

HOUSE BILL REPORT

HB 1482

As Reported by House Committee On:
Civil Rights & Judiciary

Title: An act relating to foreclosure protections for homeowners in common interest communities.

Brief Description: Addressing foreclosure protections for homeowners in common interest communities.

Sponsors: Representatives Walsh, Orwall, Lekanoff, Leavitt, Sutherland, Jacobsen, Dufault and Pollet.

Brief History:

Committee Activity:

Civil Rights & Judiciary: 2/9/21, 2/12/21 [DP].

Brief Summary of Bill

- Modifies the Washington Uniform Common Interest Ownership Act to prohibit commencing an action to foreclose an association lien for past-due assessments unless the unit owner owes a specified minimum amount in past-due assessments and fails to repay that amount within six months of the day it is accrued.

HOUSE COMMITTEE ON CIVIL RIGHTS & JUDICIARY

Majority Report: Do pass. Signed by 17 members: Representatives Hansen, Chair; Simmons, Vice Chair; Walsh, Ranking Minority Member; Gilday, Assistant Ranking Minority Member; Graham, Assistant Ranking Minority Member; Abbarno, Davis, Entenman, Goodman, Kirby, Klippert, Orwall, Peterson, Thai, Valdez, Walen and Ybarra.

Staff: Yelena Baker (786-7301).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background:

The Washington Uniform Common Interest Ownership Act (WUCIOA) took effect July 1, 2018, and is applicable to residential common interest communities (CIC) created after that date. A CIC includes condominiums, cooperatives, leasehold CICs, miscellaneous communities, and plat communities. A CIC created prior to the effective date of the WUCIOA may choose to opt-in to the WUCIOA.

The WUCIOA contains numerous provisions regarding the management of a CIC, including the requirement that an association consisting exclusively of all unit owners is organized and a board with primary authority to manage the affairs of the association is designated.

As part of its duties, an association must adopt budgets and impose assessments for common expenses, which usually include the association's expenditures for administration, maintenance, repair, and replacement of the common elements of a CIC, as well as any allocations to reserves. An association may, after notice and opportunity to be heard, impose and collect reasonable fines for violations in accordance with a previously established schedule of fines adopted by the association board and furnished to unit owners. An association may also collect reasonable charges for late payments of assessments and establish a rate of interest to be charged on all subsequent delinquent assessments. An association is entitled to recover any costs and reasonable attorneys' fees incurred in connection with the collection of delinquent assessments.

Under the WUCIOA, an association has a statutory lien on each unit for any unpaid assessment against the unit from the time the assessment is due. With some exceptions, the association's lien takes priority over all other liens and encumbrances. To collect unpaid assessments, an association may bring an action to collect unpaid assessments or foreclose its lien on the unit.

An association may not commence an action to foreclose a lien for past-due assessments unless the unit owner, at the time the action is commenced, owes a sum equal to at least three months of common expense assessments and the board approves commencement of a foreclosure action specifically against that unit.

Summary of Bill:

The WUCIOA provisions related to assessments and association liens for past-due amounts are amended to prohibit commencing an action to foreclose an association lien unless the unit owner:

- owes at least three months or more of common expense assessments or \$200 of common expense assessments, whichever is greater; and
- fails to repay that amount within six months of the day it is accrued.

The required minimum amount of past-due assessments owed does not include fines, late charges, interest, attorneys' fees, or costs incurred by the association in connecting with the collection of a delinquent owner's account.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This narrowly focused bill helps ensure that associations do not foreclose over trivial amounts and encourages a repayment schedule. This helps keep people in their homes and protect homeowners from foreclosure, while also keeping community associations whole for their neighbors.

People who are about to lose their homes to foreclosure are unlikely to have the funds to hire an attorney to enforce this law, so there must be penalties for board members, mortgage lenders, and property managers that violate this law. The penalty should not be to the mortgage lending or property managing company, but to the individuals who broke the laws.

The bill needs to provide clarity for homeowners and associations as to when a notice of foreclosure may be issued, what happens if the payment plan is not followed, and what the notice needs to contain. The bill goes beyond protecting homeowners who are experiencing financial hardships due to the COVID-19 pandemic and falling behind on their assessments.

The very effective process of foreclosure mediation under the Foreclosure Fairness Program is often fatally interrupted when an association moves to foreclose for nonpayment of assessments. The bill helps mitigate the relative power advantage of an association over a homeowner and provides additional time for the homeowner to resolve their arrears before the association forecloses.

(Opposed) None.

Persons Testifying: Representative Walsh, prime sponsor; Patrick Johansen, Rise Up WA LLC; Raelene Schifano, Homeowners Association Fightclub; Krystelle Purkey, Washington State Chapter of Community Association Institute; and Marc Cote, Parkview Services.

Persons Signed In To Testify But Not Testifying: None.