

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011

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SENATE DRS55219-LM-118D\* (03/24)

Short Title: HOA/Uniform Procedure for Lien Enforcement.

(Public)

Sponsors: Senator Vaughan.

Referred to:

A BILL TO BE ENTITLED

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

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 47C-3-116 is repealed.

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

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

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

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

(c) A claim of lien shall set forth the name and address of the association, the name of the record owner of the unit at the time the claim of lien is filed, a description of the unit, and the amount of the lien claimed. A claim of lien may also appoint a trustee to conduct a foreclosure as provided in subsection (f) of this section. The first page of the claim of lien shall



\* D R S 5 5 2 1 9 - L M - 1 1 8 D \*

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

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

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

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

46 (1) The association shall be deemed to have a power of sale for purposes of  
47 enforcement of its claim of lien.

48 (2) The terms "mortgagee" and "holder" as used in Article 2A of Chapter 45 of  
49 the General Statutes shall mean the association, except as provided  
50 otherwise in this Chapter.

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

1 provided by law including, without limitation, the provisions of  
2 G.S. 45-21.15.

3 (12) If the unit owner does not contest the obligation to pay or the amount of any  
4 sums due the association or the validity, enforcement, or foreclosure of the  
5 claim of lien at any time after the expiration of the 15-day period following  
6 notice as required in subsection (b) of this section and if no person or entity  
7 other than counsel for the association serves as trustee in the foreclosure,  
8 then attorneys' fees and the trustee's commission collectively charged to the  
9 unit owner shall not exceed one thousand five hundred dollars (\$1,500), not  
10 including costs or expenses incurred. The obligation to pay and the amount  
11 of any sums due the association and the validity, enforcement, or foreclosure  
12 of the claim of lien remain uncontested as long as the unit owner does not  
13 refuse to pay any portion of the sums claimed due by the association and  
14 does not dispute, contest, or raise any objection, defense, offset, or  
15 counterclaim as to the amount or validity of the sums claimed due by the  
16 association or the validity, enforcement, or foreclosure of the claim of lien.

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

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

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

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

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

1 "§ 47C-3-116.2. Validation of certain nonjudicial foreclosure proceedings and sales.

2 All nonjudicial foreclosure proceedings commenced by an association before July 1, 2011,  
3 and all sales and transfers of real property as part of those proceedings pursuant to the  
4 provisions of this Chapter, Chapter 47A of the General Statutes, or provisions contained in the  
5 declaration of the condominium, are declared to be valid, unless an action to set aside the  
6 foreclosure is commenced on or before July 1, 2012, or within one year after the date of the  
7 sale, whichever occurs last."

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

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

11 "§ 47F-3-116.1. Lien for sums due association; enforcement.

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

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

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

1 lien are instituted within three years after the filing of the claim of lien in the office of the clerk  
2 of superior court.

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

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

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

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

1 the duty of the clerk of court in whose office the claim of lien or separate  
2 appointment is filed to record and index the appointment of the trustee in the  
3 names of the lot owner, the trustee, and the association. The association, at  
4 its option, may from time to time remove the trustee and appoint a successor  
5 trustee by making a similar filing with the clerk of court, and the  
6 appointment shall be indexed by the clerk of court as provided in this  
7 subdivision. Counsel for the association may be appointed by the association  
8 to serve as the trustee and may serve in that capacity as long as the lot owner  
9 does not contest the obligation to pay, the amount of any sums due the  
10 association, or the validity, enforcement, or foreclosure of the claim of lien  
11 as provided in subdivision (12) of this subsection.

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

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

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

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

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

40 (12) If the lot owner does not contest the obligation to pay, the amount of any  
41 sums due the association, or the validity, enforcement, or foreclosure of the  
42 claim of lien at any time after the expiration of the 15-day period following  
43 notice as required in subsection (b) of this section, and if no person or entity  
44 other than counsel for the association serves as trustee in the foreclosure,  
45 then attorneys' fees and the trustee's commission collectively charged to the  
46 lot owner shall not exceed one thousand five hundred dollars (\$1,500), not  
47 including costs or expenses incurred. The obligation to pay and the amount  
48 of any sums due the association and the validity, enforcement, or foreclosure  
49 of the claim of lien remain uncontested as long as the lot owner does not  
50 refuse to pay any portion of the sums claimed due by the association and  
51 does not dispute, contest, or raise any objection, defense, offset, or

1                    counterclaim as to the amount or validity of the sums claimed due by the  
2                    association or the validity, enforcement, or foreclosure of the claim of lien.

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

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

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

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

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

38           **"§ 47F-3-116.2. Validation of certain nonjudicial foreclosure proceedings and sales.**

39           All nonjudicial foreclosure proceedings commenced by an association before July 1, 2011,  
40           and all sales and transfers of real property as part of those proceedings pursuant to the  
41           provisions of this Chapter or provisions contained in the declaration of the planned community,  
42           are declared to be valid, unless an action to set aside the foreclosure is commenced on or before  
43           July 1, 2012, or within one year after the date of the sale, whichever occurs last."

44           **SECTION 7.** This act becomes effective July 1, 2011. Nothing contained in  
45 Sections 3 or 6 of this act shall be construed as being applicable to or affecting any pending  
46 litigation.