

**EXPLANATION OF ASSOCIATION AUTOMATED
ASSESSMENT COLLECTION SYSTEM FOR NORTH CAROLINA**

Our firm's Automated Assessment Collection System combines aggressive collection efforts with a process that provides homeowners a full and fair opportunity to bring their account current. At the same time, the Board of Directors and property manager are fully aware of the steps to be taken and the timeframe for those steps. The system works as follows:

1. The account ledger, final demand letter from the Association, and Board Resolution authorizing foreclosure are sent from the management company to our office.
2. Within 3-5 days a demand letter is sent to the owner at available addresses on the public record (\$200.00 in attorney's fees is added to the amount owed by the homeowner).
3. Approximately forty (40) days later, a Claim of Lien is filed against the property. A copy of the Claim of Lien, with a cover letter warning of the possibility of foreclosure, is sent to the homeowner. The cover letter explains that foreclosure may be filed if full payment is not made. If not already received, our office must have a Board Authorization to proceed with collections (\$280.00 in attorney's fees, \$6.25 filing fee, and certified mail costs are added to the amount owed by the homeowner).¹
4. Approximately twenty (20) days later, if no payment is forthcoming and a Board Resolution authorizing foreclosure and appointing Law Firm Carolinas as Trustee has been received by our office, a letter notifying owner of the Association's intention to commence nonjudicial foreclosure is sent to the homeowner (\$55.00 in attorney's fees is added to the amount owed by the homeowner).
5. Approximately ten (10) days later, if no payment is forthcoming, a Foreclosure Notice is filed and served upon the homeowner providing notice of a Court date. (\$300.00 in attorney's fees, \$300.00 filing fee, Sheriff's fees, and certified mail costs are added to the amount owed by the homeowner).
6. Approximately forty five (45) days later a Court hearing is held to obtain an Order of Foreclosure of the property to satisfy the outstanding debt. (\$215.00 in attorney's fees is added to the amount owed by the homeowner).
7. Ultimately, notice of the sale may be published in the local newspaper (cost \$200.00 to \$600.00), and the house may be sold in an attempt to satisfy the debt to the Association. Attorney's fees for these final steps are \$200.00, plus additional costs of up to \$200.00 for filing and costs associated with eviction, if necessary. If attorney involvement is necessary subsequent to the filing of any eviction, this time is billed hourly. If the Association is the highest bidder for the property, a Deed will be recorded and the homeowner may be evicted from the property. It is

¹ If no Board Resolution authorizing foreclosure and appointment of trustee is received within sixty (60) days of the filing of the Claim of Lien, our firm will keep the account open for 60 days, after which time the account will be closed and attorney's fees and costs incurred will be billed to the Association.

likely that the mortgage company will then foreclose and take the property from the Association. Alternatively, a third party bidder may get title to the property in which case the Association is paid in full.

Although the above steps may appear heavy handed for association dues, the law is clear—the Board of Directors has a fiduciary duty to collect outstanding accounts.

If the homeowner contacts us at any time during the process, we are glad to work with them to avoid additional fees being incurred and to work to obtain full payment of the debt. Many times, this may include holding further collection steps for thirty (30) to sixty (60) days to allow time for the homeowner to make full payment.

There are situations where the Association does not collect the attorney's fees from the homeowner and the Association must pay the attorney's fees (for example, the Association completed the foreclosure and became the owner of the property; the Board of Directors fails to submit a Board Resolution authorizing foreclosure; a superior mortgage or lien forecloses; the homeowner dies with an insolvent estate; the homeowner files Bankruptcy; the homeowner provides evidence contrary to the Association's records; or other circumstances where attorney's fees and costs are uncollectable from the homeowner).

There are also situations where additional attorney's fees beyond the flat fees stated above may be incurred (for example, any appeal or collateral action related to the collection case; when the debt is disputed; additional research is necessary to support the Association's case; if research into a previous deceased owner's estate is necessary; or when the owner requires information to which they are entitled beyond providing a ledger for validation of the debt). All efforts will be made to collect these fees from the owner; however, if not recoverable the Association will be responsible for payment of the attorney's fees and costs.

Finally, in the event that a homeowner files Bankruptcy, then our firm can represent the Association in that Bankruptcy case. Our firm can file a proof of claim on behalf of the Association, and we will periodically review the homeowner's Bankruptcy case to determine the status of the Association's claim. In the event that any other actions are necessary in the Bankruptcy case, then our firm can file the appropriate documents in the Bankruptcy case. All representation for the Association in a homeowner's Bankruptcy case will be billed hourly. Unfortunately, attorney's fees are typically not recoverable from a homeowner in Bankruptcy, so the Association will be responsible for our firm's fees in these cases.

Note: The above explanation of the Association Automated Assessment Collection System is current as of July 2022. However, standard practices, fees, and costs may periodically change. Please check with our firm for an updated explanation sheet.