

**Stone Mountain Estates Home Owners Association  
POLICIES AND PROCEDURES FOR COVENANT AND RULE ENFORCEMENT**

**Purpose:** To adopt a policy setting forth procedures for the adoption and amendment of policies, procedures, and rules.

NOW, THEREFORE, IT IS RESOLVED that the Association does hereby adopt the following policy governing adoption and amendment of policies, procedures and rules:

1. Pursuant to the Association's governing documents and Colorado Revised Statutes 38-33.3-302, the authority to create, adopt, enforce, amend and repeal policies, procedures, rules and regulations (hereinafter collectively referred to as a "Rule") lies with the Board of Directors of the Association.
2. When the Board, in the exercise of its discretion, determines that a Rule should be adopted, amended or repealed, as appropriate, it shall do so either at a meeting of the Board or by written consent in lieu of a meeting, or by any other method authorized by the Association's governing documents or pursuant to Colorado law.
3. The Board of Directors for an association has a fiduciary obligation to ensure that homeowners are complying with the covenants contained in the governing documents.
4. COMPLAINTS: May be made by any Owner, Resident, or Board Member. Must be in writing unless they can be independently verified by the Association

a. Steps

Letter Sent to Owner	Days to Correct from Date of Letter
Courtesy Letter	10
Second Letter (actual fine after notice and hearing)	10
Third Letter (fine with threat of legal action)	10
Fourth letter (fine and turnover to legal counsel)	10
Turn over to Legal Counsel	

- b. If courtesy letter does not compel homeowner to comply with covenants, a fine may be assessed. If a fine is assessed, it is beneficial for an association to continue to work with the homeowner to obtain compliance

c. Fine Schedule

Alleged Violation	Courtesy Letter
Second Violation (of same covenant /rule)	\$25.00
Third Violation (of same covenant/rule)	\$50.00
Fourth and subsequent violations (of same covenant/rule)	\$100.00

## COLLECTION POLICY AND PROCEDURES

**Purpose:** To establish a uniform and systematic procedure for collecting assessments and other charges of the Association, thus ensuring the financial well being of the Association.

**Collection Philosophy:** All members are obligated by the Declaration of Covenants, Conditions and Restrictions of Stone Mountain Estates Home Owners Association ("Declaration") to pay all dues and assessments in a timely manner. Failure to do so jeopardizes the Association's ability to pay its bills. Failure of members to pay assessments in a timely manner is also unfair to its other members who do. Accordingly, the Association, acting through the Board of Directors must take steps to ensure timely payment of assessments.

NOW, THEREFORE, IT IS RESOLVED that the Association does hereby adopt the following procedures and policies for the collection of assessments and other charges of the Association:

- 1. DUE DATE FOR ANNUAL ASSESSMENTS:** Annual assessment shall be due and payable on the 1st day of the second calendar quarter (June 1<sup>st</sup>). Payments must be received in the Association's office or the Association's payment processor's office by the 15th of the month to avoid late fees. Any payment not paid in full within 15 days of the due date shall be subject to a late fee of \$20.00. Any payment not paid in full within 30 days of the due date shall bear interest from the date of delinquency at the rate of 18% per annum. Late fees and interest rates may be increased or decreased by a majority vote of the Board of Directors. In the event of the Board of Directors vote to increase the late fee, notice of the increase shall be sent to all Homeowners not less than 15 calendar days before the increase goes into effect.
- 2. DUE DATE FOR OTHER ASSESSMENTS:** Any additional assessment, special assessment or reimbursable ("Additional Assessment") charged to a Homeowner's account shall be due and payable within 15 calendar days of notice. Additional assessments must be received in the Association's office or the Association's payment processor's office within 15 calendar days of the notice to avoid late fees and interest. Any additional assessment not paid in full within 15 days of the notice shall be subject to a late fee of \$20.00. Any additional assessment not paid in full within 30 days of the due date shall bear interest from the date of the delinquency at the rate of 18% per annum. Late fees and interest rates may be increased or decreased by a majority vote of the Board of Directors. In the event of the Board of Directors vote to increase the late fee, notice of the increase shall be sent to all Homeowners not less than 15 calendar days before the increase goes into effect.
- 3. VOTING RIGHTS SUSPENSION:** A Homeowner's voting rights may be suspended, without further notice, if any assessment is not paid within 30 calendar days of the due date. Upon payment in full of all amounts due and owing, Homeowner's voting rights will be reinstated.

4. **RETURNED CHECK CHARGES:** In the event any instrument or check tendered to the Association is not honored or is returned by the bank for any reason including insufficient funds, the Association may impose a returned check fee of \$35.00 plus any additional bank charges. The amount of the returned check plus the additional fees will be due and payable to the Association. If good payment is not received by the dates set forth in paragraphs 1 and 2 above, late fees and interest charges may also be applied. Returned check charges may be increased or decreased by a majority vote of the Board of Directors. In the event of the Board of Directors vote to increase the late fee, notice of the increase shall be sent to all Homeowners not less than 15 calendar days before the increase goes into effect.
5. **REFERRAL OF DELINQUENT ACCOUNT TO ATTORNEY:** At any time, the Association may, but shall not be required to, refer delinquent accounts to its attorney, or other suitable collection agency, for collection. The Association's attorney or collection agency is authorized to take whatever action is necessary in consultation with the President of the Board of Directors or other person designated by the Board, and believed to be in the best interest of the Association, but not limited to:
  - Filing a Notice of Assessment Lien against the Homeowner's real property subject to the assessment obligation, if not already filed.
  - Seeking the appointment of a receiver or implementing other legal and equitable methods to collect the delinquent assessment and other amounts.
  - Monitoring and bankruptcy filing and filing necessary claims, documents, and motions in Bankruptcy Court to protect the Association's claims.

Once the delinquent account is referred to the attorney for collection, all communication with the delinquent Homeowner shall be handled through the attorney. All payment plans involving accounts referred to an attorney for collection shall be set up and monitored through the attorney. The Association shall be entitled to recover reasonable attorney fees and collection costs incurred in the collection of assessments or other charges due the Association for a delinquent Homeowner. The attorney fees incurred by the Association shall be due and payable immediately when incurred, upon demand, and shall be charged as an assessment against the Homeowner's account.

6. **LIEN FILING:** In the event the delinquent balance is not paid in full as required, the Association may cause a notice of assessment lien to be recorded against the real property subject to the assessment obligation. Any costs or expenses incurred for filing a lien against the Homeowner's real property shall be charged as an assessment against the Homeowner's account.
7. **NOTICE TO DELINQUENT HOMEOWNERS:** The following time frames for a Owner's notification of delinquent account may be followed for collection of the annual assessment and other charges:
  - If payment is not received by the 15<sup>th</sup> day of the month in which the assessment is due, a "Late Notice" will be sent to the Owner notifying him/her that the

payment is late and that a late fee has been imposed.

- If the assessment is not paid by the 15<sup>th</sup> day of the following month, a second "Late Notice" will be sent to the homeowner, notifying him/her that the payment continues to be late and that an additional late fee has been imposed.
- If the assessment is not paid by the 15<sup>th</sup> day of the third following month, a "Demand Letter" is sent to the homeowner along with a notice of the intent to lien demanding payment in full on the total outstanding balance due.
- If the assessment is not paid by the 15<sup>th</sup> day of the fourth following month, a lien will be filed against the real property and the account will be referred to the Association's attorney for collections. The Homeowner will be responsible for any and all legal fees associated to the collection of the account. Failure of the Association or the managing agent to send notices as outlined above does not relieve any Homeowner of his/her obligation for assessments, late fees, interest or other charges assessed. If the Board of Directors and/or the managing agent deems the Homeowner is making a "good faith" effort to pay the balance on the account, and catch up all arrearages, referral to the Association's attorney may be delayed at the Board's sole discretion.

8. **PAYMENT APPLICATION:** All payments in less than the full amount owed to the Association shall be applied in the following order:
- a. 1st – Attorney's fees, legal fees and costs.
  - b. 2nd – Association's collection costs.
  - c. 3rd – Reimbursement for chargeable expenses.
  - d. 4th – Fines.
  - e. 5th – Late fees.
  - f. 6th – Interest.
  - g. 7th – Special assessments, if any.
  - h. 8th – Annual assessments.

9. **WAIVERS:** Failure of the Association to require strict compliance with this Collection Policy shall not be deemed a waiver of the Association's right to require strict compliance and shall not be deemed as a defense to payment of assessment fees or other charges, late charges, returned check charges, attorney fees and/or costs as described and imposed by this Collection Policy. In the event of any conflict between this Policy and Procedure and the Association's declarations and covenants, or Colorado law, the Association's declarations and covenants and/or Colorado law shall prevail.

IN WITNESS THEREOF, the undersigned certify that this COLLECTION POLICY AND PROCEDURES was adopted at a duly called meeting of Stone Mountain Homeowners Association, held on the 10th day of January, 2011

Stone Mountain Estates Homeowners Association

BY: \_\_\_\_\_ President Attest: \_\_\_\_\_ Secretary