

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2013

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HOUSE DRH30183-LM-72 (02/27)

Short Title: HOAs/Uniform Lien Procedure.

(Public)

Sponsors: Representatives Bryan and Stam (Primary Sponsors).

Referred to:

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

5 The General Assembly of North Carolina enacts:

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 G.S. 47C-3-116 is repealed.

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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