

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

H.B. 444
Mar 18, 2025
HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH30206-NO-36B

Short Title: Homeowners Association Reform Bill.

(Public)

Sponsors: Representative Liu.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE VARIOUS CHANGES TO THE LAWS GOVERNING UNIT OWNER
3 ASSOCIATIONS AND LOT OWNER ASSOCIATIONS, TO MANDATE
4 PRELITIGATION MEDIATION OF DISPUTES BETWEEN OWNERS' ASSOCIATIONS
5 AND THEIR MEMBERS, AND TO REQUIRE THE DEPARTMENT OF JUSTICE TO
6 COLLECT AND REPORT ON COMPLAINTS SUBMITTED TO IT INVOLVING SUCH
7 DISPUTES.

8 The General Assembly of North Carolina enacts:

9 SECTION 1. Chapter 47C of the General Statutes is amended by adding a new
10 section to read:

11 "**§ 47C-2-117.1A. Declaration amendments applicability.**

12 Amendments made to the declaration pursuant to G.S. 47C-2-117 shall only affect unit
13 owners whose units are conveyed or transferred after the amendment takes effect. For
14 amendments made while a unit owner owns a unit, the amendment has no effect until the unit is
15 conveyed or transferred to another unit owner. A unit owner takes the unit subject to existing
16 rules in the declaration at the time of conveyance or transfer of the unit."

17 SECTION 2. Chapter 47F of the General Statutes is amended by adding a new
18 section to read:

19 "**§ 47F-2-117.1. Declaration amendments applicability.**

20 Amendments made to the declaration pursuant to G.S. 47F-2-117 shall only affect lot owners
21 whose lots are conveyed or transferred after the amendment takes effect. For amendments made
22 while a lot owner owns a lot, the amendment has no effect until the lot is conveyed or transferred
23 to another lot owner. A lot owner takes the lot subject to existing rules in the declaration at the
24 time of conveyance or transfer of the lot."

25 SECTION 3. G.S. 47C-3-102(a) reads as rewritten:

26 "**§ 47C-3-102. Powers of unit owners' association.**

27 (a) Unless the declaration expressly provides to the contrary, the association, even if
28 unincorporated, may do all of the following:

- 29 ...
- 30 (3) Hire and terminate managing agents and other employees, agents, and
31 independent contractors. A contract between an association and a managing
32 agent shall not have a term exceeding one year and shall not contain an
33 automatic renewal provision that requires the association to give notice of
34 nonrenewal more than 30 days prior to the contract's anniversary date. Any
35 contract with a managing agent that is automatically renewed shall be
36 terminable by the association for any reason upon 60 days' notice. A managing



1 agent shall not be compensated in whole or in part based on the amount of
2 finest collected by the managing agent on behalf of the association and shall
3 not collect from the association or a unit owner any fee in connection with its
4 collection of a fine imposed by the association.

5 ...

6 (6) Regulate the use, maintenance, repair, replacement, and modification of
7 common elements-elements; provided, however, that in the absence of an
8 express authorization in the declaration, an association shall not enforce any
9 restriction on parking of a personal vehicle on a public street or public road
10 for which the North Carolina Department of Transportation or local
11 government has assumed responsibility for maintenance and repairs, unless
12 the authority to regulate such parking has been expressly delegated to the
13 association by the Department of Transportation or local government under
14 terms prescribing the manner in which the association may exercise that
15 authority. Any such delegation shall be valid for a period not to exceed five
16 years, at which time the association must reapply to the delegating entity. As
17 used in this subdivision, "personal vehicle" means an automobile with a gross
18 weight of less than 26,001 pounds that is used for personal pleasure, travel, or
19 commuting to and from a place of work, and does not include a motor home
20 or self-propelled recreational vehicle, or an automobile that is otherwise used
21 primarily in connection with any commercial endeavor or business.

22 ...

23 (11) Impose charges for late payment of assessments, not to exceed the greater of
24 twenty dollars (\$20.00) per month or ten percent (10%) of any assessment
25 installment unpaid and, after notice and an opportunity to be heard, suspend
26 privileges or services provided by the association (except rights of access to
27 lots) during any period that assessments or other amounts due and owing to
28 the association remain unpaid for a period of 30 days or longer, and levy
29 reasonable fines not to exceed one hundred dollars
30 (\$100.00)(G.S. 47C-3-107.1) for violations of the declaration, bylaws, and
31 rules and regulations of the association. No fine shall be levied for violation
32 of a provision restricting or prohibiting tutoring, educational lessons,
33 academic lessons, music lessons, or swimming lessons provided in the owner's
34 unit to a group of no more than five people at any one time, regardless of
35 whether compensation is received for such lessons.

36 ...

37 (12a) Impose reasonable-charges in connection with the preparation of statements-a
38 lender's questionnaire or certification or a statement of unpaid assessments,
39 which must be furnished within 10 business-days after receipt of the request,
40 in an amount not to exceed two hundred dollars (\$200.00) per statement-or
41 request, item requested, and an additional expedite-expedited fee in an amount
42 not to exceed one hundred dollars (\$100.00) if the request-is-made-within-48
43 hours-of-closing, all-of-which-item-is-requested-to-be-furnished-less-than-10
44 days after receipt of the request. These charges may be collected by the
45 association, its managers, or its agents. Any charge for preparation of a
46 lender's questionnaire or certification shall be paid by the requesting party.
47 Neither the association nor its managing agent shall impose any charge upon
48 a unit owner or a prospective purchaser of a unit in connection with the
49 conveyance of a unit unless the charge is authorized in this subdivision.
50 Violation of this subdivision by an association or by its managing agent shall
51 constitute an unfair and deceptive trade practice under G.S. 75-1.1.

(12b) Impose a reasonable charge for providing copies of records requested by a member, not to exceed the actual cost of photocopying the records.

...

(14a) Exercise any authority granted to it under the declaration to approve or disapprove any proposed changes to a unit or limited common element. In exercising such authority, the association shall provide a fair, reasonable, and expeditious procedure for making its decision, which procedure shall be set forth in the association's governing documents. The procedures shall state the maximum time for issuance of any decision on a proposal or a request for reconsideration. At a minimum, a decision shall be made within 90 days after the initial submission of the proposal or submission of any additional information or changes to the proposal requested by the association in response to the initial submission. A decision shall be in writing, shall be made in good faith, and may not be unreasonable, arbitrary, or capricious. If the proposal is disapproved, the decision shall include both an explanation of why the proposal is disapproved and a description of the procedure for reconsideration of the decision by the executive board.

...."

SECTION 4.(a) G.S. 47C-3-103 reads as rewritten:

"§ 47C-3-103. Executive board members and officers.

...

(c) Within 30 days after adoption of any proposed budget for the condominium, the executive board shall provide a summary of the budget to all the unit owners, and shall set a date for a meeting of the unit owners to consider ratification of the budget not less than 10 nor more than 60 days after mailing of the summary. There shall be no requirement that a quorum be present at the meeting. ~~The~~ Except as otherwise provided in subsection (c1) of this section, the budget is ratified unless at that meeting a majority of all the unit owners or any larger vote specified in the declaration rejects the budget. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the unit owners ratify a subsequent budget proposed by the executive board.

(c1) Ratification of a proposed budget that would increase the previous year's common expense liability by more than ten percent (10%) requires the approval of a majority of all the unit owners or any larger vote specified in the declaration, unless the amount of the increase is expressly authorized in the declaration. After ratification of the budget, no action may be taken by the executive board that would increase the budgeted common expense liability for that fiscal year by more than five percent (5%) without the approval of a majority of all the unit owners or any larger vote specified in the declaration.

...."

SECTION 4.(b) G.S. 47F-3-103 reads as rewritten:

"§ 47F-3-103. Executive board members and officers.

...

(c) Within 30 days after adoption of any proposed budget for the planned community, the executive board shall provide to all the lot owners a summary of the budget and a notice of the meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The executive board shall set a date for a meeting of the lot owners to consider ratification of the budget, such meeting to be held not less than 10 nor more than 60 days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. ~~The~~ Except as otherwise provided in subsection (c1) of this section, the budget is ratified unless at that meeting a majority of all the lot owners in the association or any larger vote specified in the declaration rejects the budget. In the event the proposed budget is

1 rejected, the periodic budget last ratified by the lot owners shall be continued until such time as
2 the lot owners ratify a subsequent budget proposed by the executive board.

3 (c1) Ratification of a proposed budget that would increase the previous year's common
4 expense liability by more than ten percent (10%) requires the approval of a majority of all the lot
5 owners or any larger vote specified in the declaration, unless the amount of the increase is
6 expressly authorized in the declaration. After ratification of the budget, no action may be taken
7 by the executive board that would increase the budgeted common expense liability for that fiscal
8 year by more than five percent (5%) without the approval of a majority of all the lot owners or
9 any larger vote specified in the declaration.

10"

11 **SECTION 5.** G.S. 47C-3-107.1 reads as rewritten:

12 **"§ 47C-3-107.1. Procedures for fines and suspension of condominium privileges or services.**

13 Unless a specific procedure for the imposition of fines or suspension of condominium
14 privileges or services is provided for in the declaration, a hearing shall be held before the
15 executive board or an adjudicatory panel appointed by the executive board to determine if any
16 unit owner should be fined or if condominium privileges or services should be suspended
17 pursuant to the powers granted to the association in G.S. 47C-3-102(11). Any adjudicatory panel
18 appointed by the executive board shall be composed of members of the association who are not
19 officers of the association or members of the executive board. The unit owner charged shall be
20 given notice of the charge, opportunity to be heard and to present evidence, and notice of the
21 decision. A written notice of hearing shall be sent to the unit owner as provided in
22 G.S. 47C-3-116(e)(3) not less than 10 days prior to the scheduled hearing date. The notice of
23 hearing shall specify the date, time, and place of the hearing and shall include a general
24 description of each alleged violation and the action, if any, to cure each alleged violation. The
25 unit owner shall be given an opportunity to be heard and to present evidence at the hearing. A
26 written notice of the decision specifying each violation verified by the evidence and the action,
27 if any, to cure each verified violation shall be sent to the unit owner as provided in
28 G.S. 47C-3-116(e)(3). If it is decided that a fine should be imposed, a fine not to exceed one
29 hundred dollars (\$100.00) may be imposed for the violation and without further hearing, for each
30 day more than five days after the decision that the violation ~~occurs~~ occurs, up to a maximum
31 fine of two thousand five hundred dollars (\$2,500). Such fines shall be assessments secured by
32 liens under G.S. 47C-3-116. If it is decided that a suspension of condominium privileges or
33 services should be imposed, the suspension may be continued without further hearing until the
34 violation or delinquency is cured. A unit owner may appeal a decision of an adjudicatory panel
35 to the full executive board by delivering written notice of appeal to the executive board within
36 15 days after the date of the decision. The executive board may affirm, vacate, or modify the
37 prior decision of the adjudicatory body. All fines collected pursuant to this section shall be
38 remitted to the Civil Penalty and Forfeiture Fund."

39 **SECTION 6.** G.S. 47C-3-116 reads as rewritten:

40 **"§ 47C-3-116. Lien for sums due the association; enforcement.**

41 (a) Any assessment attributable to a unit which remains unpaid for a period of 30 days or
42 longer shall constitute a lien on that unit when a claim of lien is filed of record in the office of
43 the clerk of superior court of the county in which the unit is located in the manner provided in
44 this section. A claim of lien securing a debt consisting of fines or fine-related charges shall be
45 filed separately from a claim of lien securing other sums owed to the association and shall be
46 filed within 90 days after the date the fine was imposed. As used in this section, "fines or
47 fine-related charges" means fines imposed by the association, interest on unpaid fines, or
48 attorneys' fees incurred by the association related to fines imposed by the association. Once filed,
49 a claim of lien secures all sums due the association through the date filed and any sums due to
50 the association thereafter. Unless the declaration provides otherwise, fees, charges, late charges
51 and other charges imposed pursuant to G.S. 47C-3-102, 47C-3-107, 47C-3-107.1, and 47C-3-115

1 are subject to the ~~claim~~claims of lien provided for under this section as well as any other sums
2 due and payable to the association under the declaration, the provisions of this Chapter, or as the
3 result of an arbitration, mediation, or judicial decision.

4 (b) The association must provide proper notice of delinquent assessments to the unit
5 owner before filing a claim of lien. The association must make reasonable and diligent efforts
6 ensure that its records contain the unit owner's current physical mailing address~~address~~ and
7 current electronic mailing address. No fewer than 15 days prior to filing the lien, the association
8 shall ~~mail~~do all of the following:

9 (1) Mail a statement of the assessment amount due by first class mail to the
10 physical address of the unit and the unit owner's address of record with the
11 association and, if different, to the address for the unit owner shown on the
12 county tax records for the unit. If the unit owner is a corporation or limited
13 liability company, the statement shall also be sent by first class mail to the
14 mailing address of the registered agent for the corporation or limited liability
15 company. Notwithstanding anything to the contrary in this Chapter, the
16 association is not required to mail a statement to an address known to be a
17 vacant unit or to a unit for which there is no United States postal address.

18 (2) Send a statement of the assessment amount due via electronic mail if the
19 owner has designated an email address as provided in G.S. 55A-1-70(b).

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

26 "THIS DOCUMENT CONSTITUTES A LIEN AGAINST YOUR PROPERTY, AND IF THE
27 LIEN IS NOT PAID, THE HOMEOWNERS ASSOCIATION MAY PROCEED WITH
28 ~~FORECLOSURE ENFORCEMENT AGAINST YOU AND YOUR PROPERTY IN LIKE~~
29 ~~MANNER AS A MORTGAGE AS PERMITTED~~ UNDER NORTH CAROLINA LAW."

30 The person signing the claim of lien on behalf of the association shall attach to and file with
31 the claim of lien a certificate of service attesting to the attempt of service on the record owner,
32 which service shall be attempted in accordance with G.S. 1A-1, Rule 4(j), for service of a copy
33 of a summons and a complaint. If the actual service is not achieved, the person signing the claim
34 of lien on behalf of the association shall be deemed to have met the requirements of this
35 subsection if service has been attempted pursuant to both of the following: (i) G.S. 1A-1, Rule
36 4(j)(1)c, d, or e and (ii) by mailing a copy of the lien by regular, first class mail, postage prepaid
37 to the physical address of the unit and the unit owner's address of record with the association,
38 and, if different, to the address for the unit owner shown on the county tax records and the county
39 real property records for the unit. The association shall also send the owner a copy of the claim
40 of lien and certificate of service by email if the owner has designated an email address as provided
41 in G.S. 55A-1-70(b). In the event that the owner of record is not a natural person, and actual
42 service is not achieved, the person signing the claim of lien on behalf of the association shall be
43 deemed to have met the requirements of this subsection if service has been attempted once
44 pursuant to the applicable provisions of G.S. 1A-1, Rule 4(j)(3) through G.S. 1A-1, Rule 4(j)(9).
45 Notwithstanding anything to the contrary in this Chapter, the association is not required to mail
46 a claim of lien to an address which is known to be a vacant unit or to a unit for which there is no
47 United States postal address. A lien for unpaid assessments is extinguished unless proceedings
48 to enforce the lien are instituted within three years after the filing of the claim of lien in the office
49 of the clerk of superior court. A lien securing a debt consisting of fines or fine-related charges is
50 extinguished unless proceedings to enforce the lien are instituted within one year after the filing
51 of the claim of lien in the office of the clerk of superior court.

1 (d) A claim of lien filed under this section is prior to all liens and encumbrances on a unit
2 except (i) liens and encumbrances, specifically including, but not limited to, a mortgage or deed
3 of trust on the unit, 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 charges
5 against the unit. This subsection does not affect the priority of mechanics' or materialmen's liens.

6 (e) Attorneys' Fees. –

7 (1) The association shall be entitled to recover the reasonable attorneys' fees and
8 costs it incurs in connection with the collection of any sums ~~due~~. due, except
9 as otherwise provided in subdivision (2) of this subsection.

10 (2) In an action to enforce a claim of lien securing a debt consisting of fines or
11 fine-related charges, upon findings by the court (i) that there was an
12 unwarranted refusal by the unit owner to negotiate or pay the fines or
13 fine-related charges and (ii) that the amount of damages recovered exceeded
14 the highest offer made by the unit owner no later than 90 days before the
15 commencement of trial, the presiding judge may, in the judge's discretion,
16 allow reasonable attorneys' fees to the duly licensed attorneys representing the
17 association obtaining a judgment for damages in said suit, in an amount not to
18 exceed ten thousand dollars (\$10,000) or fifteen percent (15%) of the amount
19 recovered, whichever is greater, said attorneys' fees to be taxed as a part of the
20 court costs. When making an award of attorneys' fees under this subdivision,
21 the judge shall issue a written order including findings of fact detailing the
22 factual basis for the finding of an unwarranted refusal to negotiate or pay the
23 debt secured by the claim of lien, and setting forth the amount of the highest
24 offer made by the unit owner 90 days or more before the commencement of
25 trial, and the amount of damages recovered, as well as the factual basis and
26 amount of any such attorneys' fees to be awarded.

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

47 (f) Except as provided in subsection (h) of this section, the association, acting through
48 the executive board, may foreclose a claim of lien securing a debt consisting of sums due the
49 association other than fines or fine-related charges in like manner as a mortgage or deed of trust
50 on real estate under power of sale, as provided in Article 2A of Chapter 45 of the General Statutes,

1 if the ~~assessment remains unpaid~~ delinquency has continued for 90-180 days or more. The
2 association shall not foreclose the claim of lien unless ~~the~~ all of the following conditions are met:

- 3 (1) The executive board votes to commence the proceeding against the specific
4 unit.
- 5 (2) The amount of the lien is equal to or greater than six months of assessments
6 or equal to or greater than two thousand five hundred dollars (\$2,500),
7 whichever is less.
- 8 (3) The association offered the unit owner a reasonable opportunity to cure the
9 default by making payments under an installment schedule as authorized
10 under subsection (i) of this section, and the unit owner either did not accept
11 the offer or defaulted on payments required under the agreed installment
12 schedule.

13 (f1) The following provisions and procedures shall be applicable to and complied with in
14 every nonjudicial power of sale foreclosure of a claim of lien, and these provisions and
15 procedures shall control to the extent they are inconsistent or in conflict with the provisions of
16 Article 2A of Chapter 45 of the General Statutes:

17 ...

- 18 (5) After the association has filed a claim of lien and prior to the commencement
19 of a nonjudicial foreclosure, the association shall give to the unit owner notice
20 of the association's intention to commence a nonjudicial foreclosure to enforce
21 its claim of lien. The notice shall contain the information required in
22 ~~G.S. 45-21.16(e)(5a)~~ G.S. 45-21.16(c)(5) and G.S. 45-21.16(c)(5a) and shall
23 specifically reference the unit owner's right of redemption provided under
24 subdivision (8) of this subsection. The notice shall be sent by first-class mail
25 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
27 the county tax records for the unit.

- 28 (5a) The notice of hearing required pursuant to G.S. 45-21.16(a) shall be
29 accompanied by the association's certification of the actions it has taken to
30 give the owner notice of delinquent assessments in compliance with
31 subsection (b) of this section.

- 32 (5b) At the commencement of the hearing, the clerk shall inquire as to whether the
33 owner occupies the unit as his or her principal residence. If it appears that the
34 owner does currently occupy the unit as a principal residence, the clerk shall
35 further inquire as to the efforts the association has made to communicate with
36 the owner and to attempt to resolve the matter voluntarily before the
37 foreclosure proceeding. The clerk's inquiry shall not be required if the
38 association has submitted, at or before the hearing, an affidavit briefly
39 describing any efforts that have been made to resolve the default with the
40 owner and the results of any such efforts.

- 41 (5c) The clerk shall order the hearing continued if the clerk finds that there is good
42 cause to believe that additional time or additional measures have a reasonable
43 likelihood of resolving the delinquency without foreclosure. In determining
44 whether to continue the hearing, the clerk may consider (i) whether the
45 association has offered the debtor an opportunity to resolve the foreclosure
46 under a payment schedule pursuant to subsection (i) of this section, (ii)
47 whether the association has engaged in actual responsive communication with
48 the owner, including telephone conferences or in-person meetings with the
49 owner or other actual two-party communications, (iii) whether the owner has
50 indicated that he or she has the intent and ability to resolve the delinquency
51 by making future payments under a payment plan, and (iv) whether the

1 initiation or continuance of good-faith voluntary resolution efforts between
2 the parties may resolve the matter without a foreclosure sale. Where good
3 cause exists to continue the hearing, the clerk shall order the hearing continued
4 to a date and time certain not more than 90 days from the date scheduled for
5 the original hearing. Nothing in this part shall limit the authority of the clerk
6 to continue a hearing for other good cause shown.

7 ...

8 (g) The provisions of subsection (f) of this section do not prohibit or prevent an
9 association from pursuing judicial foreclosure of a claim of ~~lien, lien securing a debt consisting~~
10 of sums due the association other than fines and fine-related charges, from taking other actions
11 to recover the sums due the association, or from accepting a deed in lieu of foreclosure. Any
12 judgment, decree, or order in any judicial foreclosure or civil action relating to the collection of
13 assessments shall include an award of costs and reasonable attorneys' fees for the prevailing
14 party, which shall not be subject to the limitation provided in subdivision (f)(12) of this section.

15 (h) A claim of ~~lien securing a debt consisting solely of fines imposed by the association,~~
16 ~~interest on unpaid fines, or attorneys' fees incurred by the association solely associated with fines~~
17 ~~imposed by the association or fine-related charges~~ may only be enforced by ~~judicial foreclosure,~~
18 as provided in Article 29A of Chapter 1 of the General Statutes. the filing of a civil action seeking
19 a judgment. In addition, an association shall not levy, charge, or attempt to collect a service,
20 collection, consulting, or administration fee from any unit owner unless the fee is expressly
21 allowed in the declaration, and any claim of lien securing a debt consisting solely of these fees
22 may only be enforced by ~~judicial foreclosure, as provided in Article 29A of Chapter 1 of the~~
23 ~~General Statutes. the filing of a civil action seeking a judgment.~~ Liens arising as a result of the
24 entry of a judgment in favor of the association in any such civil action shall relate back and be
25 effective as of the date the claim of lien was filed.

26"

27 **SECTION 7.** G.S. 47C-3-118 reads as rewritten:

28 "**§ 47C-3-118. Association records.**

29 (a) The association shall keep financial records sufficiently detailed to enable the
30 association to comply with this chapter. All financial and other records, including records of
31 meetings of the association and executive board, shall be made reasonably available for
32 examination by any unit owner and the unit owner's authorized agents as required by the bylaws
33 and by Chapter 55A of the General Statutes if the association is a nonprofit corporation. If the
34 bylaws do not specify a shorter time, the association shall make the requested records reasonably
35 available for examination within 30 days of receiving the unit owner's written request. Except as
36 otherwise provided in the bylaws, the association is not required to make available for
37 examination financial records created more than three years before the date on which the
38 association receives the unit owner's written request. If the bylaws do not specify particular
39 records to be maintained, the association shall keep accurate records of all cash receipts and
40 expenditures and all assets and liabilities. In addition to any specific information that is required
41 by the bylaws to be assembled and reported to the unit owners at specified times, the association
42 shall make an annual income and expense statement and balance sheet available to all unit owners
43 at no charge and within 75 days after the close of the fiscal year to which the information relates.
44 Notwithstanding the bylaws, a more extensive compilation, review, or audit of the association's
45 books and records for the current or immediately preceding fiscal year may be required by a vote
46 of the majority of the executive board or by the affirmative vote of a majority of the unit owners
47 present and voting in person or by proxy at any annual meeting or any special meeting duly called
48 for that purpose.

49 (a1) A unit owner or the unit owner's authorized agent is entitled to inspect and copy, at a
50 reasonable time and location specified by the association, any contract entered into by the
51 association authorizing a managing agent to exercise any of the powers granted to the association

1 pursuant to G.S. 47C-3-102, if the unit owner gives the association written notice of the demand
2 at least five business days before the date on which the unit owner wishes to inspect and copy
3 and the request satisfies the conditions for inspection set forth in G.S. 55A-16-02(c). A demand
4 to inspect made pursuant to this subsection shall be presumed to have been made in good faith
5 and for a proper purpose. In any action to compel the inspection and copying of documents, the
6 court may award reasonable attorneys' fees to the prevailing party. If the association does not
7 allow a unit owner who complies with this subsection to inspect and copy the requested contract,
8 and, if a court of competent jurisdiction thereafter enters an order compelling the association to
9 do so, the court shall also order the association to pay the unit owner's costs, including reasonable
10 attorneys' fees, incurred to obtain the order.

11"

12 SECTION 8. G.S. 47F-3-102 reads as rewritten:

13 "§ 47F-3-102. Powers of owners' association.

14 Unless the articles of incorporation or the declaration expressly provides to the contrary, the
15 association may do all of the following:

16 ...

17 (3) Hire and discharge managing agents and other employees, agents, and
18 independent contractors. A contract between an association and a managing
19 agent shall not have a term exceeding one year and shall not contain an
20 automatic renewal provision that requires the association to give notice of
21 nonrenewal more than 30 days prior to the contract's anniversary date. Any
22 contract with a managing agent that is automatically renewed shall be
23 terminable by the association for any reason upon 60 days' notice. A managing
24 agent shall not be compensated in whole or in part based on the amount of
25 finest collected by the managing agent on behalf of the association and shall
26 not collect from the association or a lot owner any fee in connection with its
27 collection of a fine imposed by the association.

28 ...

29 (6) Regulate the use, maintenance, repair, replacement, and modification of
30 common ~~elements~~-elements; provided, however, that in the absence of an
31 express authorization in the declaration, an association shall not enforce any
32 restriction on parking of a personal vehicle on a public street or public road
33 for which the North Carolina Department of Transportation or local
34 government has assumed responsibility for maintenance and repairs, unless
35 the authority to regulate such parking has been expressly delegated to the
36 association by the Department of Transportation or local government under
37 terms prescribing the manner in which the association may exercise that
38 authority. Any such delegation shall be valid for a period not to exceed five
39 years, at which time the association must reapply to the delegating entity. As
40 used in this subdivision, "personal vehicle" means an automobile with a gross
41 weight of less than 26,001 pounds that is used for personal pleasure, travel, or
42 commuting to and from a place of work, and does not include a motor home
43 or self-propelled recreational vehicle, or an automobile that is otherwise used
44 primarily in connection with any commercial endeavor or business.

45 ...

46 (12) After notice and an opportunity to be heard, impose reasonable fines or
47 suspend privileges or services provided by the association (except rights of
48 access to lots) for reasonable periods for violations of the declaration, bylaws,
49 and rules and regulations of the association. No fine shall be levied for
50 violation of a provision restricting or prohibiting tutoring, educational lessons,
51 academic lessons, music lessons, or swimming lessons provided on the

owner's lot to a group of no more than five people at any one time, regardless of whether compensation is received for such lessons.

...

(13a) Impose reasonable charges in connection with the preparation of statements a lender's questionnaire or certification or a statement of unpaid assessments, which must be furnished within 10 business days after receipt of the request, in an amount not to exceed two hundred dollars (\$200.00) per statement or request, item requested, and an additional expedite expedited fee in an amount not to exceed one hundred dollars (\$100.00) if the request is made within 48 hours of closing, all of which item is requested to be furnished less than 10 days after receipt of the request. These charges may be collected by the association, its managers, or its agents. Any charge for preparation of a lender's questionnaire or certification shall be paid by the requesting party. Neither the association nor its managing agent shall impose any charge upon a lot owner or a prospective purchaser of a lot in connection with the conveyance of a lot unless the charge is authorized in this subdivision. Violation of this subdivision by an association or by its managing agent shall constitute an unfair and deceptive trade practice under G.S. 75-1.1.

...

(15a) Exercise any authority granted to it under the declaration to approve or disapprove any proposed changes on a lot or limited common element. In exercising such authority, the association shall provide a fair, reasonable, and expeditious procedure for making its decision, which procedure shall be set forth in the association's governing documents. The procedures shall state the maximum time for issuance of any decision on a proposal or a request for reconsideration. At a minimum, a decision shall be made within 90 days after the initial submission of the proposal or submission of any additional information or changes to the proposal requested by the association in response to the initial submission. A decision shall be in writing, shall be made in good faith, and may not be unreasonable, arbitrary, or capricious. If the proposal is disapproved, the decision shall include both an explanation of why the proposal is disapproved and a description of the procedure for reconsideration of the decision by the executive board.

...."

SECTION 9. G.S. 47F-3-107.1 reads as rewritten:

"§ 47F-3-107.1. Procedures for fines and suspension of planned community privileges or services.

Unless a specific procedure for the imposition of fines or suspension of planned community privileges or services is provided for in the declaration, a hearing shall be held before the executive board or an adjudicatory panel appointed by the executive board to determine if any lot owner should be fined or if planned community privileges or services should be suspended pursuant to the powers granted to the association in G.S. 47F-3-102(11) and (12). Any adjudicatory panel appointed by the executive board shall be composed of members of the association who are not officers of the association or members of the executive board. The lot owner charged shall be given notice of the charge, opportunity to be heard and to present evidence, and notice of the decision. A written notice of hearing shall be sent to the unit owner as provided in G.S. 47F-3-116(e)(3) not less than 10 days prior to the scheduled hearing date. The notice of hearing shall specify the date, time, and place of the hearing and shall include a general description of each alleged violation and the action, if any, to cure each alleged violation. The unit owner shall be given an opportunity to be heard and to present evidence at the hearing. A written notice of the decision specifying each violation verified by the evidence and the action,

1 if any, to cure each verified violation shall be sent to the unit owner as provided in
2 G.S. 47F-3-116(e)(3). If it is decided that a fine should be imposed, a fine not to exceed one
3 hundred dollars (\$100.00) may be imposed for the violation and without further hearing, for each
4 day more than five days after the decision that the violation ~~occurs~~-occurs, up to a maximum
5 fine of two thousand five hundred dollars (\$2,500). Such fines shall be assessments secured by
6 liens under G.S. 47F-3-116. If it is decided that a suspension of planned community privileges
7 or services should be imposed, the suspension may be continued without further hearing until the
8 violation or delinquency is cured. The lot owner may appeal the decision of an adjudicatory panel
9 to the full executive board by delivering written notice of appeal to the executive board within
10 15 days after the date of the decision. The executive board may affirm, vacate, or modify the
11 prior decision of the adjudicatory body. All fines collected pursuant to this section shall be
12 remitted to the Civil Penalty and Forfeiture Fund."

13 **SECTION 10.** G.S. 47F-3-116 reads as rewritten:

14 **"§ 47F-3-116. Lien for sums due the association; enforcement.**

15 (a) Any assessment attributable to a lot which remains unpaid for a period of 30 days or
16 longer shall constitute a lien on that lot when a claim of lien is filed of record in the office of the
17 clerk of superior court of the county in which the lot is located in the manner provided in this
18 section. A claim of lien securing a debt consisting of fines or fine-related charges shall be filed
19 separately from a claim of lien securing other sums due the association and shall be filed within
20 90 days after the date the fine was imposed. As used in this section, "fines or fine-related charges"
21 means fines imposed by the association, interest on unpaid fines, or attorneys' fees incurred by
22 the association related to fines imposed by the association. Once filed, a claim of lien secures all
23 sums due the association through the date filed and any sums due to the association thereafter.
24 Unless the declaration provides otherwise, fees, charges, late charges, and other charges imposed
25 pursuant to G.S. 47F-3-102, 47F-3-107, 47F-3-107.1, and 47F-3-115 are subject to the ~~claim~~
26 claims of lien provided for under this section as well as any other sums due and payable to the
27 association under the declaration, the provisions of this Chapter, or as the result of an arbitration,
28 mediation, or judicial decision.

29 (b) The association must provide proper notice of delinquent assessments to the lot owner
30 before filing a claim of lien. The association must make reasonable and diligent efforts to ensure
31 that its records contain the lot owner's current physical mailing address-~~address and current~~
32 electronic mailing address. No fewer than 15 days prior to filing the lien, the association shall
33 ~~mail~~ do all of the following:

34 (1) Mail a statement of the assessment amount due by first-class mail to the
35 physical address of the lot and the lot owner's address of record with the
36 association and, if different, to the address for the lot owner shown on the
37 county tax records for the lot. If the lot owner is a corporation or limited
38 liability company, the statement shall also be sent by first-class mail to the
39 mailing address of the registered agent for the corporation or limited liability
40 company. Notwithstanding anything to the contrary in this Chapter, the
41 association is not required to mail a statement to an address known to be a
42 vacant lot on which no dwelling has been constructed or to a lot for which
43 there is no United States postal address.

44 (2) Send a statement of the assessment amount due via electronic mail if the
45 owner has designated an email address as provided in G.S. 55A-1-70(b).

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

1 "THIS DOCUMENT CONSTITUTES A LIEN AGAINST YOUR PROPERTY, AND IF THE
2 LIEN IS NOT PAID, THE HOMEOWNERS ASSOCIATION MAY PROCEED WITH
3 ~~FORECLOSURE ENFORCEMENT AGAINST YOU AND YOUR PROPERTY IN LIKE~~
4 ~~MANNER AS A MORTGAGE AS PERMITTED UNDER NORTH CAROLINA LAW."~~

5 The person signing the claim of lien on behalf of the association shall attach to and file with
6 the claim of lien a certificate of service attesting to the attempt of service on the record owner,
7 which service shall be attempted in accordance with G.S. 1A-1, Rule 4(j), for service of a copy
8 of a summons and a complaint. If the actual service is not achieved, the person signing the claim
9 of lien on behalf of the association shall be deemed to have met the requirements of this
10 subsection if service has been attempted pursuant to both of the following: (i) G.S. 1A-1, Rule
11 4(j)(1)c, d, or e and (ii) by mailing a copy of the lien by regular, first-class mail, postage prepaid
12 to the physical address of the lot and the lot owner's address of record with the association, and,
13 if different, to the address for the lot owner shown on the county tax records and the county real
14 property records for the lot. The association shall also send the owner a copy of the claim of lien
15 and certificate of service by email if the owner has designated an email address as provided in
16 G.S. 55A-1-70(b). In the event that the owner of record is not a natural person, and actual service
17 is not achieved, the person signing the claim of lien on behalf of the association shall be deemed
18 to have met the requirements of this subsection if service has been attempted once pursuant to
19 the applicable provisions of G.S. 1A-1, Rule 4(j)(3) through G.S. 1A-1, Rule 4(j)(9).
20 Notwithstanding anything to the contrary in this Chapter, the association is not required to mail
21 a claim of lien to an address which is known to be a vacant lot on which no dwelling has been
22 constructed or to a lot for which there is no United States postal address. A lien for unpaid
23 assessments is extinguished unless proceedings to enforce the lien are instituted within three
24 years after the filing of the claim of lien in the office of the clerk of superior court. A lien securing
25 a debt consisting of fines or fine-related charges is extinguished unless proceedings to enforce
26 the lien are instituted within one year after the filing of the claim of lien in the office of the clerk
27 of superior court.

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

33 (e) Attorneys' Fees. –

34 (1) The association shall be entitled to recover the reasonable attorneys' fees and
35 costs it incurs in connection with the collection of any sums ~~due.~~ due, except
36 as otherwise provided in subdivision (2) of this subsection.

37 (2) In an action to enforce a claim of lien securing a debt consisting of fines or
38 fine-related charges, upon findings by the court (i) that there was an
39 unwarranted refusal by the lot owner to negotiate or pay the fines or
40 fine-related charges and (ii) that the amount of damages recovered exceeded
41 the highest offer made by the lot owner no later than 90 days before the
42 commencement of trial, the presiding judge may, in the judge's discretion,
43 allow reasonable attorneys' fees to the duly licensed attorneys representing the
44 association obtaining a judgment for damages in said suit, in an amount not
45 exceed ten thousand dollars (\$10,000) or fifteen percent (15%) of the amount
46 recovered, whichever is greater, said attorneys' fees to be taxed as a part of the
47 court costs. When the presiding judge determines that an award of attorneys'
48 fees is to be made under this subsection in an action to enforce a claim of lien
49 securing a debt consisting of fines or fine-related charges, the judge shall issue
50 a written order including findings of fact detailing the factual basis for the
51 finding of an unwarranted refusal to negotiate or pay the debt secured by the

1 claim of lien, and setting forth the amount of the highest offer made by the lot
2 owner 90 days or more before the commencement of trial, and the amount of
3 damages recovered, as well as the factual basis and amount of any such
4 attorneys' fees to be awarded.

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

25 (f) Except as provided in subsection (h) of this section, the association, acting through
26 the executive board, may foreclose a claim of lien securing a debt consisting of sums due the
27 association other than fines or fine-related charges in like manner as a mortgage or deed of trust
28 on real estate under power of sale, as provided in Article 2A of Chapter 45 of the General Statutes,
29 if the assessment remains unpaid delinquency has continued for 90-180 days or more. The
30 association shall not foreclose the claim of lien unless ~~the~~ all of the following conditions are met:

31 (1) The executive board votes to commence the proceeding against the specific
32 lot.

33 (2) The amount of the lien is equal to or greater than six months of assessments
34 or equal to or greater than two thousand five hundred dollars (\$2,500),
35 whichever is less.

36 (3) The association offered the lot owner a reasonable opportunity to cure the
37 default by making payments under an installment schedule as authorized
38 under subsection (i) of this section, and the lot owner either did not accept the
39 offer or defaulted on payments required under the agreed installment schedule.

40 (f1) The following provisions and procedures shall be applicable to and complied with in
41 every nonjudicial power of sale foreclosure of a claim of lien, and these provisions and
42 procedures shall control to the extent they are inconsistent or in conflict with the provisions of
43 Article 2A of Chapter 45 of the General Statutes:

44 ...

45 (5) After the association has filed a claim of lien and prior to the commencement
46 of a nonjudicial foreclosure, the association shall give to the lot owner notice
47 of the association's intention to commence a nonjudicial foreclosure to enforce
48 its claim of lien. The notice shall contain the information required in
49 G.S. 45-21.16(e)(5a), G.S. 45-21.16(c)(5) and G.S. 45-21.16(c)(5a) and shall
50 specifically reference the lot owner's right of redemption provided under
51 subdivision (8) of this subsection. The notice shall be sent by first-class mail

1 to the physical address of the lot and the lot owner's address of record with the
2 association and, if different, to the address for the lot owner shown on the
3 county tax records for the lot.

4 (5a) The notice of hearing required pursuant to G.S. 45-21.16(a) shall be
5 accompanied by the association's certification of the actions it has taken to
6 give the owner notice of delinquent assessments in compliance with
7 subsection (b) of this section.

8 (5b) At the commencement of the hearing, the clerk shall inquire as to whether the
9 owner occupies the lot as his or her principal residence. If it appears that the
10 owner does currently occupy the lot as a principal residence, the clerk shall
11 further inquire as to the efforts the association has made to communicate with
12 the owner and to attempt to resolve the matter voluntarily before the
13 foreclosure proceeding. The clerk's inquiry shall not be required if the
14 association has submitted, at or before the hearing, an affidavit briefly
15 describing any efforts that have been made to resolve the default with the
16 owner and the results of any such efforts.

17 (5c) The clerk shall order the hearing continued if the clerk finds that there is good
18 cause to believe that additional time or additional measures have a reasonable
19 likelihood of resolving the delinquency without foreclosure. In determining
20 whether to continue the hearing, the clerk may consider (i) whether the
21 association has offered the owner an opportunity to resolve the foreclosure
22 under a payment schedule pursuant to subsection (i) of this section, (ii)
23 whether the association has engaged in actual responsive communication with
24 the owner, including telephone conferences or in-person meetings with the
25 owner or other actual two-party communications, (iii) whether the owner has
26 indicated that he or she has the intent and ability to resolve the delinquency
27 by making future payments under a payment plan, and (iv) whether the
28 initiation or continuance of good-faith voluntary resolution efforts between
29 the parties may resolve the matter without a foreclosure sale. Where good
30 cause exists to continue the hearing, the clerk shall order the hearing continued
31 to a date and time certain not more than 90 days from the date scheduled for
32 the original hearing. Nothing in this part shall limit the authority of the clerk
33 to continue a hearing for other good cause shown.

34 ...

35 (g) The provisions of subsection (f) of this section do not prohibit or prevent an
36 association from pursuing judicial foreclosure of a claim of ~~lien, lien securing a debt consisting~~
37 of sums due the association other than fines and fine-related charges, from taking other actions
38 to recover the sums due the association, or from accepting a deed in lieu of foreclosure. Any
39 judgment, decree, or order in any judicial foreclosure or civil action relating to the collection of
40 assessments shall include an award of costs and reasonable attorneys' fees for the prevailing
41 party, which shall not be subject to the limitation provided in subdivision (f)(12) of this section.

42 (h) A claim of lien securing a debt consisting solely of fines imposed by the association,
43 interest on unpaid fines, or attorneys' fees incurred by the association solely associated with fines
44 imposed by the association or fine-related charges may only be enforced by judicial foreclosure,
45 as provided in Article 29A of Chapter 1 of the General Statutes. ~~the filing of a civil action seeking~~
46 a judgment. In addition, an association shall not levy, charge, or attempt to collect a service,
47 collection, consulting, or administration fee from any lot owner unless the fee is expressly
48 allowed in the declaration, and any claim of lien securing a debt consisting solely of these fees
49 may only be enforced by judicial foreclosure, as provided in Article 29A of Chapter 1 of the
50 General Statutes. ~~the filing of a civil action seeking a judgment.~~ Liens arising as a result of the

1 entry of a judgment in favor of the association in any such civil action shall relate back and be
2 effective as of the date the claim of lien was filed.

3"

4 **SECTION 11.** G.S. 47F-3-118 reads as rewritten:

5 **"§ 47F-3-118. Association records.**

6 (a) The association shall keep financial records sufficiently detailed to enable the
7 association to comply with this Chapter. All financial and other records, including records of
8 meetings of the association and executive board, shall be made reasonably available for
9 examination by any lot owner and the lot owner's authorized agents as required in the bylaws and
10 Chapter 55A of the General Statutes. If the bylaws do not specify a shorter time, the association
11 shall make records reasonably available for examination within 30 days of receiving the lot
12 owner's written request. Except as otherwise provided in the bylaws, the association is not
13 required to make available for examination financial records created more than three years before
14 the date on which the association receives the lot owner's written request. If the bylaws do not
15 specify particular records to be maintained, the association shall keep accurate records of all cash
16 receipts and expenditures and all assets and liabilities. In addition to any specific information
17 that is required by the bylaws to be assembled and reported to the lot owners at specified times,
18 the association shall make an annual income and expense statement and balance sheet available
19 to all lot owners at no charge and within 75 days after the close of the fiscal year to which the
20 information relates. Notwithstanding the bylaws, a more extensive compilation, review, or audit
21 of the association's books and records for the current or immediately preceding fiscal year may
22 be required by a vote of the majority of the executive board or by the affirmative vote of a
23 majority of the lot owners present and voting in person or by proxy at any annual meeting or any
24 special meeting duly called for that purpose.

25 (a1) A lot owner or the lot owner's authorized agent is entitled to inspect and copy, at a
26 reasonable time and location specified by the association, any contract entered into by the
27 association authorizing a managing agent to exercise any of the powers granted to the association
28 pursuant to G.S. 47F-3-102 if the lot owner gives the association written notice of the demand at
29 least five business days before the date on which the lot owner wishes to inspect and copy and
30 the request satisfies the conditions for inspection set forth in G.S. 55A-16-02(c). A demand to
31 inspect made pursuant to this subsection shall be presumed to have been made in good faith and
32 for a proper purpose. In any action to compel the inspection and copying of documents, the court
33 may award reasonable attorneys' fees to the prevailing party. If the association does not allow a
34 lot owner who complies with this subsection to inspect and copy the requested contract, and, if a
35 court of competent jurisdiction thereafter enters an order compelling the association to do so, the
36 court shall also order the association to pay the lot owner's costs, including reasonable attorneys'
37 fees, incurred to obtain the order.

38"

39 **SECTION 12.** Article 31A of Chapter 115C of the General Statutes reads as
40 rewritten:

41 "Article 31A.

42 "Civil Penalty and Forfeiture Fund.

43 **"§ 115C-457.1. Creation of Fund; administration.**

44 (a) There is created the Civil Penalty and Forfeiture Fund. The Fund shall consist of the
45 clear proceeds of all civil penalties, civil forfeitures, and civil fines that are collected by a State
46 agency and that the General Assembly is authorized to place in a State fund pursuant to Article
47 IX, Section 7(b) of the Constitution. The General Assembly may also authorize the placement of
48 additional funds from other sources into the Fund.

49 (b) The Fund shall be administered by the Office of State Budget and Management. The
50 Fund and all interest accruing to the Fund shall be faithfully used exclusively for maintaining
51 free public schools.

1 **"§ 115C-457.2. Remittance of moneys to the Fund.**

2 (a) The clear proceeds of all civil penalties, civil forfeitures, and civil fines that are
3 collected by a State agency and that the General Assembly is authorized to place in a State fund
4 pursuant to Article IX, Section 7(b) of the Constitution shall be remitted to the Office of State
5 Budget and Management by the officer having custody of the funds within 10 days after the close
6 of the calendar month in which the revenues were received or collected. Notwithstanding any
7 other law, all such funds shall be deposited in the Civil Penalty and Forfeiture Fund. The clear
8 proceeds of these funds include the full amount of all civil penalties, civil forfeitures, and civil
9 fines collected under authority conferred by the State, diminished only by the actual costs of
10 collection, not to exceed twenty percent (20%) of the amount collected. The collection cost
11 percentage to be used by a State agency shall be established and approved by the Office of State
12 Budget and Management on an annual basis based upon the computation of actual collection
13 costs by each agency for the prior fiscal year.

14 (b) Any additional funds that the General Assembly authorizes to be placed in the Civil
15 Penalty and Forfeiture Fund shall be remitted to the Office of State Budget and Management by
16 the entity having custody of the funds within 10 days after the close of the calendar month in
17 which the funds were received or collected.

18"

19 **SECTION 13.(a)** G.S. 7A-38.3F reads as rewritten:

20 **"§ 7A-38.3F. Prelitigation mediation of condominium and ~~homeowners~~ owners' association**
21 **disputes.**

22 (a) Definitions. – The following definitions apply in this section:

- 23 (1) Association. – An association of unit or lot owners organized as allowed under
24 North Carolina law, including G.S. 47C-3-101 and G.S. 47F-3-101.
- 25 (2) Dispute. – Any matter relating to real estate under the jurisdiction of an
26 association about which the member and association cannot agree. The term
27 "dispute" does not include matters expressly exempted in subsection (b) of
28 this section.
- 29 (3) Executive board. – The body, regardless of name, designated in the
30 declaration to act on behalf of an association.
- 31 (4) Mediator. – A neutral person who acts to encourage and facilitate a resolution
32 of a dispute between an association and a member.
- 33 (5) Member. – A person who is a member of an association of unit or lot owners
34 organized as allowed under North Carolina law, including G.S. 47C-3-101
35 and G.S. 47F-3-101.
- 36 (6) Party or parties. – An association or member who is involved in a dispute, as
37 that term is defined in subdivision (2) of this subsection.

38 (a1) Disputes related solely to a member's failure to timely pay an association assessment
39 or any fines or fees associated with the levying or collection of an association assessment are not
40 covered under this section.

41 (b) ~~Voluntary Prelitigation-Mediation. – Prior to filing a civil action, the~~ The parties to a
42 dispute arising under Chapter 47C of the General Statutes (North Carolina Condominium Act),
43 Chapter 47F of the General Statutes (North Carolina Planned Community Act), or an
44 association's declaration, bylaws, or rules and regulations are encouraged to initiate mediation
45 pursuant to this section. However, disputes related solely to a member's failure to timely pay an
46 association assessment or any fines or fees associated with the levying or collection of an
47 association assessment are not covered under this section. may agree at any time to mediation of
48 the dispute pursuant to this section.

49 (b1) Mandatory Prelitigation Mediation. – Prior to filing a civil action arising under
50 Chapter 47C of the General Statutes (North Carolina Condominium Act), Chapter 47F of the
51 General Statutes (North Carolina Planned Community Act), or an association's declaration,

1 bylaws, or rules and regulations, a party shall initiate mediation pursuant to this section. If an
2 action is initiated, it shall, upon the motion of any party prior to trial, be dismissed without
3 prejudice by the court unless any one or more of the following apply:

- 4 (1) The nonmoving party has satisfied the requirements of this section, and this
5 fact is indicated in the mediator's certification issued under subsection (g) of
6 this section.
- 7 (2) The court finds that a mediator failed to issue a mediator's certification under
8 subsection (g) of this section indicating that the nonmoving party satisfied the
9 requirements of this section.
- 10 (3) The court finds good cause for a failure to attempt mediation. Good cause
11 includes a determination that the time delay required for mediation would
12 likely result in irreparable harm or that injunctive relief is otherwise
13 warranted.

14 (c) Initiation of Mediation. – Either an association or a member may contact the North
15 Carolina Dispute Resolution Commission or the Mediation Network of North Carolina for the
16 name of a mediator or community mediation center. Upon contacting a mediator, either the
17 association or member may supply to the mediator the physical address of the other party, or the
18 party's representative, and the party's telephone number and e-mail address, if known. The
19 mediator shall contact the party, or the party's representative, to notify ~~him or her~~ the party of the
20 request to mediate. ~~If the parties agree to mediate, they~~ Unless the mediation is waived pursuant
21 to subsection (e) of this section, the parties shall request in writing that the mediator schedule the
22 mediation. The mediator shall then notify the parties in writing of the date, time, and location of
23 the mediation, which shall be scheduled not later than 25 days after the mediator receives the
24 written request from the parties.

25 (d) Mediation Procedure. – The following procedures shall apply to mediation under this
26 section:

- 27 (1) Attendance. – The mediator shall determine who may attend mediation. The
28 mediator may require the executive board or a large group of members to
29 designate one or more persons to serve as their representatives in the
30 mediation.
- 31 (2) All parties are expected to attend mediation. The mediator may allow a party
32 to participate in mediation by telephone or other electronic means if the
33 mediator determines that the party has a compelling reason to do so.
- 34 (3) If the parties cannot reach a final agreement in mediation because to do so
35 would require the approval of the full executive board or the approval of a
36 majority or some other percentage of the members of the association, the
37 mediator may recess the mediation meeting to allow the executive board or
38 members to review and vote on the agreement.

39 (e) ~~Decline Mediation.~~ – ~~Either party to a dispute may decline mediation under this~~
40 ~~section. If either party declines mediation after mediation has been initiated under subsection (c)~~
41 ~~of this section but mediation has not been held, the party declining mediation shall inform the~~
42 ~~mediator and the other party in writing of his or her decision to decline mediation. No costs shall~~
43 ~~be assessed to any party if either party declines mediation prior to the occurrence of an initial~~
44 ~~mediation meeting.~~ Waiver of Mediation. – The parties to a dispute may agree to waive mediation
45 required by this section by informing the mediator of the waiver in writing.

46 (f) Costs of Mediation. – The costs of mediation, including the mediator's fees, shall be
47 shared equally by the parties unless otherwise agreed to by the parties. Fees shall be due and
48 payable at the end of each mediation meeting. A mediator may charge a reasonable fee, as
49 applicable, to prepare a mediator's certification required under subsection (g) of this section when
50 parties to a dispute agree to waive mediation pursuant to subsection (e) of this section or when
51 one or more parties failed or refused without good cause to attend the mediation meetings or

1 otherwise participate in the mediation. When an attorney represents a party to the mediation, that
2 party shall pay ~~his or her~~ the attorneys' fees.

3 (g) Certification That Mediation Concluded. – Upon a waiver of the mediation under
4 subsection (e) of this section or upon the conclusion of mediation, the mediator shall prepare a
5 certification stating the date on which the mediation was concluded and a statement of the general
6 results of the mediation, including, as applicable, that the parties waived the mediation, that an
7 agreement was ~~reached or~~ reached, that mediation was attempted but an agreement was not
8 ~~reached.~~ reached, or that one or more parties failed or refused without good cause to attend the
9 mediation meetings or otherwise participate in the mediation. If both parties participate in
10 mediation and a cause of action involving the dispute mediated is later filed, either party may file
11 the certificate with the clerk of court, and the parties shall not be required to mediate again under
12 any provision of law. The Supreme Court may adopt additional rules and standards to implement
13 this section, including an exemption from the provisions of G.S. 7A-38.1 for cases in which
14 mediation was attempted under this section. The sanctions in G.S. 7A-38.1(g) do not apply to
15 prelitigation mediation conducted under this section.

16 ...

17 (j) Association Duty to Notify. – Each association ~~shall, in writing, shall~~ notify the
18 members of the association ~~each year annually in writing~~ that they may initiate mediation under
19 this section to try to resolve a dispute with the association. The association shall publish the
20 notice required in this subsection on the association's ~~Web site; but if the association does not~~
21 ~~have a Web site, the association website, or it~~ shall publish the notice ~~at the same time and in the~~
22 same manner as the names and addresses of all officers and board members of the association
23 are published as provided in G.S. 47C-3-103 and G.S. 47F-3-103."

24 **SECTION 13.(b)** This section becomes effective October 1, 2025, and applies to
25 actions filed on or after that date.

26 **SECTION 14.(a)** Article 1 of Chapter 114 of the General Statutes is amended by
27 adding a new section to read:

28 **"§ 114-8.8. Collection and report of owners' association complaint data.**

29 (a) The Department of Justice shall receive and record data from all complaints
30 concerning disputes between associations of unit owners or lot owners and their members as
31 required by this section. The Department of Justice shall publish a complaint form providing for
32 electronic submission of those complaints on its website. When the Department receives a
33 complaint via phone, mail, or online submission, it shall collect the following information from
34 the complainant:

- 35 (1) The name and contact information of the complainant.
- 36 (2) Whether the complainant is an association of unit owners or lot owners, or is
37 a unit owner or lot owner belonging to those associations.
- 38 (3) The name and contact information of the other party or parties to the dispute
39 giving rise to the complaint.
- 40 (4) The name, address, and contact information of the association management
41 company, if any, involved in the dispute.
- 42 (5) Details on whether the association member involved in the dispute (i) was
43 informed of the requirement of membership in the association as a condition
44 of unit or lot ownership and, if so informed, when and by whom; (ii) received
45 a copy of the governing documents of the association before obtaining title to
46 the property; (iii) was denied access to the association's governing documents;
47 and (iv) understood the rights and obligations of owners and the association
48 under the governing documents.
- 49 (6) The nature of the complaint.
- 50 (7) The background information regarding the dispute, including whether the
51 member and association communicated about the dispute and whether all

1 other remedies available under the association's governing documents were
2 exhausted before the complaint was made.

3 (8) The complainant's understanding of the rights and obligations under the
4 association's governing documents as they relate to the dispute.

5 (9) The complainant's desired remedy regarding the dispute.

6 (b) Upon receiving the complaint, the Department shall provide a copy of the complaint
7 to the party complained against informing the party of the complaint made against it and allowing
8 for the party to respond.

9 (c) The Department shall publish the following information on its website:

10 (1) Information on the process to submit complaints pursuant to this section.

11 (2) Information about the laws and documents governing associations of unit
12 owners and lot owners in North Carolina.

13 (3) General information about roles, rights, and responsibilities of associations of
14 unit owners and lot owners, their members, and other related parties.

15 (4) Any other information the Department deems relevant to understanding the
16 rights and obligations of associations of unit owners and lot owners and
17 members of such associations.

18 (d) The Department is prohibited from promulgating regulations or issuing guidelines
19 concerning the administration, governance, or governing documents of associations of unit
20 owners or lot owners. The Department shall not serve as an arbiter in disputes between an
21 association of unit owners or lot owners and its members.

22 (e) By July 1 of each year, the Department shall submit a report to the House Standing
23 Committee on Commerce and Economic Development, the Senate Standing Committee on
24 Commerce and Insurance, and the Fiscal Research Division and shall also publish the report on
25 its website. The report shall include, at a minimum, a summary of all of the following:

26 (1) The total number of complaints received pursuant to this section.

27 (2) The number of those complaints submitted by unit owners or lot owners.

28 (3) The number of those complaints submitted by associations of unit owners or
29 lot owners.

30 (4) The number of complaints originating in each county of this State.

31 (5) The number of complaints that involved association management companies.

32 (6) The nature of the disputes reflected in the complaints, including:

33 a. Access to association records.

34 b. Access to executive board meetings.

35 c. Assessments.

36 d. Executive board transparency.

37 e. Fines.

38 f. Collections of delinquent accounts.

39 g. Liens.

40 h. Foreclosures.

41 i. Content of restrictive covenants.

42 j. Enforcement of restrictive covenants.

43 (7) A ranking of the top five disputes based on the nature of the dispute reflected
44 in the complaints.

45 (8) The number of responses to the complaints received by the Department.

46 The information summarized in the report must be categorized, filterable, and searchable.
47 The Department must redact any personal or private information from the report, such as names,
48 addresses, and telephone numbers of individuals. This redaction requirement does not apply to
49 information concerning a homeowners association or a homeowners association management
50 company."

51 **SECTION 14.(b)** This section becomes effective July 1, 2025.

1 **SECTION 15.** Sections 6 and 10 of this act become effective December 1, 2025, and
2 apply to claims of lien filed and instruments presented for registration on or after that date. Except
3 as otherwise provided, the remainder of this act is effective when it becomes law, and the
4 provisions in Sections 3 and 8 of this act relating to managing agent compensation apply to
5 contracts between an association and a managing agent entered into on or after that date.