

Memorandum

TO: Members, Lake Hills Maintenance Corporation
FROM: Board of Directors, Lake Hills Maintenance Corporation
DATE: February 25, 2022
SUBJECT: Adopted Assessment Collections Policy and Standards for Payment Plan- Change to Comply with New State Law

Dear Members:

General Notice: This serves as general notice for the Adopted Assessment Collections Policy and Standards for Payment Plan. Following a 28-Day comment period, at the meeting held on February 14, 2022, the Board of Directors adopted the policy as listed below.

Adopted Change: The adopted change is to comply with the requirements of the payment plan standards, once adopted by the Board, shall make the Assessment Collection Policy and Standards for Payment Plan a part of the governing documents controlling the Association's collections policy.

Sincerely,
Board of Directors

Lake Hills Maintenance Corporation

ASSESSMENT COLLECTION POLICY AND STANDARDS FOR PAYMENT PLANS

Effective 2022

Prompt payment of Assessments by all owners is critical to the financial health of the Association, and to the enhancement of the property values of our homes. Your Board of Directors takes very seriously its obligation to enforce the members' obligation to pay assessments. The Board has adopted this Collection Policy in an effort to discharge that obligation in a fair, consistent and effective manner. The following are the Association's assessment collection practices and policies, pursuant to Civil Code ("CC") §5310(a)(7) and payment plan standards consistent with CC §5665:

1)Due Dates: Regular assessments are due and payable on the first day of each month. It is the owner's responsibility to timely pay each assessment regardless of whether a statement is received. All other assessments, including special assessments, are due and payable on the date specified in the notice of assessment.

2)Obligation to Pay: Assessments, late charges, interest, reasonable collection costs, and reasonable attorneys' fees, if any, are the personal obligation of the owner of the subject property (the "Property") at the time the assessment or other sums are levied. (CC §5650(a).) Owners shall be responsible for all such amounts unless it is determined that all assessments were paid on time to the Association. (CC §§5650(b); 5650(a).)

3)Late Charges: Unpaid assessments are delinquent 30 days after they are due. (CC&Rs, Art.12.2, §2.1); CC §5650 (b).) A late charge of \$10.00 (*not more than \$10.00 or 10%*) will be charged for any assessment which is not paid in full within 30 days of the due date. (CC&Rs, Art. VI, § 6.10; CC §5650(b)(2).)

4)Interest: Interest on the balance due will accrue at the rate of 10% per annum commencing thirty (30) days after the assessment becomes due. (CC&Rs, Art. VI § 6.11); CC §5650(b)3.)

5)Application of Payments: Any payments received will be applied first to assessments owed, and, only after the assessments owed are paid in full will the payments be applied to fees and costs of collection, late charges and/or interest. Payments will be applied to assessments so that the oldest assessment arrearages are retired first, unless the payment indicates that it shall be otherwise applied. A late charge may accrue if payment is not sufficient to satisfy all delinquent assessments, and the current month's assessment.

6)Debt Validation Notice: If any assessment becomes delinquent, the Association will send a debt validation notice that indicates the overdue assessment balance on the account.

7)Delinquency Notice: At the expiration of the validation period, any assessment that remains delinquent, the Association will send a notice regarding the delinquency, and demanding payment thereof, to the owner at his/her address or addresses on file with the Association. The owner will be charged a fee for such delinquency notice. If the amount set forth in the delinquency notice is not received before the due date set forth therein, the matter may be turned over to a collection agent or an attorney for further action, including legal action, or the Association may take such other collection action as it deems appropriate.

8)Right to Submit Secondary Address: Owners may submit a written request to the Association to use a secondary address. (CC §5260(b).) Any such request must be delivered to the Association in a manner that complies with CC §4035. The Association will send notices to the indicated secondary address only from and after the point that the Association receives any such request. Nothing herein shall require the Association to re-send or duplicate any notice sent to the owner prior to the date that a request for a secondary address is received.

9)Suspension of Privileges: Without prejudice to its right to continue with and/or take other collection action, in the event an assessment is not paid within 30 days of its due date, an owner's membership rights, including, but not limited to rights of use and enjoyment of the recreational common areas and common facilities may be suspended after notice and a hearing pursuant to CC §5855 and Corporations Code §7341. The Association will not deny an owner or occupant physical access to his or her separate interest by way of any such suspension of privileges. (CC §4510).

10)Pre-Lien Notice: Prior to recording a lien for delinquent assessments, the Association, its collection agent or attorney will send a pre-lien letter to the record owner as required by CC §5660 by certified and first class mail to the owner's address of record with the Association. The owner will be charged a fee for such pre-lien letter. The Association may obtain a vesting report from a title company in connection with preparation of a pre-lien letter. If a vesting report is obtained, the owner will be charged a fee for the report.

11)Opportunity to Meet and Confer: An owner may dispute the debt noticed in the pre-lien letter by submitting to the board a written request to meet and confer with a designated director of the Association pursuant to the Association's Internal Dispute Resolution established in accordance with Article 2, Section 10 of the Act ("IDR") and/or a written request for alternative dispute resolution with a neutral third party pursuant to Article 3, Section 10 of the Act (ADR). (CC §5660).

12)Right to Request a Payment Plan: Owners may submit a written request to meet with the board to discuss a payment plan. If such request is mailed within 15 days of the postmark of the pre-lien notice, the board will meet with the owner, in executive

session, within 45 days of the postmark of such request, unless there is no regularly-scheduled meeting of the board within that period of time, in which case the board may designate a committee of one or more directors to meet with the owner. (CC §5665.) In addition to the foregoing procedure for requesting a payment plan, an owner may negotiate a payment plan with the Association's managing agent, attorney or authorized collection agent. Any payment plan must comply with the Standards for Payment Plans set forth herein below.

13)Standards for Payment Plans: Payment plans will be considered on a case-by-case basis. Generally, no payment plan may exceed six (6) months in duration. Fees and/or costs may be charged for the administration of any payment plan, and may vary based upon the duration of the payment plan. Any request for a payment plan which exceeds six months in duration must be accompanied by a written explanation of the reason for the request, which includes documentation of the owner's special circumstances, financial hardship, and ability to make the payments requested. If a lien has not been recorded prior to the time that any payment plan is entered into, one may be recorded during the repayment period to secure the debt while the payment plan is pending. Payment plans must provide for full payment of the delinquent amounts, in addition to the amounts which will accrue during the repayment period, including any regular and/or special assessments, and any fees and/or costs related to the administration of the payment plan and/or for the recording and/or release of any lien. Once a payment plan is entered into, additional late charges will not accrue for so long as the owner complies with the terms of the payment plan. In the event of a default in any payment agreement, the Association will resume collection efforts from the time prior to entering into the payment plan. (CC §5665).

14)Lien: If an owner to whom a pre-lien letter is sent fails to pay the amounts demanded therein within thirty (30) days from the date such pre-lien letter is mailed, a lien for the amount of any delinquent assessments, late charges, interest and/or costs of collection, including attorneys' fees may be recorded against the owner's Property. (CC §5675). The lien is a continuing lien which secures subsequently accruing assessments. The owner will be charged a fee for such lien. No lien will be recorded unless a majority of the members of the board of directors approves the decision to record the lien at an open board meeting. (CC §5673).

15)Notice of Recordation of Lien: A copy of the lien will be sent to every person whose name is shown as an owner of the Property in the Association's records, via certified mail, within ten (10) calendar days of recordation of the lien. (CC §5675(e)) Any lien recorded by the Association will remain as an encumbrance against the Property until the debt secured thereby is satisfied.

16)Dispute Resolution: Prior to initiating foreclosure of any lien, the association shall offer to the owner of the Property, and if so requested by the owner, shall participate in IDR and/or ADR pursuant to CC §5705. The decision to pursue internal dispute resolution or a particular type of alternative dispute resolution shall be the choice of the owner, except that binding arbitration shall not be available if the Association intends to pursue judicial foreclosure.

17)Foreclosure of Lien: The Association will not seek to foreclose any lien through judicial or non-judicial foreclosure unless and until the amount of delinquent (CC §5720(b)(2)) assessments secured thereby reaches \$1,800.00, or until the assessments are at least twelve (12) months delinquent. The decision to initiate foreclosure of any lien shall be made by a majority vote of the board members, in executive session.

18)Notice to Owner of Decision to Foreclose: If the board of directors decides to initiate foreclosure of a lien, it shall provide notice of such decision to the owner pursuant to CC §5705(d). Such notice will be by personal service to an owner who occupies the Property or to the owner's legal representative. The board shall provide written notice to an owner of Property who does not occupy the Property by first-class mail, to the most current address shown on the books of the Association. In the absence of written notification by the owner to the Association, the address of the owner's Property shall be treated as the owner's mailing address. (CC §5705(d)).

19)Release of Lien Upon Satisfaction of Debt: Within 21 days of receipt of full payment to satisfy a lien, the Association will record a release of lien, and provide a copy thereof to the owner. (CC §5685(a)).

20)Right to Inspect Records: Owners have the right to inspect certain Association records pursuant CC §5205.

21)Association's Addresses: Any payments, notices or requests sent to the Association should be sent to the following address:

Regular payments:

Mailing Address for overnight payment of assessments,
notices and requests: (Cannot be post office box)

Association Payment Processing
P.O. Box 52982
Phoenix, AZ 85072-2982

Lake Hills Maintenance Corporation
c/o Avalon Management
31608 Railroad Canyon Road
Canyon Lake, CA 92587

22)Association's Right to Collect by Any Lawful Means: Nothing herein limits or otherwise affects the Association's right to proceed in any other lawful manner to collect any delinquent sums owed to the Association. The Association reserves the right to change the amount of any collection fee or charge, without notice, and reserves the right to modify or amend this collection policy at any time.