

**HILLCREST AT HOMESTEAD HOMEOWNERS ASSOCIATION, INC.
COLLECTION POLICY AND PROCEDURE**

Effective January 1, 2014

The following policy and procedure has been adopted by the Hillcrest at Homestead Homeowners Association Inc. ("Association") pursuant to Colorado statutes for collection of unpaid assessments.

1. Due Dates, Late Charges, Interest, and Acceleration of Assessments.

A. Due Dates: Monthly installments of the annual assessment are due and payable on the 1st day of each month. Payments will be deemed received and will be posted on the date the payment is received in the Association's office or the Association's payment processor's office. Any installment not paid in full when due will be considered past due and delinquent.

B. Late Charge. A late charge in the amount of \$20.00 will be imposed for any assessment, fine or other charge not paid within 30 days of the due date without further notice to the Owner. Such late charge is a personal obligation of the Owner and a lien on the Lot.

C. Interest. Interest at the rate of 12% per annum will accrue on any delinquent assessment, fine or other charge from the due date without further notice to the Owner. Interest will be added to the Owner's account 30 days following the due date.

D. Charges. Processing charges imposed by the Association's management agent for delinquent accounts are the Owner's obligation.

E. Suspension of Rights. An Owner's voting rights and access to *the recreational amenities* (and access of their family members and guests) will be automatically suspended without notice if an assessment or other charge is delinquent.

F. Acceleration. Upon 30 days written notice to the Owner, the Board may accelerate and declare immediately due all of that Owner's unpaid installments of the annual assessment. Upon acceleration, that Owner loses the privilege of paying any and all assessments and charges in installments for the remainder of the fiscal year, unless such privilege is otherwise reinstated in the Board's sole discretion.

2. Return Check Charges.

A. If any check or other instrument payable to or for the benefit of the Association is not honored by the bank or is returned by the bank for any reason, including, but not limited to insufficient funds, the Owner is liable to the Association for one of the following amounts, at the option of the Association:

(i) An amount equal to the face amount of the check, draft, or money order and a return check charge of \$20.00; or

(ii) If notice has been sent as provided in C.R.S. § 13-21-109 and the total amount due as set forth in the notice is not paid within 15 days after such notice is given, the person issuing the check, draft or money order will be liable to the Association for collection for three times the face amount of the check, but not less than \$100.00.

B. Any returned check will cause an account to be past due if full payment of the monthly installment of the annual assessment or of any other charge is delinquent.

C. If two or more of an Owner's checks are returned unpaid by the bank within any fiscal year, the Association may require that all of the Owner's future payments, for a period of one year, be made by certified check or money order.

3. Attorney Fees. The Association is entitled to recover its reasonable attorney fees and collection costs incurred in the collection of assessments or other charges due the Association from a delinquent Owner pursuant to the terms of the Declaration and Colorado law. Attorney fees incurred by the Association are considered part of the assessments and will be due and payable immediately when incurred, upon demand.

4. Application of Payments. All payments received on account of any Owner or the Owner's property, may be applied first to post-judgment attorney's fees, costs and expense; then to costs and attorney's fees not reduced to a judgment; then to interest; then to late charges; then to return check charges; then to fines and other amounts levied pursuant to the Declaration; then to delinquent assessments; then to current assessments not reduced to judgment; and finally to amounts reduced to judgment.

5. Delegation of Authority to Sign Notice of Lien. The Board of Directors delegates authority to the Association's attorney and/or managing agent to sign and acknowledge the Notice of Assessment Lien. This delegation may be withdrawn at any time. In the event the delegation is withdrawn, the Board will send written notice to the Association's attorney and/or managing agent, as appropriate, of the withdrawal.

6. Notices. The Association may, but is not required to send a "late notice" to a delinquent owner and the late fee will be applied. Before the Association turns over a delinquent account of an Owner to a collection agency or refers it to an attorney for legal action, the Association will send the Owner a notice of delinquency specifying:

(i) the total amount due, with an accounting of how the total was determined;

(ii) whether the opportunity to enter into a payment plan exists as provided in this collection policy, and instructions for contacting the Association to enter into a payment plan, if available;

(iii) the name and contact information for the individual the Owner may contact to request a copy of the Owner's ledger to verify the amount of the debt; the action required to cure the delinquency; and that failure to do so may result in the Owner's delinquent account being turned over to a collection agency, a lawsuit being filed against the Owner, the filing and foreclosure of a lien against the Owner's property, or other remedies available under Colorado.

7. Notices: Use of Certified Mail/Regular Mail. Notices will be sent by regular first class mail, postage prepaid. Notices are deemed given, even if not actually received, at 5:00 p.m. on the second business day after it is deposited in a regular depository of the United States Postal Service.

8. Payment Plans. An Owner may enter into a payment plan to pay off a deficiency in equal installments over a period of six months or such other period as authorized by the Board of Directors. If the Owner fails to comply with the terms of the payment plan (fails to remit payment of an agreed-upon installment, or to remain current with regular assessments as they come due during the payment plan term), the Association may pursue legal action. The Association is not obligated to negotiate a payment plan with an Owner who has previously entered into a payment plan after January 1, 2014. Further, the Association is not obligated to enter a payment plan if the Owner does not occupy the Living Unit and has acquired the property as a result of a default of a security interest encumbering the Lot or foreclosure of the Association's lien.

9. Judicial Foreclosure. The Association will not commence a foreclosure action unless the balance of the assessments and charges secured by its lien (which may include late fees, fines and other charges) equals or exceeds six months of common expense assessments based on the Association's periodic budget. Prior to filing a

foreclosure action, the Board will resolve by a recorded vote to authorize the filing of the foreclosure action against the particular Lot, on a specific basis.

10. Referral of Delinquent Accounts to Attorneys. Upon referral of a delinquent account to the Association's attorneys, the attorneys will take appropriate action to collect the accounts referred. The Association's attorney will consult with the Association regarding collection procedures and payment arrangements. After an account has been referred to the Association's attorney, the account will remain with the attorney until the account is settled, has a zero balance or is written off. The Association's attorney is authorized to take whatever action is necessary, in consultation with the Association, believed to be in the best interest of the Association, including, but not limited to:

A. Filing a lien against the delinquent Owner's property to provide record notice of the Association's claim against the property, if not already filed;

B. Filing suit against the delinquent Owner for a money judgment. The purpose of obtaining a personal judgment against the Owner is to allow the Association to pursue remedies such as garnishment of the Owner's wages or bank account to collect judgment amounts;

C. Instituting a judicial action of foreclosure on the Association's lien. The Association may choose to foreclose on its lien in lieu of or in addition to suing an Owner for a money judgment. The purpose of foreclosing is to obtain payment of all assessments owing in situations where either a money judgment lawsuit has been or is likely to be unsuccessful or in other circumstances that may favor such action;

D. Filing necessary claims, documents, and motions in Bankruptcy Court to protect the Association's claim if an Owner files a bankruptcy action; and

E. Filing a court action seeking appointment of a receiver. A receiver is a disinterested person, appointed by the court, who manages rental of the Owner's property, and collects the rents according to the court's order. The purpose of a receivership for the Association is to obtain payment of current assessments, reduce past due assessments, and prevent waste and deterioration of the property.

Once accounts are turned over to the Association's attorney, Owners will make payment to the Association at the address of the Association's attorney. All payment plans involving accounts referred to an attorney for collection will be set up and monitored through the attorney.

11. Notification to and Communication with Owners. After a delinquent account has been referred to the Association's attorney, all communication with the delinquent Owner will be handled through the Association's attorney. Neither the manager, if any, nor any member of the Board of Directors will discuss the collection of the account directly with an Owner after it has been turned over to the Association's attorney unless the attorney is present or has consented to the contact. However, the Association has the option and right to continue to evaluate each delinquency on a case by case basis.

12. Certificate of Status of Assessment/Estoppel Letter. The Association will furnish to an Owner or such Owner's designee upon written request, delivered personally or by certified mail, first-class postage prepaid, return receipt, to the Association's registered agent, a written statement setting forth the amount of unpaid assessments currently levied against the Owner's Lot. The statement will be delivered within 14 calendar days after receipt of the request personally or by certified mail, first-class postage prepaid, return receipt requested. The fee for the statement will be assessed in accordance with the management company's fee schedule for such statements, which fee will become an assessment. If the Owner's account has been turned over to the Association's attorney, such statement will be handled through the Association's attorney and will include any attorney fees incurred in providing the statement.

13. Bankruptcies and Public Trustee Foreclosures. Upon receipt of any notice of a bankruptcy filing by an Owner, or upon receipt of a notice of a foreclosure by any holder of an encumbrance against any Lot within the Association, the Association will advise the Association's attorney of the same and turn the account over to the Association's attorney.

14. Waivers. The Association may alter the time for the filing of lawsuits and liens, or otherwise modify the procedures contained herein, as the Association will determine appropriate under the particular circumstances. Any such accommodation will be documented in the Association's files with the conditions of relief. Failure of the Association to require strict compliance with this Collection Policy will not be deemed a waiver of the Association's right to require strict compliance and will not be deemed a defense to payment of assessment fees or other charges, late charges, return check charges, attorney fees and/or costs as described and imposed by this Collection Policy.

15. Amendment. This Collection Policy may be amended from time to time by the Board of Directors.

PRESIDENT'S CERTIFICATION:

The undersigned, being the President of Hillcrest at Homestead Homeowners Association, Inc., a Colorado non-profit corporation, certifies that the foregoing policy and procedure was adopted by the Board of Directors of the Association, at a duly called and held meeting of the Board of Directors on December 2, 2013, and in witness thereof, the undersigned has subscribed his/her name.

HILLCREST AT HOMESTEAD HOMEOWNERS ASSOCIATION INC.,
a Colorado nonprofit corporation

By:

Jeannette Calladan
Its: President