

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

H.B. 444
Mar 18, 2025
HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH30206-NO-36B

Short Title: Homeowners Association Reform Bill.

(Public)

Sponsors: Representative Liu.

Referred to:

A BILL TO BE ENTITLED
AN ACT TO MAKE VARIOUS CHANGES TO THE LAWS GOVERNING UNIT OWNER
ASSOCIATIONS AND LOT OWNER ASSOCIATIONS, TO MANDATE
PRELITIGATION MEDIATION OF DISPUTES BETWEEN OWNERS' ASSOCIATIONS
AND THEIR MEMBERS, AND TO REQUIRE THE DEPARTMENT OF JUSTICE TO
COLLECT AND REPORT ON COMPLAINTS SUBMITTED TO IT INVOLVING SUCH
DISPUTES.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 47C of the General Statutes is amended by adding a new
section to read:

"§ 47C-2-117.1A. Declaration amendments applicability.

Amendments made to the declaration pursuant to G.S. 47C-2-117 shall only affect unit
owners whose units are conveyed or transferred after the amendment takes effect. For
amendments made while a unit owner owns a unit, the amendment has no effect until the unit is
conveyed or transferred to another unit owner. A unit owner takes the unit subject to existing
rules in the declaration at the time of conveyance or transfer of the unit."

SECTION 2. Chapter 47F of the General Statutes is amended by adding a new
section to read:

"§ 47F-2-117.1. Declaration amendments applicability.

Amendments made to the declaration pursuant to G.S. 47F-2-117 shall only affect lot owners
whose lots are conveyed or transferred after the amendment takes effect. For amendments made
while a lot owner owns a lot, the amendment has no effect until the lot is conveyed or transferred
to another lot owner. A lot owner takes the lot subject to existing rules in the declaration at the
time of conveyance or transfer of the lot."

SECTION 3. G.S. 47C-3-102(a) reads as rewritten:

"§ 47C-3-102. Powers of unit owners' association.

(a) Unless the declaration expressly provides to the contrary, the association, even if
unincorporated, may do all of the following:

...

- (3) Hire and terminate managing agents and other employees, agents, and
independent contractors. A contract between an association and a managing
agent shall not have a term exceeding one year and shall not contain an
automatic renewal provision that requires the association to give notice of
nonrenewal more than 30 days prior to the contract's anniversary date. Any
contract with a managing agent that is automatically renewed shall be
terminable by the association for any reason upon 60 days' notice. A managing



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agent shall not be compensated in whole or in part based on the amount of fines collected by the managing agent on behalf of the association and shall not collect from the association or a unit owner any fee in connection with its collection of a fine imposed by the association.

...

(6) Regulate the use, maintenance, repair, replacement, and modification of common ~~elements~~-elements; provided, however, that in the absence of an express authorization in the declaration, an association shall not enforce any restriction on parking of a personal vehicle on a public street or public road for which the North Carolina Department of Transportation or local government has assumed responsibility for maintenance and repairs, unless the authority to regulate such parking has been expressly delegated to the association by the Department of Transportation or local government under terms prescribing the manner in which the association may exercise that authority. Any such delegation shall be valid for a period not to exceed five years, at which time the association must reapply to the delegating entity. As used in this subdivision, "personal vehicle" means an automobile with a gross weight of less than 26,001 pounds that is used for personal pleasure, travel, or commuting to and from a place of work, and does not include a motor home or self-propelled recreational vehicle, or an automobile that is otherwise used primarily in connection with any commercial endeavor or business.

...

(11) Impose charges for late payment of assessments, not to exceed the greater of twenty dollars (\$20.00) per month or ten percent (10%) of any assessment installment unpaid and, after notice and an opportunity to be heard, suspend privileges or services provided by the association (except rights of access to lots) during any period that assessments or other amounts due and owing to the association remain unpaid for a period of 30 days or longer, and levy reasonable fines not to exceed one hundred dollars (\$100.00)(G.S. 47C-3-107.1) for violations of the declaration, bylaws, and rules and regulations of the association. No fine shall be levied for violation of a provision restricting or prohibiting tutoring, educational lessons, academic lessons, music lessons, or swimming lessons provided in the owner's unit to a group of no more than five people at any one time, regardless of whether compensation is received for such lessons.

...

(12a) Impose ~~reasonable~~-charges in connection with the preparation of ~~statements~~-a lender's questionnaire or certification or a statement of unpaid assessments, which must be furnished within 10 ~~business~~-days after receipt of the request, in an amount not to exceed two hundred dollars (\$200.00) per ~~statement or request, item requested,~~ and an additional ~~expedite~~-expedited fee in an amount not to exceed one hundred dollars (\$100.00) if the ~~request is made within 48 hours of closing, all of which item is requested to be furnished less than 10~~ days after receipt of the request. These charges may be collected by the association, its managers, or its agents. Any charge for preparation of a lender's questionnaire or certification shall be paid by the requesting party. Neither the association nor its managing agent shall impose any charge upon a unit owner or a prospective purchaser of a unit in connection with the conveyance of a unit unless the charge is authorized in this subdivision. Violation of this subdivision by an association or by its managing agent shall constitute an unfair and deceptive trade practice under G.S. 75-1.1.

(12b) Impose a reasonable charge for providing copies of records requested by a member, not to exceed the actual cost of photocopying the records.

...

(14a) Exercise any authority granted to it under the declaration to approve or disapprove any proposed changes to a unit or limited common element. In exercising such authority, the association shall provide a fair, reasonable, and expeditious procedure for making its decision, which procedure shall be set forth in the association's governing documents. The procedures shall state the maximum time for issuance of any decision on a proposal or a request for reconsideration. At a minimum, a decision shall be made within 90 days after the initial submission of the proposal or submission of any additional information or changes to the proposal requested by the association in response to the initial submission. A decision shall be in writing, shall be made in good faith, and may not be unreasonable, arbitrary, or capricious. If the proposal is disapproved, the decision shall include both an explanation of why the proposal is disapproved and a description of the procedure for reconsideration of the decision by the executive board.

...."

SECTION 4.(a) G.S. 47C-3-103 reads as rewritten:

"§ 47C-3-103. Executive board members and officers.

...

(c) Within 30 days after adoption of any proposed budget for the condominium, the executive board shall provide a summary of the budget to all the unit owners, and shall set a date for a meeting of the unit owners to consider ratification of the budget not less than 10 nor more than 60 days after mailing of the summary. There shall be no requirement that a quorum be present at the meeting. ~~The Except as otherwise provided in subsection (c1) of this section, the~~ budget is ratified unless at that meeting a majority of all the unit owners or any larger vote specified in the declaration rejects the budget. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the unit owners ratify a subsequent budget proposed by the executive board.

(c1) Ratification of a proposed budget that would increase the previous year's common expense liability by more than ten percent (10%) requires the approval of a majority of all the unit owners or any larger vote specified in the declaration, unless the amount of the increase is expressly authorized in the declaration. After ratification of the budget, no action may be taken by the executive board that would increase the budgeted common expense liability for that fiscal year by more than five percent (5%) without the approval of a majority of all the unit owners or any larger vote specified in the declaration.

...."

SECTION 4.(b) G.S. 47F-3-103 reads as rewritten:

"§ 47F-3-103. Executive board members and officers.

...

(c) Within 30 days after adoption of any proposed budget for the planned community, the executive board shall provide to all the lot owners a summary of the budget and a notice of the meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The executive board shall set a date for a meeting of the lot owners to consider ratification of the budget, such meeting to be held not less than 10 nor more than 60 days after mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. ~~The Except as otherwise provided in subsection (c1) of this section, the~~ budget is ratified unless at that meeting a majority of all the lot owners in the association or any larger vote specified in the declaration rejects the budget. In the event the proposed budget is

rejected, the periodic budget last ratified by the lot owners shall be continued until such time as the lot owners ratify a subsequent budget proposed by the executive board.

(c1) Ratification of a proposed budget that would increase the previous year's common expense liability by more than ten percent (10%) requires the approval of a majority of all the lot owners or any larger vote specified in the declaration, unless the amount of the increase is expressly authorized in the declaration. After ratification of the budget, no action may be taken by the executive board that would increase the budgeted common expense liability for that fiscal year by more than five percent (5%) without the approval of a majority of all the lot owners or any larger vote specified in the declaration.

...."

SECTION 5. G.S. 47C-3-107.1 reads as rewritten:

"§ 47C-3-107.1. Procedures for fines and suspension of condominium privileges or services.

Unless a specific procedure for the imposition of fines or suspension of condominium privileges or services is provided for in the declaration, a hearing shall be held before the executive board or an adjudicatory panel appointed by the executive board to determine if any unit owner should be fined or if condominium privileges or services should be suspended pursuant to the powers granted to the association in G.S. 47C-3-102(11). Any adjudicatory panel appointed by the executive board shall be composed of members of the association who are not officers of the association or members of the executive board. The unit owner charged shall be given notice of the charge, opportunity to be heard and to present evidence, and notice of the decision. A written notice of hearing shall be sent to the unit owner as provided in G.S. 47C-3-116(e)(3) not less than 10 days prior to the scheduled hearing date. The notice of hearing shall specify the date, time, and place of the hearing and shall include a general description of each alleged violation and the action, if any, to cure each alleged violation. The unit owner shall be given an opportunity to be heard and to present evidence at the hearing. A written notice of the decision specifying each violation verified by the evidence and the action, if any, to cure each verified violation shall be sent to the unit owner as provided in G.S. 47C-3-116(e)(3). If it is decided that a fine should be imposed, a fine not to exceed one hundred dollars (\$100.00) may be imposed for the violation and without further hearing, for each day more than five days after the decision that the violation ~~occurs~~ occurs, up to a maximum fine of two thousand five hundred dollars (\$2,500). Such fines shall be assessments secured by liens under G.S. 47C-3-116. If it is decided that a suspension of condominium privileges or services should be imposed, the suspension may be continued without further hearing until the violation or delinquency is cured. A unit owner may appeal a decision of an adjudicatory panel to the full executive board by delivering written notice of appeal to the executive board within 15 days after the date of the decision. The executive board may affirm, vacate, or modify the prior decision of the adjudicatory body. All fines collected pursuant to this section shall be remitted to the Civil Penalty and Forfeiture Fund."

SECTION 6. G.S. 47C-3-116 reads as rewritten:

"§ 47C-3-116. Lien for sums due the association; enforcement.

(a) Any assessment attributable to a unit which remains unpaid for a period of 30 days or longer shall constitute a lien on that unit when a claim of lien is filed of record in the office of the clerk of superior court of the county in which the unit is located in the manner provided in this section. A claim of lien securing a debt consisting of fines or fine-related charges shall be filed separately from a claim of lien securing other sums owed to the association and shall be filed within 90 days after the date the fine was imposed. As used in this section, "fines or fine-related charges" means fines imposed by the association, interest on unpaid fines, or attorneys' fees incurred by the association related to fines imposed by the association. Once filed, a claim of lien secures all sums due the association through the date filed and any sums due to the association thereafter. Unless the declaration provides otherwise, fees, charges, late charges and other charges imposed pursuant to G.S. 47C-3-102, 47C-3-107, 47C-3-107.1, and 47C-3-115

are subject to the ~~claim~~claims of lien provided for under this section as well as any other sums due and payable to the association under the declaration, the provisions of this Chapter, or as the result of an arbitration, mediation, or judicial decision.

(b) The association must provide proper notice of delinquent assessments to the unit owner before filing a claim of lien. The association must make reasonable and diligent efforts ensure that its records contain the unit owner's current ~~physical mailing address~~ address and current electronic mailing address. No fewer than 15 days prior to filing the lien, the association shall ~~mail~~do all of the following:

(1) Mail a statement of the assessment amount due by first class mail to the physical address of the unit and the unit owner's address of record with the association and, if different, to the address for the unit owner shown on the county tax records for the unit. If the unit owner is a corporation or limited liability company, the statement shall also be sent by first class mail to the mailing address of the registered agent for the corporation or limited liability company. Notwithstanding anything to the contrary in this Chapter, the association is not required to mail a statement to an address known to be a vacant unit or to a unit for which there is no United States postal address.

(2) Send a statement of the assessment amount due via electronic mail if the owner has designated an email address as provided in G.S. 55A-1-70(b).

(c) A claim of lien shall set forth the name and address of the association, the name of the record owner of the unit at the time the claim of lien is filed, a description of the unit, and the amount of the lien claimed. A claim of lien may also appoint a trustee to conduct a foreclosure as provided in subsection (f) of this section. The first page of the claim of lien shall contain the following statement in print that is in boldface, capital letters, and no smaller than the largest print used elsewhere in the document:

"THIS DOCUMENT CONSTITUTES A LIEN AGAINST YOUR PROPERTY, AND IF THE LIEN IS NOT PAID, THE HOMEOWNERS ASSOCIATION MAY PROCEED WITH ~~FORECLOSURE ENFORCEMENT AGAINST YOU AND YOUR PROPERTY IN LIKE MANNER AS A MORTGAGE AS PERMITTED~~ UNDER NORTH CAROLINA LAW."

The person signing the claim of lien on behalf of the association shall attach to and file with the claim of lien a certificate of service attesting to the attempt of service on the record owner, which service shall be attempted in accordance with G.S. 1A-1, Rule 4(j), for service of a copy of a summons and a complaint. If the actual service is not achieved, the person signing the claim of lien on behalf of the association shall be deemed to have met the requirements of this subsection if service has been attempted pursuant to both of the following: (i) G.S. 1A-1, Rule 4(j)(1)c, d, or e and (ii) by mailing a copy of the lien by regular, first class mail, postage prepaid to the physical address of the unit and the unit owner's address of record with the association, and, if different, to the address for the unit owner shown on the county tax records and the county real property records for the unit. The association shall also send the owner a copy of the claim of lien and certificate of service by email if the owner has designated an email address as provided in G.S. 55A-1-70(b). In the event that the owner of record is not a natural person, and actual service is not achieved, the person signing the claim of lien on behalf of the association shall be deemed to have met the requirements of this subsection if service has been attempted once pursuant to the applicable provisions of G.S. 1A-1, Rule 4(j)(3) through G.S. 1A-1, Rule 4(j)(9). Notwithstanding anything to the contrary in this Chapter, the association is not required to mail a claim of lien to an address which is known to be a vacant unit or to a unit for which there is no United States postal address. A lien for unpaid assessments is extinguished unless proceedings to enforce the lien are instituted within three years after the filing of the claim of lien in the office of the clerk of superior court. A lien securing a debt consisting of fines or fine-related charges is extinguished unless proceedings to enforce the lien are instituted within one year after the filing of the claim of lien in the office of the clerk of superior court.

(d) A claim of lien filed under this section is prior to all liens and encumbrances on a unit except (i) liens and encumbrances, specifically including, but not limited to, a mortgage or deed of trust on the unit, recorded before the filing of the claim of lien in the office of the clerk of superior court and (ii) liens for real estate taxes and other governmental assessments and charges against the unit. This subsection does not affect the priority of mechanics' or materialmen's liens.

(e) Attorneys' Fees. —

(1) The association shall be entitled to recover the reasonable attorneys' fees and costs it incurs in connection with the collection of any sums ~~due~~. due, except as otherwise provided in subdivision (2) of this subsection.

(2) In an action to enforce a claim of lien securing a debt consisting of fines or fine-related charges, upon findings by the court (i) that there was an unwarranted refusal by the unit owner to negotiate or pay the fines or fine-related charges and (ii) that the amount of damages recovered exceeded the highest offer made by the unit owner no later than 90 days before the commencement of trial, the presiding judge may, in the judge's discretion, allow reasonable attorneys' fees to the duly licensed attorneys representing the association obtaining a judgment for damages in said suit, in an amount not to exceed ten thousand dollars (\$10,000) or fifteen percent (15%) of the amount recovered, whichever is greater, said attorneys' fees to be taxed as a part of the court costs. When making an award of attorneys' fees under this subdivision, the judge shall issue a written order including findings of fact detailing the factual basis for the finding of an unwarranted refusal to negotiate or pay the debt secured by the claim of lien, and setting forth the amount of the highest offer made by the unit owner 90 days or more before the commencement of trial, and the amount of damages recovered, as well as the factual basis and amount of any such attorneys' fees to be awarded.

(3) A unit owner may not be required to pay attorneys' fees and court costs until the unit owner is notified in writing of the association's intent to seek payment of attorneys' fees, costs, and expenses. The notice must be sent by first-class mail to the physical address of the unit and the unit owner's address of record with the association and, if different, to the address for the unit owner shown on the county tax records for the unit. The association must make reasonable and diligent efforts to ensure that its records contain the unit owner's current mailing address. Notwithstanding anything to the contrary in this Chapter, there shall be no requirement that notice under this subsection be mailed to an address which is known to be a vacant unit or a unit for which there is no United States postal address. The notice shall set out the outstanding balance due as of the date of the notice and state that the unit owner has 15 days from the mailing of the notice by first-class mail to pay the outstanding balance without the attorneys' fees and court costs. If the unit owner pays the outstanding balance within this period, then the unit owner shall have no obligation to pay attorneys' fees, costs, or expenses. The notice shall also inform the unit owner of the opportunity to contact a representative of the association to discuss a payment schedule for the outstanding balance as provided in subsection (i) of this section and shall provide the name and telephone number of the representative.

(f) Except as provided in subsection (h) of this section, the association, acting through the executive board, may foreclose a claim of lien securing a debt consisting of sums due the association other than fines or fine-related charges in like manner as a mortgage or deed of trust on real estate under power of sale, as provided in Article 2A of Chapter 45 of the General Statutes,

1 if the ~~assessment remains unpaid~~ delinquency has continued for ~~90-180~~ days or more. The
2 association shall not foreclose the claim of lien unless ~~the all of the following conditions are met:~~

3 (1) The executive board votes to commence the proceeding against the specific
4 unit.

5 (2) The amount of the lien is equal to or greater than six months of assessments
6 or equal to or greater than two thousand five hundred dollars (\$2,500),
7 whichever is less.

8 (3) The association offered the unit owner a reasonable opportunity to cure the
9 default by making payments under an installment schedule as authorized
10 under subsection (i) of this section, and the unit owner either did not accept
11 the offer or defaulted on payments required under the agreed installment
12 schedule.

13 (f1) The following provisions and procedures shall be applicable to and complied with in
14 every nonjudicial power of sale foreclosure of a claim of lien, and these provisions and
15 procedures shall control to the extent they are inconsistent or in conflict with the provisions of
16 Article 2A of Chapter 45 of the General Statutes:

17 ...

18 (5) After the association has filed a claim of lien and prior to the commencement
19 of a nonjudicial foreclosure, the association shall give to the unit owner notice
20 of the association's intention to commence a nonjudicial foreclosure to enforce
21 its claim of lien. The notice shall contain the information required in
22 G.S. 45-21.16(e)(5a), G.S. 45-21.16(c)(5) and G.S. 45-21.16(c)(5a) and shall
23 specifically reference the unit owner's right of redemption provided under
24 subdivision (8) of this subsection. The notice shall be sent by first-class mail
25 to the physical address of the unit and the unit owner's address of record with
26 the association and, if different, to the address for the unit owner shown on
27 the county tax records for the unit.

28 (5a) The notice of hearing required pursuant to G.S. 45-21.16(a) shall be
29 accompanied by the association's certification of the actions it has taken to
30 give the owner notice of delinquent assessments in compliance with
31 subsection (b) of this section.

32 (5b) At the commencement of the hearing, the clerk shall inquire as to whether the
33 owner occupies the unit as his or her principal residence. If it appears that the
34 owner does currently occupy the unit as a principal residence, the clerk shall
35 further inquire as to the efforts the association has made to communicate with
36 the owner and to attempt to resolve the matter voluntarily before the
37 foreclosure proceeding. The clerk's inquiry shall not be required if the
38 association has submitted, at or before the hearing, an affidavit briefly
39 describing any efforts that have been made to resolve the default with the
40 owner and the results of any such efforts.

41 (5c) The clerk shall order the hearing continued if the clerk finds that there is good
42 cause to believe that additional time or additional measures have a reasonable
43 likelihood of resolving the delinquency without foreclosure. In determining
44 whether to continue the hearing, the clerk may consider (i) whether the
45 association has offered the debtor an opportunity to resolve the foreclosure
46 under a payment schedule pursuant to subsection (i) of this section, (ii)
47 whether the association has engaged in actual responsive communication with
48 the owner, including telephone conferences or in-person meetings with the
49 owner or other actual two-party communications, (iii) whether the owner has
50 indicated that he or she has the intent and ability to resolve the delinquency
51 by making future payments under a payment plan, and (iv) whether the

1 initiation or continuance of good-faith voluntary resolution efforts between
2 the parties may resolve the matter without a foreclosure sale. Where good
3 cause exists to continue the hearing, the clerk shall order the hearing continued
4 to a date and time certain not more than 90 days from the date scheduled for
5 the original hearing. Nothing in this part shall limit the authority of the clerk
6 to continue a hearing for other good cause shown.

7 ...

8 (g) The provisions of subsection (f) of this section do not prohibit or prevent an
9 association from pursuing judicial foreclosure of a claim of ~~lien, lien securing a debt consisting~~
10 of sums due the association other than fines and fine-related charges, from taking other actions
11 to recover the sums due the association, or from accepting a deed in lieu of foreclosure. Any
12 judgment, decree, or order in any judicial foreclosure or civil action relating to the collection of
13 assessments shall include an award of costs and reasonable attorneys' fees for the prevailing
14 party, which shall not be subject to the limitation provided in subdivision (f)(12) of this section.

15 (h) A claim of ~~lien securing a debt consisting solely of fines imposed by the association,~~
16 ~~interest on unpaid fines, or attorneys' fees incurred by the association solely associated with fines~~
17 ~~imposed by the association or fine-related charges~~ may only be enforced by ~~judicial foreclosure,~~
18 as provided in Article 29A of Chapter 1 of the General Statutes. the filing of a civil action seeking
19 a judgment. In addition, an association shall not levy, charge, or attempt to collect a service,
20 collection, consulting, or administration fee from any unit owner unless the fee is expressly
21 allowed in the declaration, and any claim of lien securing a debt consisting solely of these fees
22 may only be enforced by ~~judicial foreclosure, as provided in Article 29A of Chapter 1 of the~~
23 ~~General Statutes. the filing of a civil action seeking a judgment.~~ Liens arising as a result of the
24 entry of a judgment in favor of the association in any such civil action shall relate back and be
25 effective as of the date the claim of lien was filed.

26"

27 **SECTION 7.** G.S. 47C-3-118 reads as rewritten:

28 **"§ 47C-3-118. Association records.**

29 (a) The association shall keep financial records sufficiently detailed to enable the
30 association to comply with this chapter. All financial and other records, including records of
31 meetings of the association and executive board, shall be made reasonably available for
32 examination by any unit owner and the unit owner's authorized agents as required by the bylaws
33 and by Chapter 55A of the General Statutes if the association is a nonprofit corporation. If the
34 bylaws do not specify a shorter time, the association shall make the requested records reasonably
35 available for examination within 30 days of receiving the unit owner's written request. Except as
36 otherwise provided in the bylaws, the association is not required to make available for
37 examination financial records created more than three years before the date on which the
38 association receives the unit owner's written request. If the bylaws do not specify particular
39 records to be maintained, the association shall keep accurate records of all cash receipts and
40 expenditures and all assets and liabilities. In addition to any specific information that is required
41 by the bylaws to be assembled and reported to the unit owners at specified times, the association
42 shall make an annual income and expense statement and balance sheet available to all unit owners
43 at no charge and within 75 days after the close of the fiscal year to which the information relates.
44 Notwithstanding the bylaws, a more extensive compilation, review, or audit of the association's
45 books and records for the current or immediately preceding fiscal year may be required by a vote
46 of the majority of the executive board or by the affirmative vote of a majority of the unit owners
47 present and voting in person or by proxy at any annual meeting or any special meeting duly called
48 for that purpose.

49 (a1) A unit owner or the unit owner's authorized agent is entitled to inspect and copy, at a
50 reasonable time and location specified by the association, any contract entered into by the
51 association authorizing a managing agent to exercise any of the powers granted to the association

pursuant to G.S. 47C-3-102, if the unit owner gives the association written notice of the demand at least five business days before the date on which the unit owner wishes to inspect and copy and the request satisfies the conditions for inspection set forth in G.S. 55A-16-02(c). A demand to inspect made pursuant to this subsection shall be presumed to have been made in good faith and for a proper purpose. In any action to compel the inspection and copying of documents, the court may award reasonable attorneys' fees to the prevailing party. If the association does not allow a unit owner who complies with this subsection to inspect and copy the requested contract, and, if a court of competent jurisdiction thereafter enters an order compelling the association to do so, the court shall also order the association to pay the unit owner's costs, including reasonable attorneys' fees, incurred to obtain the order.

...."

SECTION 8. G.S. 47F-3-102 reads as rewritten:

"§ 47F-3-102. Powers of owners' association.

Unless the articles of incorporation or the declaration expressly provides to the contrary, the association may do all of the following:

...

- (3) Hire and discharge managing agents and other employees, agents, and independent contractors. A contract between an association and a managing agent shall not have a term exceeding one year and shall not contain an automatic renewal provision that requires the association to give notice of nonrenewal more than 30 days prior to the contract's anniversary date. Any contract with a managing agent that is automatically renewed shall be terminable by the association for any reason upon 60 days' notice. A managing agent shall not be compensated in whole or in part based on the amount of fines collected by the managing agent on behalf of the association and shall not collect from the association or a lot owner any fee in connection with its collection of a fine imposed by the association.

...

- (6) Regulate the use, maintenance, repair, replacement, and modification of common ~~elements~~ elements; provided, however, that in the absence of an express authorization in the declaration, an association shall not enforce any restriction on parking of a personal vehicle on a public street or public road for which the North Carolina Department of Transportation or local government has assumed responsibility for maintenance and repairs, unless the authority to regulate such parking has been expressly delegated to the association by the Department of Transportation or local government under terms prescribing the manner in which the association may exercise that authority. Any such delegation shall be valid for a period not to exceed five years, at which time the association must reapply to the delegating entity. As used in this subdivision, "personal vehicle" means an automobile with a gross weight of less than 26,001 pounds that is used for personal pleasure, travel, or commuting to and from a place of work, and does not include a motor home or self-propelled recreational vehicle, or an automobile that is otherwise used primarily in connection with any commercial endeavor or business.

...

- (12) After notice and an opportunity to be heard, impose reasonable fines or suspend privileges or services provided by the association (except rights of access to lots) for reasonable periods for violations of the declaration, bylaws, and rules and regulations of the association. No fine shall be levied for violation of a provision restricting or prohibiting tutoring, educational lessons, academic lessons, music lessons, or swimming lessons provided on the

owner's lot to a group of no more than five people at any one time, regardless of whether compensation is received for such lessons.

...

(13a) ~~Impose reasonable charges in connection with the preparation of statements a lender's questionnaire or certification or a statement of unpaid assessments, which must be furnished within 10 business days after receipt of the request, in an amount not to exceed two hundred dollars (\$200.00) per statement or request, item requested, and an additional expedite expedited fee in an amount not to exceed one hundred dollars (\$100.00) if the request is made within 48 hours of closing, all of which item is requested to be furnished less than 10 days after receipt of the request. These charges may be collected by the association, its managers, or its agents. Any charge for preparation of a lender's questionnaire or certification shall be paid by the requesting party. Neither the association nor its managing agent shall impose any charge upon a lot owner or a prospective purchaser of a lot in connection with the conveyance of a lot unless the charge is authorized in this subdivision. Violation of this subdivision by an association or by its managing agent shall constitute an unfair and deceptive trade practice under G.S. 75-1.1.~~

...

(15a) ~~Exercise any authority granted to it under the declaration to approve or disapprove any proposed changes on a lot or limited common element. In exercising such authority, the association shall provide a fair, reasonable, and expeditious procedure for making its decision, which procedure shall be set forth in the association's governing documents. The procedures shall state the maximum time for issuance of any decision on a proposal or a request for reconsideration. At a minimum, a decision shall be made within 90 days after the initial submission of the proposal or submission of any additional information or changes to the proposal requested by the association in response to the initial submission. A decision shall be in writing, shall be made in good faith, and may not be unreasonable, arbitrary, or capricious. If the proposal is disapproved, the decision shall include both an explanation of why the proposal is disapproved and a description of the procedure for reconsideration of the decision by the executive board.~~

...."

SECTION 9. G.S. 47F-3-107.1 reads as rewritten:

"§ 47F-3-107.1. Procedures for fines and suspension of planned community privileges or services.

Unless a specific procedure for the imposition of fines or suspension of planned community privileges or services is provided for in the declaration, a hearing shall be held before the executive board or an adjudicatory panel appointed by the executive board to determine if any lot owner should be fined or if planned community privileges or services should be suspended pursuant to the powers granted to the association in G.S. 47F-3-102(11) and (12). Any adjudicatory panel appointed by the executive board shall be composed of members of the association who are not officers of the association or members of the executive board. The lot owner charged shall be given notice of the charge, opportunity to be heard and to present evidence, and notice of the decision. A written notice of hearing shall be sent to the unit owner as provided in G.S. 47F-3-116(e)(3) not less than 10 days prior to the scheduled hearing date. The notice of hearing shall specify the date, time, and place of the hearing and shall include a general description of each alleged violation and the action, if any, to cure each alleged violation. The unit owner shall be given an opportunity to be heard and to present evidence at the hearing. A written notice of the decision specifying each violation verified by the evidence and the action,

if any, to cure each verified violation shall be sent to the unit owner as provided in G.S. 47F-3-116(e)(3). If it is decided that a fine should be imposed, a fine not to exceed one hundred dollars (\$100.00) may be imposed for the violation and without further hearing, for each day more than five days after the decision that the violation ~~occurs~~occurs, up to a maximum fine of two thousand five hundred dollars (\$2,500). Such fines shall be assessments secured by liens under G.S. 47F-3-116. If it is decided that a suspension of planned community privileges or services should be imposed, the suspension may be continued without further hearing until the violation or delinquency is cured. The lot owner may appeal the decision of an adjudicatory panel to the full executive board by delivering written notice of appeal to the executive board within 15 days after the date of the decision. The executive board may affirm, vacate, or modify the prior decision of the adjudicatory body. All fines collected pursuant to this section shall be remitted to the Civil Penalty and Forfeiture Fund."

SECTION 10. G.S. 47F-3-116 reads as rewritten:

"§ 47F-3-116. Lien for sums due the association; enforcement.

(a) Any assessment attributable to a lot which remains unpaid for a period of 30 days or longer shall constitute a lien on that lot when a claim of lien is filed of record in the office of the clerk of superior court of the county in which the lot is located in the manner provided in this section. A claim of lien securing a debt consisting of fines or fine-related charges shall be filed separately from a claim of lien securing other sums due the association and shall be filed within 90 days after the date the fine was imposed. As used in this section, "fines or fine-related charges" means fines imposed by the association, interest on unpaid fines, or attorneys' fees incurred by the association related to fines imposed by the association. Once filed, a claim of lien secures all sums due the association through the date filed and any sums due to the association thereafter. Unless the declaration provides otherwise, fees, charges, late charges, and other charges imposed pursuant to G.S. 47F-3-102, 47F-3-107, 47F-3-107.1, and 47F-3-115 are subject to the ~~claim~~ claims of lien provided for under this section as well as any other sums due and payable to the association under the declaration, the provisions of this Chapter, or as the result of an arbitration, mediation, or judicial decision.

(b) The association must provide proper notice of delinquent assessments to the lot owner before filing a claim of lien. The association must make reasonable and diligent efforts to ensure that its records contain the lot owner's current physical mailing address~~address~~ and current electronic mailing address. No fewer than 15 days prior to filing the lien, the association shall ~~mail~~ do all of the following:

(1) Mail a statement of the assessment amount due by first-class mail to the physical address of the lot and the lot owner's address of record with the association and, if different, to the address for the lot owner shown on the county tax records for the lot. If the lot owner is a corporation or limited liability company, the statement shall also be sent by first-class mail to the mailing address of the registered agent for the corporation or limited liability company. Notwithstanding anything to the contrary in this Chapter, the association is not required to mail a statement to an address known to be a vacant lot on which no dwelling has been constructed or to a lot for which there is no United States postal address.

(2) Send a statement of the assessment amount due via electronic mail if the owner has designated an email address as provided in G.S. 55A-1-70(b).

(c) A claim of lien shall set forth the name and address of the association, the name of the record owner of the lot at the time the claim of lien is filed, a description of the lot, and the amount of the lien claimed. A claim of lien may also appoint a trustee to conduct a foreclosure, as provided in subsection (f) of this section. The first page of the claim of lien shall contain the following statement in print that is in boldface, capital letters, and no smaller than the largest print used elsewhere in the document:

"THIS DOCUMENT CONSTITUTES A LIEN AGAINST YOUR PROPERTY, AND IF THE LIEN IS NOT PAID, THE HOMEOWNERS ASSOCIATION MAY PROCEED WITH ~~FORECLOSURE ENFORCEMENT AGAINST YOU AND YOUR PROPERTY IN LIKE MANNER AS A MORTGAGE AS PERMITTED UNDER NORTH CAROLINA LAW.~~"

The person signing the claim of lien on behalf of the association shall attach to and file with the claim of lien a certificate of service attesting to the attempt of service on the record owner, which service shall be attempted in accordance with G.S. 1A-1, Rule 4(j), for service of a copy of a summons and a complaint. If the actual service is not achieved, the person signing the claim of lien on behalf of the association shall be deemed to have met the requirements of this subsection if service has been attempted pursuant to both of the following: (i) G.S. 1A-1, Rule 4(j)(1)c, d, or e and (ii) by mailing a copy of the lien by regular, first-class mail, postage prepaid to the physical address of the lot and the lot owner's address of record with the association, and, if different, to the address for the lot owner shown on the county tax records and the county real property records for the lot. The association shall also send the owner a copy of the claim of lien and certificate of service by email if the owner has designated an email address as provided in G.S. 55A-1-70(b). In the event that the owner of record is not a natural person, and actual service is not achieved, the person signing the claim of lien on behalf of the association shall be deemed to have met the requirements of this subsection if service has been attempted once pursuant to the applicable provisions of G.S. 1A-1, Rule 4(j)(3) through G.S. 1A-1, Rule 4(j)(9). Notwithstanding anything to the contrary in this Chapter, the association is not required to mail a claim of lien to an address which is known to be a vacant lot on which no dwelling has been constructed or to a lot for which there is no United States postal address. A lien for unpaid assessments is extinguished unless proceedings to enforce the lien are instituted within three years after the filing of the claim of lien in the office of the clerk of superior court. A lien securing a debt consisting of fines or fine-related charges is extinguished unless proceedings to enforce the lien are instituted within one year after the filing of the claim of lien in the office of the clerk of superior court.

(d) A claim of lien filed under this section is prior to all liens and encumbrances on a lot except (i) liens and encumbrances, specifically including, but not limited to, a mortgage or deed of trust on the lot, recorded before the filing of the claim of lien in the office of the clerk of superior court and (ii) liens for real estate taxes and other governmental assessments and charges against the lot. This subsection does not affect the priority of mechanics' or materialmen's liens.

(e) Attorneys' Fees. –

(1) The association shall be entitled to recover the reasonable attorneys' fees and costs it incurs in connection with the collection of any sums ~~due. due, except as otherwise provided in subdivision (2) of this subsection.~~

(2) In an action to enforce a claim of lien securing a debt consisting of fines or fine-related charges, upon findings by the court (i) that there was an unwarranted refusal by the lot owner to negotiate or pay the fines or fine-related charges and (ii) that the amount of damages recovered exceeded the highest offer made by the lot owner no later than 90 days before the commencement of trial, the presiding judge may, in the judge's discretion, allow reasonable attorneys' fees to the duly licensed attorneys representing the association obtaining a judgment for damages in said suit, in an amount not to exceed ten thousand dollars (\$10,000) or fifteen percent (15%) of the amount recovered, whichever is greater, said attorneys' fees to be taxed as a part of the court costs. When the presiding judge determines that an award of attorneys' fees is to be made under this subsection in an action to enforce a claim of lien securing a debt consisting of fines or fine-related charges, the judge shall issue a written order including findings of fact detailing the factual basis for the finding of an unwarranted refusal to negotiate or pay the debt secured by the

claim of lien, and setting forth the amount of the highest offer made by the lot owner 90 days or more before the commencement of trial, and the amount of damages recovered, as well as the factual basis and amount of any such attorneys' fees to be awarded.

(3) A lot owner may not be required to pay attorneys' fees and court costs until the lot owner is notified in writing of the association's intent to seek payment of attorneys' fees, costs, and expenses. The notice must be sent by first-class mail to the physical address of the lot and the lot owner's address of record with the association and, if different, to the address for the lot owner shown on the county tax records for the lot. The association must make reasonable and diligent efforts to ensure that its records contain the lot owner's current mailing address. Notwithstanding anything to the contrary in this Chapter, there shall be no requirement that notice under this subsection be mailed to an address which is known to be a vacant lot on which no dwelling has been constructed or a lot for which there is no United States postal address. The notice shall set out the outstanding balance due as of the date of the notice and state that the lot owner has 15 days from the mailing of the notice by first-class mail to pay the outstanding balance without the attorneys' fees and court costs. If the lot owner pays the outstanding balance within this period, then the lot owner shall have no obligation to pay attorneys' fees, costs, or expenses. The notice shall also inform the lot owner of the opportunity to contact a representative of the association to discuss a payment schedule for the outstanding balance, as provided in subsection (i) of this section, and shall provide the name and telephone number of the representative.

(f) Except as provided in subsection (h) of this section, the association, acting through the executive board, may foreclose a claim of lien securing a debt consisting of sums due the association other than fines or fine-related charges in like manner as a mortgage or deed of trust on real estate under power of sale, as provided in Article 2A of Chapter 45 of the General Statutes, if the ~~assessment remains unpaid delinquency has continued for 90-180 days or more~~. The association shall not foreclose the claim of lien unless the all of the following conditions are met:

(1) The executive board votes to commence the proceeding against the specific lot.

(2) The amount of the lien is equal to or greater than six months of assessments or equal to or greater than two thousand five hundred dollars (\$2,500), whichever is less.

(3) The association offered the lot owner a reasonable opportunity to cure the default by making payments under an installment schedule as authorized under subsection (i) of this section, and the lot owner either did not accept the offer or defaulted on payments required under the agreed installment schedule.

(f1) The following provisions and procedures shall be applicable to and complied with in every nonjudicial power of sale foreclosure of a claim of lien, and these provisions and procedures shall control to the extent they are inconsistent or in conflict with the provisions of Article 2A of Chapter 45 of the General Statutes:

...

(5) After the association has filed a claim of lien and prior to the commencement of a nonjudicial foreclosure, the association shall give to the lot owner notice of the association's intention to commence a nonjudicial foreclosure to enforce its claim of lien. The notice shall contain the information required in ~~G.S. 45-21.16(c)(5a)~~ G.S. 45-21.16(c)(5) and G.S. 45-21.16(c)(5a) and shall specifically reference the lot owner's right of redemption provided under subdivision (8) of this subsection. The notice shall be sent by first-class mail

to the physical address of the lot and the lot owner's address of record with the association and, if different, to the address for the lot owner shown on the county tax records for the lot.

(5a) The notice of hearing required pursuant to G.S. 45-21.16(a) shall be accompanied by the association's certification of the actions it has taken to give the owner notice of delinquent assessments in compliance with subsection (b) of this section.

(5b) At the commencement of the hearing, the clerk shall inquire as to whether the owner occupies the lot as his or her principal residence. If it appears that the owner does currently occupy the lot as a principal residence, the clerk shall further inquire as to the efforts the association has made to communicate with the owner and to attempt to resolve the matter voluntarily before the foreclosure proceeding. The clerk's inquiry shall not be required if the association has submitted, at or before the hearing, an affidavit briefly describing any efforts that have been made to resolve the default with the owner and the results of any such efforts.

(5c) The clerk shall order the hearing continued if the clerk finds that there is good cause to believe that additional time or additional measures have a reasonable likelihood of resolving the delinquency without foreclosure. In determining whether to continue the hearing, the clerk may consider (i) whether the association has offered the owner an opportunity to resolve the foreclosure under a payment schedule pursuant to subsection (i) of this section, (ii) whether the association has engaged in actual responsive communication with the owner, including telephone conferences or in-person meetings with the owner or other actual two-party communications, (iii) whether the owner has indicated that he or she has the intent and ability to resolve the delinquency by making future payments under a payment plan, and (iv) whether the initiation or continuance of good-faith voluntary resolution efforts between the parties may resolve the matter without a foreclosure sale. Where good cause exists to continue the hearing, the clerk shall order the hearing continued to a date and time certain not more than 90 days from the date scheduled for the original hearing. Nothing in this part shall limit the authority of the clerk to continue a hearing for other good cause shown.

...

(g) The provisions of subsection (f) of this section do not prohibit or prevent an association from pursuing judicial foreclosure of a claim of ~~lien, lien securing a debt consisting of sums due the association other than fines and fine-related charges,~~ from taking other actions to recover the sums due the association, or from accepting a deed in lieu of foreclosure. Any judgment, decree, or order in any judicial foreclosure or civil action relating to the collection of assessments shall include an award of costs and reasonable attorneys' fees for the prevailing party, which shall not be subject to the limitation provided in subdivision (f)(12) of this section.

(h) A claim of lien securing a debt consisting ~~solely of fines imposed by the association, interest on unpaid fines, or attorneys' fees incurred by the association solely associated with fines imposed by the association or fine-related charges~~ may only be enforced by ~~judicial foreclosure, as provided in Article 29A of Chapter 1 of the General Statutes. the filing of a civil action seeking a judgment.~~ In addition, an association shall not levy, charge, or attempt to collect a service, collection, consulting, or administration fee from any lot owner unless the fee is expressly allowed in the declaration, and any claim of lien securing a debt consisting solely of these fees may only be enforced by ~~judicial foreclosure, as provided in Article 29A of Chapter 1 of the General Statutes.~~ the filing of a civil action seeking a judgment. Liens arising as a result of the

entry of a judgment in favor of the association in any such civil action shall relate back and be effective as of the date the claim of lien was filed.

...."

SECTION 11. G.S. 47F-3-118 reads as rewritten:

"§ 47F-3-118. Association records.

(a) The association shall keep financial records sufficiently detailed to enable the association to comply with this Chapter. All financial and other records, including records of meetings of the association and executive board, shall be made reasonably available for examination by any lot owner and the lot owner's authorized agents as required in the bylaws and Chapter 55A of the General Statutes. If the bylaws do not specify a shorter time, the association shall make records reasonably available for examination within 30 days of receiving the lot owner's written request. Except as otherwise provided in the bylaws, the association is not required to make available for examination financial records created more than three years before the date on which the association receives the lot owner's written request. If the bylaws do not specify particular records to be maintained, the association shall keep accurate records of all cash receipts and expenditures and all assets and liabilities. In addition to any specific information that is required by the bylaws to be assembled and reported to the lot owners at specified times, the association shall make an annual income and expense statement and balance sheet available to all lot owners at no charge and within 75 days after the close of the fiscal year to which the information relates. Notwithstanding the bylaws, a more extensive compilation, review, or audit of the association's books and records for the current or immediately preceding fiscal year may be required by a vote of the majority of the executive board or by the affirmative vote of a majority of the lot owners present and voting in person or by proxy at any annual meeting or any special meeting duly called for that purpose.

(a1) A lot owner or the lot owner's authorized agent is entitled to inspect and copy, at a reasonable time and location specified by the association, any contract entered into by the association authorizing a managing agent to exercise any of the powers granted to the association pursuant to G.S. 47F-3-102 if the lot owner gives the association written notice of the demand at least five business days before the date on which the lot owner wishes to inspect and copy and the request satisfies the conditions for inspection set forth in G.S. 55A-16-02(c). A demand to inspect made pursuant to this subsection shall be presumed to have been made in good faith and for a proper purpose. In any action to compel the inspection and copying of documents, the court may award reasonable attorneys' fees to the prevailing party. If the association does not allow a lot owner who complies with this subsection to inspect and copy the requested contract, and, if a court of competent jurisdiction thereafter enters an order compelling the association to do so, the court shall also order the association to pay the lot owner's costs, including reasonable attorneys' fees, incurred to obtain the order.

...."

SECTION 12. Article 31A of Chapter 115C of the General Statutes reads as rewritten:

"Article 31A.

"Civil Penalty and Forfeiture Fund.

"§ 115C-457.1. Creation of Fund; administration.

(a) There is created the Civil Penalty and Forfeiture Fund. The Fund shall consist of the clear proceeds of all civil penalties, civil forfeitures, and civil fines that are collected by a State agency and that the General Assembly is authorized to place in a State fund pursuant to Article IX, Section 7(b) of the Constitution. The General Assembly may also authorize the placement of additional funds from other sources into the Fund.

(b) The Fund shall be administered by the Office of State Budget and Management. The Fund and all interest accruing to the Fund shall be faithfully used exclusively for maintaining free public schools.

"§ 115C-457.2. Remittance of moneys to the Fund.

(a) The clear proceeds of all civil penalties, civil forfeitures, and civil fines that are collected by a State agency and that the General Assembly is authorized to place in a State fund pursuant to Article IX, Section 7(b) of the Constitution shall be remitted to the Office of State Budget and Management by the officer having custody of the funds within 10 days after the close of the calendar month in which the revenues were received or collected. Notwithstanding any other law, all such funds shall be deposited in the Civil Penalty and Forfeiture Fund. The clear proceeds of these funds include the full amount of all civil penalties, civil forfeitures, and civil fines collected under authority conferred by the State, diminished only by the actual costs of collection, not to exceed twenty percent (20%) of the amount collected. The collection cost percentage to be used by a State agency shall be established and approved by the Office of State Budget and Management on an annual basis based upon the computation of actual collection costs by each agency for the prior fiscal year.

(b) Any additional funds that the General Assembly authorizes to be placed in the Civil Penalty and Forfeiture Fund shall be remitted to the Office of State Budget and Management by the entity having custody of the funds within 10 days after the close of the calendar month in which the funds were received or collected.

...."

SECTION 13.(a) G.S. 7A-38.3F reads as rewritten:

"§ 7A-38.3F. Prelitigation mediation of condominium and ~~homeowners~~ owners' association disputes.

(a) Definitions. – The following definitions apply in this section:

- (1) Association. – An association of unit or lot owners organized as allowed under North Carolina law, including G.S. 47C-3-101 and G.S. 47F-3-101.
- (2) Dispute. – Any matter relating to real estate under the jurisdiction of an association about which the member and association cannot agree. The term "dispute" does not include matters expressly exempted in subsection (b) of this section.
- (3) Executive board. – The body, regardless of name, designated in the declaration to act on behalf of an association.
- (4) Mediator. – A neutral person who acts to encourage and facilitate a resolution of a dispute between an association and a member.
- (5) Member. – A person who is a member of an association of unit or lot owners organized as allowed under North Carolina law, including G.S. 47C-3-101 and G.S. 47F-3-101.
- (6) Party or parties. – An association or member who is involved in a dispute, as that term is defined in subdivision (2) of this subsection.

(a1) Disputes related solely to a member's failure to timely pay an association assessment or any fines or fees associated with the levying or collection of an association assessment are not covered under this section.

(b) ~~Voluntary Prelitigation-Mediation. – Prior to filing a civil action, the~~ The parties to a dispute arising under Chapter 47C of the General Statutes (North Carolina Condominium Act), Chapter 47F of the General Statutes (North Carolina Planned Community Act), or an association's declaration, bylaws, or rules and regulations ~~are encouraged to initiate mediation pursuant to this section. However, disputes related solely to a member's failure to timely pay an association assessment or any fines or fees associated with the levying or collection of an association assessment are not covered under this section.~~ may agree at any time to mediation of the dispute pursuant to this section.

(b1) Mandatory Prelitigation Mediation. – Prior to filing a civil action arising under Chapter 47C of the General Statutes (North Carolina Condominium Act), Chapter 47F of the General Statutes (North Carolina Planned Community Act), or an association's declaration,

bylaws, or rules and regulations, a party shall initiate mediation pursuant to this section. If an action is initiated, it shall, upon the motion of any party prior to trial, be dismissed without prejudice by the court unless any one or more of the following apply:

- (1) The nonmoving party has satisfied the requirements of this section, and this fact is indicated in the mediator's certification issued under subsection (g) of this section.
- (2) The court finds that a mediator failed to issue a mediator's certification under subsection (g) of this section indicating that the nonmoving party satisfied the requirements of this section.
- (3) The court finds good cause for a failure to attempt mediation. Good cause includes a determination that the time delay required for mediation would likely result in irreparable harm or that injunctive relief is otherwise warranted.

(c) Initiation of Mediation. – Either an association or a member may contact the North Carolina Dispute Resolution Commission or the Mediation Network of North Carolina for the name of a mediator or community mediation center. Upon contacting a mediator, either the association or member may supply to the mediator the physical address of the other party, or the party's representative, and the party's telephone number and e-mail address, if known. The mediator shall contact the party, or the party's representative, to notify him or her the party of the request to mediate. ~~If the parties agree to mediate, they~~ Unless the mediation is waived pursuant to subsection (e) of this section, the parties shall request in writing that the mediator schedule the mediation. The mediator shall then notify the parties in writing of the date, time, and location of the mediation, which shall be scheduled not later than 25 days after the mediator receives the written request from the parties.

(d) Mediation Procedure. – The following procedures shall apply to mediation under this section:

- (1) Attendance. – The mediator shall determine who may attend mediation. The mediator may require the executive board or a large group of members to designate one or more persons to serve as their representatives in the mediation.
- (2) All parties are expected to attend mediation. The mediator may allow a party to participate in mediation by telephone or other electronic means if the mediator determines that the party has a compelling reason to do so.
- (3) If the parties cannot reach a final agreement in mediation because to do so would require the approval of the full executive board or the approval of a majority or some other percentage of the members of the association, the mediator may recess the mediation meeting to allow the executive board or members to review and vote on the agreement.

~~(e) Decline Mediation. – Either party to a dispute may decline mediation under this section. If either party declines mediation after mediation has been initiated under subsection (c) of this section but mediation has not been held, the party declining mediation shall inform the mediator and the other party in writing of his or her decision to decline mediation. No costs shall be assessed to any party if either party declines mediation prior to the occurrence of an initial mediation meeting.~~ Waiver of Mediation. – The parties to a dispute may agree to waive mediation required by this section by informing the mediator of the waiver in writing.

(f) Costs of Mediation. – The costs of mediation, including the mediator's fees, shall be shared equally by the parties unless otherwise agreed to by the parties. Fees shall be due and payable at the end of each mediation meeting. A mediator may charge a reasonable fee, as applicable, to prepare a mediator's certification required under subsection (g) of this section when parties to a dispute agree to waive mediation pursuant to subsection (e) of this section or when one or more parties failed or refused without good cause to attend the mediation meetings or

otherwise participate in the mediation. When an attorney represents a party to the mediation, that party shall pay his or her the attorneys' fees.

(g) Certification That Mediation Concluded. – Upon a waiver of the mediation under subsection (e) of this section or upon the conclusion of mediation, the mediator shall prepare a certification stating the date on which the mediation was concluded and a statement of the general results of the mediation, including, as applicable, that the parties waived the mediation, that an agreement was reached or reached, that mediation was attempted but an agreement was not reached, reached, or that one or more parties failed or refused without good cause to attend the mediation meetings or otherwise participate in the mediation. If both parties participate in mediation and a cause of action involving the dispute mediated is later filed, either party may file the certificate with the clerk of court, and the parties shall not be required to mediate again under any provision of law. The Supreme Court may adopt additional rules and standards to implement this section, including an exemption from the provisions of G.S. 7A-38.1 for cases in which mediation was attempted under this section. The sanctions in G.S. 7A-38.1(g) do not apply to prelitigation mediation conducted under this section.

...

(j) Association Duty to Notify. – Each association shall, in writing, shall notify the members of the association each year annually in writing that they may initiate mediation under this section to try to resolve a dispute with the association. The association shall publish the notice required in this subsection on the association's Web site; but if the association does not have a Web site, the association website, or it shall publish the notice at the same time and in the same manner as the names and addresses of all officers and board members of the association are published as provided in G.S. 47C-3-103 and G.S. 47F-3-103."

SECTION 13.(b) This section becomes effective October 1, 2025, and applies to actions filed on or after that date.

SECTION 14.(a) Article 1 of Chapter 114 of the General Statutes is amended by adding a new section to read:

"§ 114-8.8. Collection and report of owners' association complaint data.

(a) The Department of Justice shall receive and record data from all complaints concerning disputes between associations of unit owners or lot owners and their members as required by this section. The Department of Justice shall publish a complaint form providing for electronic submission of those complaints on its website. When the Department receives a complaint via phone, mail, or online submission, it shall collect the following information from the complainant:

- (1) The name and contact information of the complainant.
- (2) Whether the complainant is an association of unit owners or lot owners, or is a unit owner or lot owner belonging to those associations.
- (3) The name and contact information of the other party or parties to the dispute giving rise to the complaint.
- (4) The name, address, and contact information of the association management company, if any, involved in the dispute.
- (5) Details on whether the association member involved in the dispute (i) was informed of the requirement of membership in the association as a condition of unit or lot ownership and, if so informed, when and by whom; (ii) received a copy of the governing documents of the association before obtaining title to the property; (iii) was denied access to the association's governing documents; and (iv) understood the rights and obligations of owners and the association under the governing documents.
- (6) The nature of the complaint.
- (7) The background information regarding the dispute, including whether the member and association communicated about the dispute and whether all

1 other remedies available under the association's governing documents were
2 exhausted before the complaint was made.
3 (8) The complainant's understanding of the rights and obligations under the
4 association's governing documents as they relate to the dispute.
5 (9) The complainant's desired remedy regarding the dispute.
6 (b) Upon receiving the complaint, the Department shall provide a copy of the complaint
7 to the party complained against informing the party of the complaint made against it and allowing
8 for the party to respond.
9 (c) The Department shall publish the following information on its website:
10 (1) Information on the process to submit complaints pursuant to this section.
11 (2) Information about the laws and documents governing associations of unit
12 owners and lot owners in North Carolina.
13 (3) General information about roles, rights, and responsibilities of associations of
14 unit owners and lot owners, their members, and other related parties.
15 (4) Any other information the Department deems relevant to understanding the
16 rights and obligations of associations of unit owners and lot owners and
17 members of such associations.
18 (d) The Department is prohibited from promulgating regulations or issuing guidelines
19 concerning the administration, governance, or governing documents of associations of unit
20 owners or lot owners. The Department shall not serve as an arbiter in disputes between an
21 association of unit owners or lot owners and its members.
22 (e) By July 1 of each year, the Department shall submit a report to the House Standing
23 Committee on Commerce and Economic Development, the Senate Standing Committee on
24 Commerce and Insurance, and the Fiscal Research Division and shall also publish the report on
25 its website. The report shall include, at a minimum, a summary of all of the following:
26 (1) The total number of complaints received pursuant to this section.
27 (2) The number of those complaints submitted by unit owners or lot owners.
28 (3) The number of those complaints submitted by associations of unit owners or
29 lot owners.
30 (4) The number of complaints originating in each county of this State.
31 (5) The number of complaints that involved association management companies.
32 (6) The nature of the disputes reflected in the complaints, including:
33 a. Access to association records.
34 b. Access to executive board meetings.
35 c. Assessments.
36 d. Executive board transparency.
37 e. Fines.
38 f. Collections of delinquent accounts.
39 g. Liens.
40 h. Foreclosures.
41 i. Content of restrictive covenants.
42 j. Enforcement of restrictive covenants.
43 (7) A ranking of the top five disputes based on the nature of the dispute reflected
44 in the complaints.
45 (8) The number of responses to the complaints received by the Department.
46 The information summarized in the report must be categorized, filterable, and searchable.
47 The Department must redact any personal or private information from the report, such as names,
48 addresses, and telephone numbers of individuals. This redaction requirement does not apply to
49 information concerning a homeowners association or a homeowners association management
50 company."

51 **SECTION 14.(b)** This section becomes effective July 1, 2025.

1 **SECTION 15.** Sections 6 and 10 of this act become effective December 1, 2025, and
2 apply to claims of lien filed and instruments presented for registration on or after that date. Except
3 as otherwise provided, the remainder of this act is effective when it becomes law, and the
4 provisions in Sections 3 and 8 of this act relating to managing agent compensation apply to
5 contracts between an association and a managing agent entered into on or after that date.