

Sage Canyon Ranch Maintenance Corporation

Assessment Collection Policy

Effective May 1, 2016

The Board of Directors for Sage Canyon Ranch has adopted the following policy for the collection of homeowner's assessments:

1. **Due Date:** Homeowner's assessments are due and payable on the 1st day of each month, whether or not a homeowner ("Owner") receives a bill from the Association. An assessment is considered paid the day the payment is received by the Association or its designated agent. Postmarks are not considered.

2. **Payment Location:** The Association is the collector of the assessments, late fees and interest. Assessments may be paid by check or by electronic payments. Please contact the Association in writing to make arrangements for electronic payments. Please submit all payments including overnight mail deliveries to the Association business address:

Sage Canyon Ranch Maintenance Corporation
31608 Railroad Canyon Road
Canyon Lake, CA 92587

3. **Returned Check | Payment Charge:** A Return Check | Payment Charge of \$10.00, in addition to any bank charges and late charge, if applicable, will be assessed against an Owner's account whose check has been returned or whose electronic payment is not made by the bank for any reason.

4. **Late Charge:** On the 16th day following the due date of any assessment, the assessment is delinquent and, a Late Charge of \$10.00 or ten percent (10%), whichever is greater, shall be applied to any unpaid balance without further notice. A reminder notice may be sent to remind the Owner of the delinquency.

5. **Pay or Lien Letter:** On the 30th day following the due date of any assessment a Pay or Lien Letter will be sent to the Owner at a cost to the Owner of \$125.00, which is added to the amount of any delinquent assessment. In addition, beginning on the 30th day following the due date of any assessment, interest on the entire amount of the delinquent assessment (and all amounts added thereto) shall be charged at the rate of six percent (6%) per annum.

6. **Payment Plan:** An Owner may submit a written request to meet with the Board to discuss a payment plan for any delinquent assessment. If the Owner's request is postmarked within fifteen (15) days of the postmark date of the Pay or Lien Letter, the Board shall meet with the Owner in executive session within forty-five (45) days of the postmark of the Owner's request, if there is a regularly scheduled Board meeting within that period. Payment plans must incorporate any assessments that accrue during the payment plan period. Acceptable payment plans must include a lump sum payment of no less than half the debt paid at the onset of the agreement. The remaining balance due must be paid in no more than six (6) equal payments in addition to the current assessment payment due quarterly. Payment plans shall not impede an Association's ability to record a lien against the homeowner's property ("separate interest"). Additional late fees shall not accrue

during the payment plan period if the homeowner complies with the terms of the payment plan. In the event of a default on any payment plan, the Association may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan.

7. Lien: On the 60th day following the due date of any assessment, a Lien will be placed against the Owner's property at a cost of \$300.00, which is added to the Owner's account. The Lien will include the amount of the delinquent assessment, plus late charges, reasonable costs incurred in collecting the delinquent assessment (including reasonable attorney's fees) and interest which are payable by the Owner. The Board of Directors shall approve placing a lien against the Owners' property in an open meeting.

8. Notice of Default: On the 90th day following the due date of any assessment, a Notice of Default notice will be sent to the Owner and recorded, and the Association or its designated agent will diligently proceed with foreclosure pursuant to California Civil Code Sections 5660 through 5720. The notice will include the amount of the delinquent assessments, late charges, reasonable costs incurred in collecting the delinquent assessment (including reasonable attorney's fees) and interest which are payable by the Owner.

9. Foreclosure: The Board of Directors shall not proceed with non-judicial foreclosure unless and until the amount of delinquent assessments are in excess of one thousand eight hundred dollars (\$1,800.00) or are more than 12 months delinquent. The Association may use judicial or non-judicial foreclosure or in lieu of foreclosure, or concurrently, it may file a Superior Court or a Small Claims Court lawsuit against the Owner(s) personally to collect the delinquent assessments, late charges, reasonable costs incurred in collecting the delinquent assessment (including, without limitation, filing fees and reasonable attorney's fees) and interest, as more fully provided in Sections 5705 through 5720 of the Civil Code. Once foreclosure is commenced, no partial payments will be accepted on an assessment account.

10. Costs incurred by the Association: Any and all costs incurred by the Association to collect delinquent assessments, including, without limitation, actual reasonable attorneys' fees and costs, will be charged directly to the Owner. The Owner must pay these costs before the Association will release the lien.

11. Application of Payments: Monetary payments received from an Owner will be credited to balances on the Owner's account in the following order, and within each category from the oldest to newest (FIFO):

- a. Emergency assessments
- b. Special assessments
- c. Regular assessments
- d. Personal Charges for reimbursement
- e. Monetary penalties or fines
- f. Late Charges
- g. Legal fees and costs
- h. Interest

12. Association's Rights: In the event of a default on any payment plan, the Association may resume collection on delinquent assessment from the time prior to entering into the payment plan. In addition

n, when the account has been turned over to the Association's legal counsel, the Association and its legal counsel will not accept partial payments and will reject such partial payments until the Owner's account is brought current and paid in full. Owners shall not send any assessment payments to the Association once the matter has been turned over to the Attorney for collection; such payments shall only be accepted by the Association's legal counsel. Any payments delivered to the collection agent shall be forwarded to the attorney's office; the attorney shall release the lien when payment in full is made by the delinquent Owner.

13. Compliance with Civil Code:

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive).

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code).

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it

has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. (Section 5665 of the Civil Code)

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code)

Acceptable payment plans must include a lump sum payment of no less than half the debt paid at the onset of the agreement. The remaining balance due must be paid in no more than six (6) equal payments in addition to the current assessment payment due quarterly.