Billing & Collection Policy and Procedures

Rules & Regulations for Assessment Billing and Collection

Current governing law: RCW 64.38 (effective through December 31, 2027)

Purpose. This policy establishes a clear, consistent process for billing and collecting assessments owed to the Association. It is intended to supplement, not replace, the Association's declaration, bylaws, the Master Declaration, and applicable Washington law.

Governing documents and law. If this policy conflicts with the Master Declaration, the Association's declaration or bylaws, or applicable law, the controlling governing document or law will apply. This policy is based on the Association's current operation under RCW 64.38. The Association should review this policy if it later becomes subject to chapter 64.90 RCW.

1. Regular and Special Assessments

1.1 Regular assessments. Regular assessments are billed quarterly on July 1, October 1, January 1, and April 1 and are due on the billing date, as provided by the governing documents.

1.2 Special assessments. Special assessments are due on the date specified in the approved special-assessment notice or ballot.

1.3 Other amounts due. The Association may send additional statements or invoices for amounts properly chargeable to an owner under the governing documents or applicable law.

2. Interest on Delinquent Assessments

2.1 Interest rate. As provided in Section 7.9 of the Master Declaration, a delinquent regular or special assessment bears interest at 12% per year beginning thirty (30) days after the assessment's due date and continuing until paid, subject to applicable law.

2.2 No compounding. Interest will be calculated only as permitted by the governing documents and applicable law.

3. Late Charge and Administrative Fee

3.1 Single late charge. The Association may impose one late charge of $35.00 for each unpaid assessment, after the statutory notice period has expired. The late charge will not exceed the maximum amount permitted by RCW 64.38.100.

3.2 Administrative fee. The Association may charge an administrative fee of up to $10.00 associated with providing the statutory Notice of Delinquency, as permitted by RCW 64.38.100.

3.3 One charge per assessment. Only one late charge will be imposed for the same assessment. A late charge will not recur monthly or otherwise repeat for that assessment.

3.4 Timing. The Association will not impose a late charge or other collection cost during the first fifteen (15) days after the statutory Notice of Delinquency is provided, except for the costs specifically allowed by RCW 64.38.100.

4. Notice of Delinquency

4.1 Statutory notice required. No later than thirty (30) days after an assessment becomes past due, the Association will provide the owner with the Notice of Delinquency required by RCW 64.38.100.

4.2 Delivery. The Notice of Delinquency will be mailed by first-class mail to the lot address and to any other address the owner has provided to the Association for notices. A notice is "provided" or "mailed" on the date it is deposited in the U.S. mail, as shown by the Association's mailing record. Periods that run from a notice are counted from that date.

It will also be sent by email if the owner's email address is known to the Association.

4.3 Required content. The notice will contain the first preforeclosure notice and other information required by current Washington law. If the law changes, the Association will use the then-current required wording and information.

5. Collection Procedure

The Association intends to use the following steps consistently. Statutory notice and waiting-period requirements control, and no collection action will be taken when applicable law prohibits it. The recommended schedule below is intended to provide owners with reasonable opportunities to cure a delinquency while allowing the Association to pursue collection promptly and consistently.

Step	Timing	Action
1. Notice of Delinquency	Within 30 days after an assessment becomes past due	Send the statutory Notice of Delinquency required by RCW 64.38.100. The notice includes the first preforeclosure notice.
2. First Collection Letter	Beginning on the 16th day after the Notice of Delinquency, if unpaid	After the 15-day statutory waiting period, the Association may send a First Collection Letter stating the balance, applicable charges, payment deadline, and contact information.
3. Second Collection Letter	Recommended at about 60 days after the assessment became past due, if unpaid	Send a second demand for payment and advise that continued nonpayment may result in attorney collection, lien action, and ultimately foreclosure if the statutory requirements are met. This is an Association policy step, not a separate statutory notice.
4. Second Notice of Delinquency / Second Preforeclosure Notice	At or after 90 days past due, and at least 60 days after the first preforeclosure notice	Send the statutory second notice required by RCW 64.38.100. The second preforeclosure notice must contain the information required by law.
5. Attorney / Lien Collection Proceedings	After the 15-day waiting period for ordinary collection; recommended Board review at or after the Second Collection Letter	The Board may authorize referral to the Association's attorney and, when authorized by the governing documents and applicable law, recording or enforcement of the Association's lien. The Association should coordinate lien action with counsel.
6. Foreclosure	Only after all statutory prerequisites are satisfied	Foreclosure may not commence until the statutory minimum assessment balance, required notice and waiting periods, any applicable mediation requirements, and specific Board approval have been satisfied. In addition, at least 90 days must have elapsed from the date the minimum required assessment amount accrued.

Important distinction. A lien may arise under the governing documents and applicable law before any lien document is recorded. Recording or enforcing a lien and foreclosing a lien are separate actions with different requirements. A collection referral to the Association's attorney is also separate from foreclosure and may occur earlier.

6. Second Notice, Lien, and Foreclosure

6.1 Second statutory notice. At or after the date the assessment has been past due for at least ninety (90) days, and no sooner than sixty (60) days after the first preforeclosure notice was mailed, the Association will provide the required Second Notice of Delinquency containing the second preforeclosure notice.

6.2 Collection and lien proceedings. If the account remains delinquent, the Board may authorize referral to the Association's attorney and, when authorized by the governing documents and applicable law, recording or enforcement of the Association's lien. A lien or collection referral does not mean foreclosure will automatically occur.

6.3 Foreclosure safeguards. The Association will not commence a lien foreclosure action unless all requirements of RCW 64.38.100 are satisfied, including the applicable minimum assessment balance, required notices, waiting periods, any applicable mediation requirements, and specific Board approval. The statutory minimum assessment balance excludes fines, late charges, interest, attorneys' fees, and collection costs.

7. Collection Costs and Attorney Fees

7.1 Recovery of costs. To the extent permitted by the governing documents and applicable law, the Association may recover reasonable costs and attorneys' fees incurred in collecting delinquent assessments.

7.2 Attorney referral. If an account is referred to the Association's attorney, the owner may be responsible for additional reasonable attorneys' fees and collection costs to the extent permitted by the governing documents and law.

8. Payment Plans and Hardship

8.1 Payment plans. The Board may approve a reasonable written payment plan when it believes doing so is in the Association's best interests. A payment plan should state the amount and timing of payments and any conditions imposed by the Board.

8.2 Hardship requests. An owner who is experiencing a significant financial hardship is encouraged to contact the Association promptly. The Board may consider a hardship request, but no owner is entitled to a payment plan, deferral, waiver, or settlement unless approved by the Board and permitted by the governing documents and law.

8.3 Consistency. The Board will apply this policy consistently and will document any material deviation from the normal collection process.

9. General Administration

9.1 Records. The Association will maintain reasonable records of assessments, notices, payments, charges, collection activity, liens, and attorney referrals.

9.2 Owner inquiries. Owners are encouraged to contact the Association promptly if they believe an account is incorrect or if they need clarification about an assessment or collection notice.

9.3 Changes in law. If Washington law changes, the Association will administer collection matters in accordance with the law then in effect. The Board should review and update this policy as needed.

10. Adoption

Adopted by the Board of Directors of The Town Homes at Ludlow Bay Association on 10/21/2026

Effective date: 10/21/2026

Board President: John Witte

Secretary: Lewis Hale; Treasurer: Norman Ingram