



HB25-1043

# Owner Equity Protection in Homeowners' Association Foreclosure Sales

## The Issue

Under current law, foreclosures in Colorado, particularly those initiated by homeowners' associations (HOAs) lack transparency, carry unfair financial burdens, and limit protections for homeowners. If a unit is foreclosed upon by an HOA for unpaid fees, it may be sold at the foreclosure sale for only what is owed to the HOA, meaning that the unit owner walks away without any equity from the sale. This process exacerbates Colorado's housing crisis and destabilizes homeowners, displacing them while simultaneously taking their hard-earned equity.

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## What does HB 25-1043 do?

The bill strengthens protections for homeowners by requiring HOAs to provide clear and timely notices about outstanding balances, as well as information on how to access free resources regarding HOA collections and foreclosure. Before initiating foreclosure proceedings, HOAs must notify homeowners of their right to seek credit counseling. The bill also mandates that HOAs report data on delinquencies, judgments, payment plans, and foreclosure actions as part of their annual registration with the state. As introduced, the bill requires HOAs to make an initial bid of at least 80% of the fair market value at foreclosure auctions. However, L001 removes this part of the bill in favor of an alternative process that would give homeowners the chance to sell their own home before foreclosure proceedings.

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## Amendments

**L.001** removes the minimum initial bid requirement in the bill and allows the unit owner to file a motion to stay the foreclosure sale for nine months, giving them an opportunity to sell their own home on the open market before it goes to a foreclosure auction. The court would determine the fair market value of the unit, set the listing price if disputed, and may extend the stay beyond nine months if the sale is imminent or for good cause. If the sale proceeds, the court would oversee the escrow and distribution of funds to ensure proper lien priority and fairness.

**L.002** addresses foreclosure processes by requiring HOAs to submit a sworn affidavit estimating the unit's value before foreclosure, giving homeowners the opportunity to dispute that valuation in court. If the foreclosure sale results in a price that is more than 20% below the determined fair market value, the court will establish a lien for the former homeowner, ensuring they receive compensation for lost equity. This lien survives foreclosure, remains on the property, and can be sold to banks or investors, providing a way for displaced homeowners to recover some of their financial loss. By addressing the issue of homes being sold far below their actual worth, this amendment introduces a safeguard against predatory HOA foreclosures and ensures greater fairness in the process.