

**RESOLUTION OF THE BOARD OF DIRECTORS OF SUNN FJORD OWNERS
ASSOCIATION REGARDING A COLLECTION POLICY FOR DELINQUENT
ASSESSMENTS**

Sunn Fjord Owners Association Collection Policy

Prompt payment of assessments by all owners is critical to the financial health of the Association and to the preservation and enhancement of the property values of our homes. Your Board of Directors takes very seriously its obligations under the Association's governing documents and Washington State law to enforce the members' obligations to pay assessments. The policies and practices in this Collection Policy shall remain in effect until the Board adopts an updated Collection Policy. The effective date of this Collection Policy shall be December 1, 2011.

1. Payment of Assessment

Monthly and special assessments, late fees, interest charges, and collection costs, including attorneys' fees and management fees, are the personal obligation of the owner of the property at the time the assessment or other charge is due. It is the owner's responsibility to pay each assessment in full regardless of whether a payment statement or payment coupon is received. There is no right of offset; an owner may not withhold assessments owed to the Association on the alleged grounds that the owner is entitled to recover money or damages from the Association for some other obligation.

2. Association Lien

Delinquent amounts automatically create a lien against the property even before a written lien is recorded. The Association has the right to record a lien against the property whenever the owner's account is past due, and nothing in this Collection Policy shall limit or otherwise affect the Association's right to record a lien against the property to protect and provide public notice of the Association's interest in the property.

3. First Late Fee & Delinquent Letter

Monthly dues are assessed against each property on the first (1st) of each month, and become due and payable immediately. All other assessments, including special assessments, are due on the date specified by the Board. An account becomes delinquent when a monthly assessment is not paid in full by the tenth (10th) of the month, and/or when a special assessment is not paid by its due date. A delinquent account will incur a late fee in the amount of \$50 on the date the account becomes delinquent. The Manager is authorized and directed to charge a late fee against any delinquent account on the date the account becomes delinquent.

The Manager is further directed to send a delinquency letter via First Class U.S. Mail once the account becomes delinquent, informing the property owner of the status of their account, the late charge, and the steps the Association will take if the owner does not immediately pay the full amount due. The letter must also contain the following statement: "Nonpayment of your dues may lead to a lawsuit to foreclose on the association's lien against your property. The homestead exemption under Chapter 6.13 of the Revised Code of Washington will not apply in an action to foreclose on an Association lien." The Manager is authorized to charge the delinquent owner a fee of \$15 for each delinquency letter sent to that owner, in addition to any late fees to the association.

4. Second Late Fee & Delinquent Letter

If a property owner remains delinquent, the Manager is directed to charge another late fee in the amount of \$50 on the tenth (10th) of the second month. The Manager is also directed to send the property owner a second written notice of delinquency on the tenth (10th) of the second month. The second delinquent letter shall notify the property owner that: if the account is not paid in full in ten (10) days, it will be turned over to the Association's attorney for collection; a lien will be recorded against the property; and the property owner will be liable for all fees and costs associated with collecting on a delinquent account, including the minimum legal fees added to the collection amount. The Association may choose to refer the delinquent account to the Association's attorney at any time, and failure to do so after the second notice of delinquency does not prevent the Association from referring the delinquent account to the Association's attorney at a later date.

5. Ongoing Late Fees and Interest Charges

Regardless of whether the Association refers a delinquent account to its attorney for collection, every account with an outstanding balance shall be subject to a monthly late fee of \$50. Interest at the rate of twelve percent (12%) per annum shall be collected on all outstanding balances, including but not limited to late charges and legal fees, until the account is brought current. The Association may also assess against the delinquent unit any fees charged by its management company as a result of the owner's delinquency. *[The Board retains the authority to waive this requirement in whole or in part.]*

6. Referral to Association Attorney

If an account remains delinquent for ten (10) days after the second written notice, the Manager is directed to refer the account to the Association's attorney for collection. Additionally, the Manager is directed to consult with the Association's attorney and turn over for legal action any account where the property owner has filed for bankruptcy, is the subject of a petition for relief under the bankruptcy code, or whose lender has started a foreclosure action against their property, or where any other legal action has started against the property. Once an account has been referred to the Association's attorney for collection,

the Manager is directed to cease sending delinquency notices and/or account statements to the delinquent owner, and is directed to send any such notices to the Association's attorney instead.

7. Payment of Attorneys' Fees

The Manager is directed to pay the Association's attorney the attorney's usual and customary charges incurred in connection with the attorney's representation of the Association, together with all costs incurred by the attorney, including but not limited to: fees and charges for filing, service of process, messenger service, court reporters, electronic or computer assisted legal research, photocopies, postage, long distance calls, investigator's services, and credit and title reports. Payment is due promptly upon receipt of the attorney's monthly invoice. *[The Board retains ultimate decision-making authority on what collection actions should be taken by its attorney.]*

8. Assessment of Attorneys' Fees and Collection Costs

The Association's attorney's minimum legal fee (approximately \$475 as of the date of this policy adoption) shall be assessed against each delinquent property owner's account (including repeat collections) when the account is turned over to the Association's attorney for collection. All legal fees and costs, including amounts beyond the minimum legal fee, incurred in the collection of past due Assessments shall be assessed against the delinquent property owner's account and shall be collectible as an Assessment (pursuant to/as provided for in the governing documents).

9. Payment Plans & Other Agreements with Delinquent Owners

Once an account is placed with the Association's attorney for collection, all contacts with the delinquent owner should be handled through the attorney. Any revisions of the amounts demanded of the property owner and/or any payment plans proposed by the delinquent owner should be handled through or immediately communicated to the attorney. The Board may consider payment plan requests on a case-by-case basis and with the advice of the Association's attorney. The Board is under no obligation to grant payment plan requests. Payment plans shall not interfere with the Association's ability to record a lien against the property. *[The Board retains ultimate decision-making authority on whether amounts due should be revised and whether an owner's payment plan proposal shall be accepted.]* The Board may delegate its authority to consider and accept payment plan proposals to the Manager or the Association's attorney.

10. Board Decision About Pursuit of Additional Collection Measures

The Board retains ultimate decision-making authority on what additional collection measures shall be pursued against delinquent owners. Additional collection measures may include, but are not limited to, nonjudicial lien foreclosure, a lawsuit to foreclose the Association's lien, a personal lawsuit against the owner, or referral of the delinquent account to a collection agency.

11. Foreclosure

If an owner fails to respond or fails to resolve the delinquency following the Association's attorney's attempts to collect from the owner, the Board of Directors may decide to foreclose on the Association's lien. The Association may foreclose on the lien judicially or nonjudicially. The owner could lose ownership of the property if a foreclosure is completed, and will be responsible for significant additional legal fees and costs if a foreclosure is started against the owner's property.

12. Appointing a Receiver

Once a foreclosure lawsuit has been filed, the Association may request that the Court appoint a Receiver to take possession of a property that is not occupied by the owner. The Receiver has the authority to refurbish and rent out the property on behalf of the Association.

13. Personal Lawsuit

All sums assessed by the Association chargeable to any Unit are the personal obligation of the Owner of the Unit when the assessments are made. The Association may file suit to recover personal judgment for any delinquent assessments, and a personal lawsuit is maintainable without foreclosing or waiving the liens securing them. Pursuit of a personal lawsuit may result in a judgment against the delinquent owner. Execution of a personal judgment obtained by the Association may include garnishment of a delinquent owner's bank accounts or wages.

14. Security Deposit

As provided by the Declaration the Association may assess a security deposit charge in the amount of three months' assessments on delinquent accounts. The security deposit will be held in a separate account to the owner's credit and will be refunded to the owner in the form of a credit against future amounts due once the owner has kept the account current for twelve consecutive months. *[The Board retains the authority to waive this requirement in whole or in part.]*

15. Payments Received from Delinquent Owner

All payments received shall be applied to the oldest amounts due first. All checks or money orders collected from delinquent owners during the collection process shall be made out to the Association, but mailed or delivered to the attorney's office so that the attorney can keep accurate, up-to-date records of the remaining amounts due. The Manager is directed to send an updated account ledger for the accounts in collection to the Association's attorney once a month for the duration of the collection action.

16. Additional Collection Action

Nothing in this Collection Policy limits or otherwise affects the Association's right to proceed in any lawful manner to collect any delinquent amounts owed to the Association.

This resolution was adopted by the Board of Directors on November 9, 2011, and shall be effective on December 1, 2011.


President