

**GOLDEN GATEWAY COMMONS II
RESIDENTIAL ASSOCIATION:
DELINQUENT ASSESSMENT COLLECTION POLICY**

Timely payment of all Assessments is of critical importance to Golden Gateway Commons II Residential Association. Although most Owners of Units consistently pay their Assessments on time, the failure of any Owner to pay Assessments when due creates a cash-flow problem for the Association and causes those Owners who timely pay their Assessments to bear a disproportionate share of the Association's financial obligations. Therefore, to encourage the prompt payment of Assessments, the Board of Directors has enacted the following policies and procedures concerning collection of delinquent Assessment Accounts. Capitalized terms used in this Delinquent Assessment Collection Policy, if not otherwise defined, shall have the meaning specified in the Golden Gateway Commons II Combined Condominium Declaration of Covenants, Conditions and Restrictions, as amended ("the Declaration.")

We sincerely trust that all Owners, in the spirit of cooperation, will make timely payments and avoid the imposition of late charges and possible resultant legal action. It is in your best interest to do so.

This Policy complies with the Declaration, Article IV; with applicable provisions of the California Civil Code, and with Assembly Bill 2289.

I. Due Dates, Late Charges, Collection Costs, and Interest.

A. Assessment Due Dates. The Annual Regular Assessment is payable in twelve equal monthly installments on the first day of each calendar month and is delinquent if not paid by the 15th day of the month, whether or not the monthly courtesy billing has been received by the Owner. Special Assessments shall be due and payable on the due date specified by the Board of Directors in the notice imposing the Assessment or in the ballot presenting the Special Assessment to the Members for approval, and shall be delinquent if not paid by the 15th day after the due date. When an Owner makes a payment, he or she may request a receipt, and the Association will provide it. On the receipt, the Association shall indicate the date of payment and who received it. The Association hereby informs the owners that overnight payments should be sent to CFM 1320 Arnold Drive, Suite 242 Martinez, CA 94553.

B. Late Charges. When an installment payment of a Regular Assessment or Special Assessment become delinquent, the Owner's account with the Association shall be charged with a late payment fee equal to the greater of Ten Dollars (\$10.00) or Ten Percent (10%) of the delinquent amount.

C. Collection Costs Are Also Recoverable. As provided by law, the Association is also entitled to recover all reasonable costs incurred in collecting delinquent Assessments, including the following: (i) reasonable charges imposed to defray the cost of preparing and mailing demand letters; (ii) legal expenses incurred, including attorneys' fees and costs; (iii) recording costs; (iv) costs incurred with title companies or foreclosure service companies; and (v) costs associated with small claims court actions (collectively "reasonable costs of collection.")

D. Policy Regarding Requests From Owners to Waive Costs. It is the policy of the Association not to waive any duly imposed reasonable costs of collection. It is the Owner's responsibility to allow ample time to drop off or mail funds before the delinquency date. All notices or invoices for Assessments will be sent to Condominium Owners by first-class mail addressed to the Owner at his or her address as shown on the books and records of the Association. However, it is the Owner's responsibility to be aware of the Assessment payment due dates and to advise the Association of any changes in the Owner's mailing address.

E. Interest. State law and the governing documents of the Association also provide for the imposition of interest at the rate of Twelve Percent (12%) per annum on all delinquent Assessments, late charges, and reasonable costs of collection commencing 30 days after the due date of the delinquent Assessments.

F. Application of Payments. Payments received on delinquent Assessments shall be applied to the Owner's account in the following order of priority: first, to the principal owed; then to accrued interest and late charges; then to attorneys' fees and costs; then to the title company and foreclosure service company charges and other reasonable costs of collection. Payments on account of principal shall be applied in reverse order so that the oldest arrearages are retired first. Interest shall continue to accrue on unpaid balances of principal, and other costs and charges imposed in accordance with Civil Code Section 1366(d). An Owner is not responsible for late charges, interest and costs of collection if the Owner establishes that he or she paid the Assessment properly and on time.

II. Enforcement and Collection Remedies Available to the Association.

A. Collection Alternatives Available to the Association in the Event an Owner Becomes Delinquent. If the Owner's Assessment Account remains delinquent for more than 30 days, and interest charges begin to accrue, the Association shall be entitled to pursue either of two alternatives:

i. Small Claims Actions. First, the Association may elect to instruct its management company to pursue the Association's claims against the Owner in a Small Claims Court Action. If this action is

taken, the paragraphs of this Policy pertaining to judicial and non-judicial foreclosure are inapplicable.

ii. Demand (Certified Mail) Followed by Foreclosure Proceedings. Second, the Association may elect to instruct its legal counsel to send the delinquent Owner, by certified mail, (or, in the event the Owner's address as shown on the books and records of the Association is not located in the United States, by a courier service providing receipt for delivery) a demand letter. The demand letter shall provide an itemized statement of the total amount of Assessments then due and the amount of late charges and interest (and a statement of how those sums were calculated), and collection costs then posted to the Owner's account. The Owner shall have a right to inspect the Association's books and records during normal business hours to verify the manner in which the amount was calculated and the accuracy of the amount. In addition, this notice shall advise the Owner of the Association's fee and penalty procedures and the Association's collection policies by including a copy of this Policy with the letter.

The Association shall comply with all requirements of Civil Code 1367.1 prior to recording any lien. The collection practices of the Association are governed by state and federal laws regarding fair debt collection. Penalties may be assessed for violation of such laws.

At least thirty (30) days prior to recording a lien to collect a delinquent Assessment, the Association shall send the Owner of record, by certified mail, a Notice in at least 14 Point type which states the following: **IMPORTANT NOTICE: IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION."**

The Notice shall also state that the Owner shall not be liable to pay the charges, interest, and cost of collection if it is determined that the Assessment was paid on time to the Association, and shall also inform the Owners of their right to meet with the Board of Directors of the Association, as required by Civil Code 1367.1.

If the Association fails to comply with Civil Code 1367.1, the Association must comply with the required notice provisions before recording a lien. In the event the Association fails to comply with the notice provisions, any costs associated with recommencing the notice process shall be borne by the Association and not by the Owner of the separate interest.

iii. Suspension of Membership Privileges. In addition to pursuing either of the above options, membership must be maintained in good standing to retain privileges, including but not limited to the exercise of member voting rights. Membership is considered not in good standing if any Assessments, dues, fees, fines, interest, late charges, or any other charges remain unpaid 60 days after the due date for the delinquent Assessments.

On receipt of that notice, the Association must inform the protesting Owner of his or her right to have the matter resolved through alternative dispute resolution in accordance with Civil Code Section 1354, through the filing of a civil action or through use of any other dispute resolution procedures available through the Association. Monies received under protest shall be held segregated on the books and records of the Association until such time as the alternative dispute resolution process has concluded, provided the Owner's protest is timely and properly made and the limitations described in the immediately following paragraph do not apply. If an Owner elects to pursue alternative dispute resolution in accordance with Civil Code Section 1354, it shall be the responsibility of the Owner to comply with the statutory requirements relating to the preparation and service of a request for Resolution.

NOTICE REGARDING LIMITATIONS ON OWNER PROTEST RIGHTS: Unless the Association otherwise agrees, State law provides that this right to pay delinquent Assessments under protest and to demand alternative dispute resolution (which is a statutory right conferred by Civil Code Section 1366.3) may be exercised only two times in any single calendar year and not more than three times in any five calendar years. Except to the extent that notices are required by law, the Association shall not provide advice to Condominium Owners regarding technical requirements of these alternative dispute resolution procedures. Owners should consult with their own counsel regarding such matters.

iii. Meetings and Payment Plans. An Owner of a separate interest may request the Association to consider a payment plan to satisfy a delinquent Assessment. The Association must inform the Owner of the standards for payment plans, if any exist. The Board of Directors must meet with an Owner who makes a proper request for a meeting to discuss a payment plan when the Owner has received a notice of a delinquent assessment. If the Owner requests the meeting within 15 days of receiving the notice required by Civil Code 1367.1, the Board shall meet with the Owner within 45 days of the postmark on the notice to the Board requesting the meeting, unless the board has no regularly scheduled board meeting during that period, and, in that event, the Board may appoint a committee of one or more Board members to meet with the Owner. Any meeting between the Board and the Member shall be held in executive session. The payment plan must conform with the standards of the association for payment plans, if any exist.

E. Continuation With Foreclosure Proceedings. Following the later of 30 days from recordation of the Notice of Default or conclusion of alternative dispute resolution procedure following a valid Owner's protest in a manner that does not result in a binding adverse determination against the Association (see Civil Code Section 1366.3(a) and paragraph (e) above), the Association's lien may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the

Notice of Delinquent Assessment, or sale by a trustee substituted under Civil Code Section 2934(a). Any sale by a trustee in foreclosure shall be conducted in accordance with the Civil Code provisions relating to foreclosure of a deed of trust under a power of sale (see Civil Code Section 2924, 2924(b) and 2924(c).

F. Authority of the Association to Recover All Reasonable Costs of Collection. As noted above, if a lawsuit or foreclosure proceeding is initiated by the Association to recover Assessments, the Association is entitled by law (Civil Code 1366(d) and by the Declaration, to recover not only the amount in default, plus late charges and interest, but also all reasonable costs of collection, including title company and foreclosure service company charges and attorney's fees. Charges incurred by the Association with foreclosure companies and title companies (following recordation of a Notice of delinquent Assessment), including the preparation and recordation of a Notice of Default (with associated required statutory mailing) typically average about \$700.00 provided the Owner pays all amounts shown in the Notice of Default not later than 90 days following the recording of the Notice of Default. After the expiration of the 90 days, such costs typically average \$1,200. The estimated charges and fees set forth in this paragraph are subject to change. It is advisable that the Owner first contact the Association's management company's office to confirm the amounts accrued and owing as of any pay-off date.

G. Charges for Returned Checks. A \$25.00 charge shall be posted to an Owner's account for any checks that are returned.

H. Effective Date of This Policy: This policy was duly adopted by Action of the Board of Directors on October 11, 2002, and shall be effective until further notice.