

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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HOUSE DRH30183-LM-72 (02/27)

Short Title: HOAs/Uniform Lien Procedure.

(Public)

Sponsors: Representatives Bryan and Stam (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO STABILIZE TITLES AND TO PROVIDE A UNIFORM PROCEDURE TO
3 ENFORCE CLAIMS OF LIEN SECURING SUMS DUE CONDOMINIUM AND
4 PLANNED COMMUNITY ASSOCIATIONS.

5 The General Assembly of North Carolina enacts:

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 G.S. 47C-3-116 is repealed.

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

9 "**§ 47C-3-116.1. Lien for sums due the association; enforcement.**

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

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

31 (c) A claim of lien shall set forth the name and address of the association, the name of
32 the record owner of the unit at the time the claim of lien is filed, a description of the unit, and
33 the amount of the lien claimed. A claim of lien may also appoint a trustee to conduct a
34 foreclosure as provided in subsection (f) of this section. The first page of the claim of lien shall
35 contain the following statement in print that is in boldface, capital letters, and no smaller than
36 the largest print used elsewhere in the document: "THIS DOCUMENT CONSTITUTES A



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

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

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

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

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

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

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

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

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

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

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

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

48 **"§ 47C-3-116.2. Validation of certain nonjudicial foreclosure proceedings and sales.**

49 All nonjudicial foreclosure proceedings commenced by an association before July 1, 2013,
50 and all sales and transfers of real property as part of those proceedings pursuant to the
51 provisions of this Chapter, Chapter 47A of the General Statutes, or provisions contained in the

1 declaration of the condominium, are declared to be valid unless an action to set aside the
2 foreclosure is commenced on or before July 1, 2013, or within one year after the date of the
3 sale, whichever occurs last."

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

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

7 **"§ 47F-3-116.1. Lien for sums due the association; enforcement.**

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

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

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

49 (d) A claim of lien filed under this section is prior to all liens and encumbrances on a lot
50 except (i) liens and encumbrances, specifically including, but not limited to, a mortgage or deed
51 of trust on the lot, recorded before the filing of the claim of lien in the office of the clerk of

1 superior court; and (ii) liens for real estate taxes and other governmental assessments and
2 charges against the lot. This subsection does not affect the priority of mechanics' or
3 materialmen's liens.

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

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

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

1 the trustee and may serve in that capacity as long as the lot owner does not
2 contest the obligation to pay the amount of any sums due the association, or
3 the validity, enforcement, or foreclosure of the claim of lien, as provided in
4 subdivision (12) of this subsection.

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

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

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

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

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

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

48 (g) The provisions of subsection (f) of this section do not prohibit or prevent an
49 association from pursuing judicial foreclosure of a claim of lien, from taking other actions to
50 recover the sums due the association, or from accepting a deed in lieu of foreclosure. Any
51 judgment, decree, or order in any judicial foreclosure or civil action shall include an award of

1 costs and reasonable attorneys' fees for the prevailing party, which shall not be subject to the
2 limitation provided in subdivision (f)(12) of this section.

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

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

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

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

32 **"§ 47F-3-116.2. Validation of certain nonjudicial foreclosure proceedings and sales.**

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

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