien and prior to the
43 commencement of a nonjudicial foreclosure, the association shall give to the
44 lot owner notice of the association's intention to commence a nonjudicial
45 foreclosure to enforce its claim of lien. The notice shall contain the
46 information required in G.S. 45-21.16(c)(5a).
- 47 (6) The association shall appoint a trustee to conduct the nonjudicial foreclosure
48 proceeding and sale. The appointment of the trustee shall be included in the
49 claim of lien or in a separate instrument filed with the clerk of court in the
50 county in which the planned community is located as an exhibit to the notice
51 of hearing. The association, at its option, may from time to time remove a

1 trustee previously appointed and appoint a successor trustee by filing a
2 Substitution of Trustee with the clerk of court in the foreclosure proceeding.
3 Counsel for the association may be appointed by the association to serve as
4 the trustee and may serve in that capacity as long as the lot owner does not
5 contest the obligation to pay the amount of any sums due the association, or
6 the validity, enforcement, or foreclosure of the claim of lien, as provided in
7 subdivision (12) of this subsection.

8 (7) If a valid debt, default, and notice to those entitled to receive notice under
9 G.S. 45-21.16(b) are found to exist, then the clerk of court shall authorize
10 the sale of the property described in the claim of lien by the trustee.

11 (8) If, prior to the expiration of the upset bid period provided in G.S. 45-21.27,
12 the lot owner satisfies the debt secured by the claim of lien and pays all
13 expenses and costs incurred in filing and enforcing the association
14 assessment lien, including, but not limited to, advertising costs, attorneys'
15 fees, and the trustee's commission, then the trustee shall dismiss the
16 foreclosure action and the association shall cancel the claim of lien of record
17 in accordance with the provisions of G.S. 45-36.3. The lot owner shall have
18 all rights granted under Article 4 of Chapter 45 of the General Statutes to
19 ensure the association's satisfaction of the claim of lien.

20 (9) Any person, other than the trustee, may bid at the foreclosure sale. Unless
21 prohibited in the declaration or bylaws, the association may bid on the lot at
22 a foreclosure sale directly or through an agent. If the association or its agent
23 is the high bidder at the sale, the trustee shall allow the association to pay the
24 costs and expenses of the sale and apply a credit against the sums due by the
25 lot owner to the association in lieu of paying the bid price in full.

26 (10) Upon the expiration of the upset bid period provided in G.S. 45-21.27, the
27 trustee shall have full power and authority to execute a deed for the lot to the
28 high bidder.

29 (11) The trustee shall be entitled to a commission for services rendered which
30 shall include fees, costs, and expenses reasonably incurred by the trustee in
31 connection with the foreclosure, whether or not a sale is held. Except as
32 provided in subdivision (12) of this subsection, the trustee's commission
33 shall be paid without regard to any limitations on compensation otherwise
34 provided by law, including, without limitation, the provisions of
35 G.S. 45-21.15.

36 (12) If the lot owner does not contest the obligation to pay the amount of any
37 sums due the association or the validity, enforcement, or foreclosure of the
38 claim of lien at any time after the expiration of the 15-day period following
39 notice as required in subsection (b) of this section and if no person or entity
40 other than counsel for the association serves as trustee in the foreclosure,
41 then attorneys' fees and the trustee's commission collectively charged to the
42 lot owner shall not exceed one thousand two hundred dollars (\$1,200), not
43 including costs or expenses incurred. The obligation to pay and the amount
44 of any sums due the association and the validity, enforcement, or foreclosure
45 of the claim of lien remain uncontested as long as the lot owner does not
46 refuse to pay any portion of the sums claimed due by the association and
47 does not dispute, contest, or raise any objection, defense, offset, or
48 counterclaim as to the amount or validity of any portion of the sums claimed
49 due by the association or the validity, enforcement, or foreclosure of the
50 claim of lien.

1 (g) The provisions of subsection (f) of this section do not prohibit or prevent an
2 association from pursuing judicial foreclosure of a claim of lien, from taking other actions to
3 recover the sums due the association, or from accepting a deed in lieu of foreclosure. Any
4 judgment, decree, or order in any judicial foreclosure or civil action shall include an award of
5 costs and reasonable attorneys' fees for the prevailing party, which shall not be subject to the
6 limitation provided in subdivision (f)(12) of this section.

7 (h) A claim of lien securing a debt consisting solely of fines imposed by the association,
8 interest on unpaid fines, or attorneys' fees incurred by the association solely associated with
9 fines imposed by the association may only be enforced by judicial foreclosure, as provided in
10 Article 29A of Chapter 1 of the General Statutes. In addition, an association shall not levy,
11 charge, or attempt to collect a service, collection, consulting, or administration fee from any lot
12 owner unless the fee is expressly allowed in the declaration, and any claim of lien securing a
13 debt consisting solely of these fees may only be enforced by judicial foreclosure, as provided in
14 Article 29A of Chapter 1 of the General Statutes.

15 (i) The association, acting through its executive board and in the board's sole
16 discretion, may agree to allow payment of an outstanding balance in installments. Neither the
17 association nor the lot owner is obligated to offer or accept any proposed installment schedule.
18 Reasonable administrative fees and costs for accepting and processing installments may be
19 added to the outstanding balance and included in an installment payment schedule. Reasonable
20 attorneys' fees may be added to the outstanding balance and included in an installment schedule
21 after the lot owner has been given notice, as required in subsection (e) of this section.
22 Attorneys' fees, costs, and expenses incurred in connection with any request that the association
23 agrees to accept payment of all or any part of sums due in installments shall not be included or
24 considered in the calculation of fees chargeable under subdivision (f)(12) of this section.

25 (j) Where the holder of a first mortgage or first deed of trust of record or other
26 purchaser of a lot obtains title to the lot as a result of foreclosure of a first mortgage or first
27 deed of trust, the purchaser and its heirs, successors, and assigns shall not be liable for the
28 assessments against the lot which became due prior to the acquisition of title to the lot by the
29 purchaser. The unpaid assessments shall be deemed to be common expenses collectible from all
30 the lot owners, including the purchaser, its heirs, successors, and assigns. For purposes of this
31 subsection, the term "acquisition of title" means and refers to the recording of a deed conveying
32 title or the time at which the rights of the parties are fixed following the foreclosure of a
33 mortgage or deed of trust, whichever occurs first."

34 **SECTION 6.** Article 3 of Chapter 47F of the General Statutes is amended by
35 adding a new section to read as follows:

36 **"§ 47F-3-116.2. Validation of certain nonjudicial foreclosure proceedings and sales.**

37 All nonjudicial foreclosure proceedings commenced by an association before July 1, 2013,
38 and all sales and transfers of real property as part of those proceedings pursuant to the
39 provisions of this Chapter or provisions contained in the declaration of the planned community,
40 are declared to be valid, unless an action to set aside the foreclosure is commenced on or before
41 July 1, 2013, or within one year after the date of the sale, whichever occurs last."

42 **SECTION 7.** This act becomes effective July 1, 2013. Nothing in Sections 3 or 6
43 of this act shall be construed as being applicable to or affecting any pending litigation.