

HB24-1158: Homeowners' Association Foreclosure Sales Requirements

Sponsors: Representative Ricks

Summary of Bill:

- The bill updates HOA foreclosure requirements to include disclosures, minimum initial bids, purchase restrictions, and court awards.
- The bill makes changes to the law relating to the foreclosure of a unit owners' association's (HOA) lien on a homeowner's (unit owner's) home (unit) for unpaid HOA assessments.

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
- 60 percent of the unit owner's equity in the unit

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.