

Fact Sheet
**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.

Why this Bill is Needed:

- The measures in this bill aim to assist homeowners in retaining their properties and promote fairness. The bill addresses homeowner concerns and seeks to regulate HOA attorneys who view neighborhoods primarily as profit centers. Highlighting issues with the HOA super lien, the bill mandates crucial notifications to homeowners before auctioning their homes, aiming to rectify the lack of information provided. Additionally, it acknowledges the financial strain on fixed-income individuals and seniors due to uncontrolled HOA expenses and unreasonable attorney fees, requiring justification for excessive charges.

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~~
- *Amendment: HB1158_L_001*- Includes factors for the court to consider in awarding reasonable attorney fees in foreclosure actions; capping total fees at \$5,000

Disclosures:

- Requires reporting to DORA division of real estate--as part of annual registration of HOAs--concerning numbers of unit owner's with assessment delinquencies of 3 or more months and 6 or more months; the number of judgments; the number of payment plans; number of foreclosures during the preceding 12 months before registration.

Minimum Initial Bids:

- The bill establishes a minimum initial bid amount for the HOA's sale at auction of a unit after foreclosure of the HOA's priority lien for assessments.
- The amount of the HOA's initial bid at auction must be at least the amount necessary to satisfy the HOA lien foreclosed, the liens for unpaid real estate taxes or other government taxes, and the first mortgage secured by the unit, as well as an **amount equal to 60% of the unit owner's equity in the unit**, as determined in accordance with the bill, unless the percentage of equity included in the bid amount is decreased by agreement of the unit owner and the HOA.
- *Amendment: HB1158_L_004*
 - Changes the minimum bid amount in foreclosure sales to 60% of FMV if:
 - The FMV of the unit doesn't exceed the amount of debt specified in (1)(d) for calculating the minimum bid; OR
 - The association cannot calculate the minimum bid in (1) because it does not know the 1st mortgage payoff amount and can't discover it.

Purchase Restrictions:

- Current law prohibits certain individuals and entities from purchasing a foreclosed HOA unit. The bill will expand the list of individuals or entities prohibited from buying a foreclosed unit to include a community association management company representing the HOA, as well as individuals who served as board members, employees of the HOA's management company, or employees of the law firm

representing the HOA, along with their immediate family members, **within the five years preceding the foreclosure sale.** Additionally, it encompasses a business entity owned by or affiliated with a community association management company or such individuals.