



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number:	LLS 24-0101	Date:	June 12, 2024
Prime Sponsors:	Rep. Ricks; Parenti Sen. Exum	Bill Status:	Lost in the House
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Bill Topic: **HOA FORECLOSURE SALES REQUIREMENTS**

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

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

Appropriation Summary: No appropriation was required.

Fiscal Note Status: This final fiscal note reflects the introduced bill, as amended by the House Transportation, Housing, and Local Government Committee. The bill was lost in the House on third reading on April 16, 2024; therefore, the impacts identified in this analysis do not take effect.

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 or a minimum bid cannot be calculated, the initial bid must not be less than 60 percent of 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 the lesser of \$5,000 or 50 percent of the amount of the lien, and limits unit appraisal fees to \$750.

Registration requirements. An HOA must submit certain information as part of its annual registration with DORA. Specifically, for the 12-month period preceding registration, the HOA must report:

- the number of unit owners that were three or more months delinquent in paying annual assessments;
- the number of unit owners that were six or more months delinquent in paying annual assessments;
- the number of unit owners that the HOA obtained judgement against;
- the number of payment plans entered into between the HOA and unit owner; and
- the number of foreclosure actions filed against unit owners.

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. Workload will also increase for DORA to report data to the General Assembly related to the

number of people who contacted the HOA Information and Resource Center for credit counseling and the collection of assessment. 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](#).