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Fiscal Note

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Prime Sponsors: Rep. Ricks Bill Status: House Trans., Hous. & Local Govt.
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Bill Topic: HOA FORECLOSURE SALES REQUIREMENTS

Summary of Fiscal Impact: [X] State Revenue [] State Transfer [X] Local Government
[X] State Expenditure [] TABOR Refund [] Statutory Public Entity

The bill updates HOA foreclosure requirements to include disclosures, minimum initial bids, purchase restrictions, and court awards. It minimally increases state and local revenue and expenditures beginning in FY 2024-25.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Summary of Legislation

When a homeowner association (HOA) unit is being foreclosed due to unpaid HOA assessments, the bill adds various requirements related to disclosures, minimum initial bids, purchase restrictions, and court awards.

Disclosures. Prior to sending delinquent accounts to collections or taking legal action, an HOA must notify a unit owner about free foreclosure and collections information from the HOA Information and Resource Center in the Division of Real Estate in the Department of Regulatory Agencies (DORA). Prior to foreclosing a lien, an HOA must notify a unit owner about credit counseling services that are available at the owner's expense. Upon foreclosure, an HOA must disclose appraisal information to a unit owner and publicly file the unit's minimum initial bid amount with the county clerk and recorder's office.

Minimum initial bids. The bill establishes a minimum initial bid amount for a foreclosed unit at auction, calculated as not less than the sum of:

- the association's lien amount;
• all lien amounts for real estate taxes and other assessments;
• the first mortgage secured by the unit; and
• 60 percent of the unit owner's equity in the unit.

However, if the fair market value of the unit does not exceed this sum, the initial bid must not be less than the fair market value.

Purchase restrictions. Current law prohibits certain individuals and entities from purchasing a foreclosed HOA unit. The bill adds community association management companies representing an HOA to the list and expands these restrictions to covered individuals and entities involved with the unit for the five-year period preceding the unit's foreclosure.

Court awards. The bill limits a court's award of reasonable attorney fees that an HOA incurs when foreclosing on a lien to \$2,500, and limits unit appraisal fees to \$750.

State Revenue

Starting in FY 2024-25, the bill may minimally increase revenue to the Judicial Department from an increase in filing fees from civil case filings to the extent that unit owners challenge the action of an HOA as violating the new provisions outlined in the bill. Overall, it is assumed that HOAs will follow the new requirements when foreclosing a unit. Revenue from filing fees is subject to TABOR.

State Expenditures

The bill increases workload in DORA and the Judicial Department beginning in FY 2024-25, as described below.

Department of Regulatory Agencies. The HOA Information and Resource Center in DORA serves as a resource for consumers to understand rights and responsibilities under current law. The center also registers common interest communities like HOAs and other housing cooperatives, and tracks complaints. Workload will increase for the center to generate complementary information for HOA unit owners facing collections, legal action, or foreclosure. This workload is expected to be minimal and no change in appropriations is required.

Judicial Department. Similar to the State Revenue section above, the trial courts in the Judicial Department may experience an increase in workload to the extent additional civil cases are filed under the bill. The fiscal note assumes that HOAs will comply with the law and any increase will be minimal.

Local Government

Starting in FY 2024-25, revenue and workload for the county clerk and recorder's office will minimally increase to file foreclosure documents under the bill. Additionally, the Denver County Court may experience a minimal revenue and workload increase to the extent additional civil cases are filed with the city and county courts.

Effective Date

The bill takes effect October 1, 2024 and applies to a foreclosure of an HOA lien on or after this date.

State and Local Government Contacts

County Assessors
Local Affairs

County Clerks
Regulatory Agencies

Judicial

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).