



For an overview of HOA related legislation passed at the most recent Legislative Session, please see the accompanying *Legislative Update* document. This page is devoted to an explanation of the most significant change resulting from that legislation.

Effective January 1, 2020, homeowner associations are required to send a statement of account to every member with the same frequency that assessments are billed and paid instead of the traditional annual coupon book. That means that associations whose members pay assessments on a monthly basis will be required to send a statement to every member each month. It is important to note that the required statements are not simply an assessment "bill". They must be individualized to include up to date account information for each member.

The new procedure will be explained to the members in the January statement. They will have the option to choose from monthly statements in the US Mail, electronic delivery, or automatic withdrawal from a bank account (ACH). The law does not make an exception for those members that choose the automatic withdrawal method so they, too, must receive a monthly statement by mail or electronic delivery.

This new law will impact association budgets. On behalf of our association clients, we have bid and negotiated what will be a cost-effective way to insure compliance. The cost will be \$1 per statement, per member, for statements sent in the US Mail, perforated billing statement and return envelope included, with postage billed at the usual rate. If a member chooses electronic delivery, the statement will be e-mailed for 50 cents per statement using secure software, six months worth of access/storage, and delivery tracking.



LEGISLATIVE UPDATE 2019

The Arizona Legislature adjourned Tuesday, May 28, 2019. As a practical matter, in terms of how condominiums and planned communities are impacted, a single bill, SB 1531, was passed and approved by the Governor. The effective dates for changes in the law are August 27, 2019 and January 1, 2020. [*The bill in its entirety can be found at the conclusion of this summary.*]

Beginning August 27, an association can initiate a foreclosure action up to six years after assessments become due for all assessments accrued and unpaid during that six year period, extending the time from the current three years. There is also a provision in the bill requiring that a specific notice be given to members who are delinquent in paying assessments before referring an account to a collection agency [outside a managing agent's authority] or to an attorney. The required notice is essentially what is already being provided by KMS/Sentinel Servicing; the difference is that the new law requires that when the statutory notice is mailed, it must be by certified mail, return receipt requested. As with any expense of collection, the cost of the certified mailing will constitute a charge against the owner's assessment account and is reimbursable to the association.

The bill has added new subsections to A.R.S. 33-1256 [Condominiums] and 33-1807 [Planned Communities], including (K), discussed in the preceding paragraph, and a new subsection (L) which becomes effective as law January 1, 2020. This new provision requires that homeowner associations send a statement of account to every lot/unit owner "...in lieu of a periodic payment book to the unit owner or member with the same frequency that assessments are provided for in the declaration." For years, along with the payment coupon itself, the payment coupon book has been the primary method of providing information to owners of the coming year's assessment schedule, due dates, late fee penalties, payment options, payment address and similar information. There was a one-time annual expense to the Association in providing the coupon payment book.

The new law no longer allows for that process. The law now requires that if association members are required to pay assessments monthly, the association must send a statement of account to each member monthly, either by mail or electronically if a member signs up for that option. If paying quarterly or in any other periodic manner, the same process applies for periodic billing.

State of Arizona
Senate
Fifty-fourth Legislature
First Regular Session
2019

CHAPTER 200
SENATE BILL 1531

AN ACT

AMENDING SECTIONS 33-1256 AND 33-1807, ARIZONA REVISED STATUTES; RELATING
TO CONDOMINIUMS AND PLANNED COMMUNITIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 33-1256, Arizona Revised Statutes, is amended to
3 read:

4 33-1256. Lien for assessments; priority; mechanics' and
5 materialmen's liens; notice; applicability

6 A. The association has a lien on a unit for any assessment levied
7 against that unit from the time the assessment becomes due. The
8 association's lien for assessments, for charges for late payment of those
9 assessments, for reasonable collection fees and for reasonable attorney
10 fees and costs incurred with respect to those assessments may be
11 foreclosed in the same manner as a mortgage on real estate but may be
12 foreclosed only if the owner has been delinquent in the payment of monies
13 secured by the lien, excluding reasonable collection fees, reasonable
14 attorney fees and charges for late payment of and costs incurred with
15 respect to those assessments, for a period of one year or in the amount of
16 ~~one thousand two hundred dollars~~ \$1,200 or more, whichever occurs first,
17 AS DETERMINED ON THE DATE THE ACTION IS FILED. Fees, charges, late
18 charges, monetary penalties and interest charged pursuant to section
19 33-1242, subsection A, paragraphs 10, 11 and 12, other than charges for
20 late payment of assessments, are not enforceable as assessments under this
21 section. If an assessment is payable in installments, the full amount of
22 the assessment is a lien from the time the first installment of the
23 assessment becomes due. The association has a lien for fees, charges,
24 late charges, other than charges for late payment of assessments, monetary
25 penalties or interest charged pursuant to section 33-1242, subsection A,
26 paragraphs 10, 11 and 12 after the entry of a judgment in a civil suit for
27 those fees, charges, late charges, monetary penalties or interest from a
28 court of competent jurisdiction and the recording of that judgment in the
29 office of the county recorder as otherwise provided by law. The
30 association's lien for monies other than for assessments, for charges for
31 late payment of those assessments, for reasonable collection fees and for
32 reasonable attorney fees and costs incurred with respect to those
33 assessments may not be foreclosed and is effective only on conveyance of
34 any interest in the real property.

35 B. A lien for assessments, for charges for late payment of those
36 assessments, for reasonable collection fees and for reasonable attorney
37 fees and costs incurred with respect to those assessments under this
38 section is prior to all other liens, interests and encumbrances on a unit
39 except:

40 1. Liens and encumbrances recorded before the recordation of the
41 declaration.

42 2. A recorded first mortgage on the unit, a seller's interest in a
43 first contract for sale pursuant to chapter 6, article 3 of this title on

1 the unit recorded prior to the lien arising pursuant to subsection A of
2 this section or a recorded first deed of trust on the unit.

3 3. Liens for real estate taxes and other governmental assessments
4 or charges against the unit.

5 C. Subsection B of this section does not affect the priority of
6 mechanics' or materialmen's liens or the priority of liens for other
7 assessments made by the association. The lien under this section is not
8 subject to chapter 8 of this title.

9 D. Unless the declaration otherwise provides, if two or more
10 associations have liens for assessments created at any time on the same
11 real estate, those liens have equal priority.

12 E. Recording of the declaration constitutes record notice and
13 perfection of the lien for assessments, for charges for late payment of
14 those assessments, for reasonable collection fees and for reasonable
15 attorney fees and costs incurred with respect to those assessments.
16 Further recordation of any claim of lien for assessments under this
17 section is not required.

18 F. A lien for unpaid assessments is extinguished unless proceedings
19 to enforce the lien are instituted within ~~three~~ SIX years after the full
20 amount of the assessments becomes due.

21 G. This section does not prohibit:

22 1. Actions to recover sums for which subsection A of this section
23 creates a lien. ~~or does not prohibit~~

24 2. An association from taking a deed in lieu of foreclosure.

25 H. A judgment or decree in any action brought under this section
26 shall include costs and reasonable attorney fees for the prevailing party.

27 I. The association on written request shall furnish to a
28 lienholder, escrow agent, unit owner or person designated by a unit owner
29 a statement setting forth the amount of unpaid assessments against the
30 unit. The statement shall be furnished within ten days after receipt of
31 the request and the statement is binding on the association, the board of
32 directors and every unit owner if the statement is requested by an escrow
33 agency that is licensed pursuant to title 6, chapter 7. Failure to
34 provide the statement to the escrow agent within the time provided for in
35 this subsection ~~shall extinguish~~ EXTINGUISHES any lien for any unpaid
36 assessment then due.

37 J. Notwithstanding any provision in the condominium documents or in
38 any contract between the association and a management company, unless the
39 ~~member~~ UNIT OWNER directs otherwise, all payments received on a ~~member's~~
40 UNIT OWNER'S account shall be applied first to any unpaid assessments, ~~for~~
41 unpaid charges for late payment of those assessments, ~~for~~ UNPAID
42 reasonable collection fees and ~~for~~ unpaid attorney fees and costs incurred
43 with respect to those assessments, in that order, with any remaining

1 amounts applied next to other unpaid fees, charges and monetary penalties
2 or interest and late charges on any of those amounts.

3 K. FOR A DELINQUENT ACCOUNT FOR UNPAID ASSESSMENTS OR FOR CHARGES
4 RELATED TO UNPAID ASSESSMENTS, THE ASSOCIATION SHALL PROVIDE THE FOLLOWING
5 WRITTEN NOTICE TO THE UNIT OWNER AT THE UNIT OWNER'S ADDRESS AS PROVIDED
6 TO THE ASSOCIATION AT LEAST THIRTY DAYS BEFORE AUTHORIZING AN ATTORNEY, OR
7 A COLLECTION AGENCY THAT IS NOT ACTING AS THE ASSOCIATION'S MANAGING
8 AGENT, TO BEGIN COLLECTION ACTIVITY ON BEHALF OF THE ASSOCIATION:

9 YOUR ACCOUNT IS DELINQUENT. IF YOU DO NOT BRING YOUR ACCOUNT
10 CURRENT OR MAKE ARRANGEMENTS THAT ARE APPROVED BY THE
11 ASSOCIATION TO BRING YOUR ACCOUNT CURRENT WITHIN THIRTY DAYS
12 AFTER THE DATE OF THIS NOTICE, YOUR ACCOUNT WILL BE TURNED
13 OVER FOR FURTHER COLLECTION PROCEEDINGS. SUCH COLLECTION
14 PROCEEDINGS COULD INCLUDE BRINGING A FORECLOSURE ACTION
15 AGAINST YOUR PROPERTY.

16 THE NOTICE SHALL BE IN BOLDFACED TYPE OR ALL CAPITAL LETTERS AND SHALL
17 INCLUDE THE CONTACT INFORMATION FOR THE PERSON THAT THE UNIT OWNER MAY
18 CONTACT TO DISCUSS PAYMENT. THE NOTICE SHALL BE SENT BY CERTIFIED MAIL,
19 RETURN RECEIPT REQUESTED, AND MAY BE INCLUDED WITHIN OTHER CORRESPONDENCE
20 SENT TO THE UNIT OWNER REGARDING THE UNIT OWNER'S DELINQUENT ACCOUNT.

21 L. BEGINNING JANUARY 1, 2020, EXCEPT FOR CONDOMINIUMS THAT HAVE
22 FEWER THAN FIFTY UNITS AND THAT DO NOT CONTRACT WITH A THIRD PARTY TO
23 PERFORM MANAGEMENT SERVICES ON BEHALF OF THE ASSOCIATION, THE ASSOCIATION
24 SHALL PROVIDE A STATEMENT OF ACCOUNT IN LIEU OF A PERIODIC PAYMENT BOOK TO
25 THE UNIT OWNER WITH THE SAME FREQUENCY THAT ASSESSMENTS ARE PROVIDED FOR
26 IN THE DECLARATION. THE STATEMENT OF ACCOUNT SHALL INCLUDE THE CURRENT
27 ACCOUNT BALANCE DUE AND THE IMMEDIATELY PRECEDING LEDGER HISTORY. IF THE
28 ASSOCIATION OFFERS THE STATEMENT OF ACCOUNT BY ELECTRONIC MEANS, A UNIT
29 OWNER MAY OPT TO RECEIVE THE STATEMENT ELECTRONICALLY. THE ASSOCIATION
30 MAY STOP PROVIDING ANY FURTHER STATEMENTS OF ACCOUNT TO A UNIT OWNER IF
31 COLLECTION ACTIVITY BEGINS BY AN ATTORNEY, OR A COLLECTION AGENCY THAT IS
32 NOT ACTING AS THE ASSOCIATION'S MANAGING AGENT, REGARDING THAT UNIT
33 OWNER'S UNPAID ACCOUNT. AFTER COLLECTION ACTIVITY BEGINS, A UNIT OWNER
34 MAY REQUEST STATEMENTS OF ACCOUNT BY WRITTEN REQUEST TO THE ATTORNEY OR
35 COLLECTION AGENCY. ANY REQUEST BY A UNIT OWNER FOR A STATEMENT OF ACCOUNT
36 AFTER COLLECTION ACTIVITY BEGINS BY AN ATTORNEY OR A COLLECTION AGENCY
37 THAT IS NOT ACTING AS THE ASSOCIATION'S MANAGING AGENT MUST BE FULFILLED
38 BY THE ATTORNEY OR THE COLLECTION AGENCY RESPONSIBLE FOR THE COLLECTION.
39 THE STATEMENT OF ACCOUNT PROVIDED BY THE ATTORNEY OR COLLECTION AGENCY
40 RESPONSIBLE FOR THE COLLECTION SHALL INCLUDE ALL AMOUNTS CLAIMED TO BE
41 OWING TO RESOLVE THE DELINQUENCY THROUGH THE DATE SET FORTH IN THE
42 STATEMENT, INCLUDING ATTORNEY FEES AND COSTS, REGARDLESS OF WHETHER SUCH
43 AMOUNTS HAVE BEEN REDUCED TO JUDGMENT.

1 M. AN AGENT FOR THE ASSOCIATION MAY COLLECT ON BEHALF OF THE
2 ASSOCIATION DIRECTLY FROM A UNIT OWNER THE ASSESSMENTS AND OTHER AMOUNTS
3 OWED BY CASH OR CHECK, BY MAILED OR HAND-DELIVERED BANK DRAFTS, CHECKS,
4 CASHIER'S CHECKS OR MONEY ORDERS, BY CREDIT, CHARGE OR DEBIT CARD OR BY
5 OTHER ELECTRONIC MEANS. FOR ANY FORM OF PAYMENT OTHER THAN FOR CASH OR
6 FOR MAILED OR HAND-DELIVERED BANK DRAFTS, CHECKS, CASHIER'S CHECKS OR
7 MONEY ORDERS, THE AGENT MAY CHARGE A CONVENIENCE FEE TO THE UNIT OWNER
8 THAT IS APPROXIMATELY THE AMOUNT CHARGED TO THE AGENT BY A THIRD-PARTY
9 SERVICE PROVIDER.

10 ~~K.~~ N. This section does not apply to timeshare plans or
11 associations that are subject to chapter 20 of this title.

12 Sec. 2. Section 33-1807, Arizona Revised Statutes, is amended to
13 read:

14 33-1807. Lien for assessments; priority; mechanics' and
15 materialmen's liens; notice

16 A. The association has a lien on a unit for any assessment levied
17 against that unit from the time the assessment becomes due. The
18 association's lien for assessments, for charges for late payment of those
19 assessments, for reasonable collection fees and for reasonable attorney
20 fees and costs incurred with respect to those assessments may be
21 foreclosed in the same manner as a mortgage on real estate but may be
22 foreclosed only if the owner has been delinquent in the payment of monies
23 secured by the lien, excluding reasonable collection fees, reasonable
24 attorney fees and charges for late payment of and costs incurred with
25 respect to those assessments, for a period of one year or in the amount of
26 ~~one thousand two hundred dollars~~ \$1,200 or more, whichever occurs first,
27 AS DETERMINED ON THE DATE THE ACTION IS FILED. Fees, charges, late
28 charges, monetary penalties and interest charged pursuant to section
29 33-1803, other than charges for late payment of assessments are not
30 enforceable as assessments under this section. If an assessment is
31 payable in installments, the full amount of the assessment is a lien from
32 the time the first installment of the assessment becomes due. The
33 association has a lien for fees, charges, late charges, other than charges
34 for late payment of assessments, monetary penalties or interest charged
35 pursuant to section 33-1803 after the entry of a judgment in a civil suit
36 for those fees, charges, late charges, monetary penalties or interest from
37 a court of competent jurisdiction and the recording of that judgment in
38 the office of the county recorder as otherwise provided by law. The
39 association's lien for monies other than for assessments, for charges for
40 late payment of those assessments, for reasonable collection fees and for
41 reasonable attorney fees and costs incurred with respect to those
42 assessments may not be foreclosed and is effective only on conveyance of
43 any interest in the real property.

1 B. A lien for assessments, for charges for late payment of those
2 assessments, for reasonable collection fees and for reasonable attorney
3 fees and costs incurred with respect to those assessments under this
4 section is prior to all other liens, interests and encumbrances on a unit
5 except:

6 1. Liens and encumbrances recorded before the recordation of the
7 declaration.

8 2. A recorded first mortgage on the unit, a seller's interest in a
9 first contract for sale pursuant to chapter 6, article 3 of this title on
10 the unit recorded prior to the lien arising pursuant to subsection A of
11 this section or a recorded first deed of trust on the unit.

12 3. Liens for real estate taxes and other governmental assessments
13 or charges against the unit.

14 C. Subsection B of this section does not affect the priority of
15 mechanics' or materialmen's liens or the priority of liens for other
16 assessments made by the association. The lien under this section is not
17 subject to chapter 8 of this title.

18 D. Unless the declaration otherwise provides, if two or more
19 associations have liens for assessments created at any time on the same
20 real estate those liens have equal priority.

21 E. Recording of the declaration constitutes record notice and
22 perfection of the lien for assessments, for charges for late payment of
23 assessments, for reasonable collection fees and for reasonable attorney
24 fees and costs incurred with respect to those assessments. Further
25 recordation of any claim of lien for assessments under this section is not
26 required.

27 F. A lien for an unpaid assessment is extinguished unless
28 proceedings to enforce the lien are instituted within ~~three~~ SIX years
29 after the full amount of the assessment becomes due.

30 G. This section does not prohibit:

31 1. Actions to recover amounts for which subsection A of this
32 section creates a lien.

33 2. An association from taking a deed in lieu of foreclosure.

34 H. A judgment or decree in any action brought under this section
35 shall include costs and reasonable attorney fees for the prevailing party.

36 I. On written request, the association shall furnish to a
37 lienholder, escrow agent, unit owner or person designated by a unit owner
38 a statement setting forth the amount of any unpaid assessment against the
39 unit. The association shall furnish the statement within ten days after
40 receipt of the request, and the statement is binding on the association,
41 the board of directors and every unit owner if the statement is requested
42 by an escrow agency that is licensed pursuant to title 6, chapter 7.
43 Failure to provide the statement to the escrow agent within the time

1 provided for in this subsection ~~shall extinguish~~ EXTINGUISHES any lien for
2 any unpaid assessment then due.

3 J. Notwithstanding any provision in the community documents or in
4 any contract between the association and a management company, unless the
5 member directs otherwise, all payments received on a member's account
6 shall be applied first to any unpaid assessments, ~~for~~ unpaid charges for
7 late payment of those assessments, ~~for~~ UNPAID reasonable collection fees
8 and ~~for~~ unpaid attorney fees and costs incurred with respect to those
9 assessments, in that order, with any remaining amounts applied next to
10 other unpaid fees, charges and monetary penalties or interest and late
11 charges on any of those amounts.

12 K. FOR A DELINQUENT ACCOUNT FOR UNPAID ASSESSMENTS OR FOR CHARGES
13 RELATED TO UNPAID ASSESSMENTS, THE ASSOCIATION SHALL PROVIDE THE FOLLOWING
14 WRITTEN NOTICE TO THE MEMBER AT THE MEMBER'S ADDRESS AS PROVIDED TO THE
15 ASSOCIATION AT LEAST THIRTY DAYS BEFORE AUTHORIZING AN ATTORNEY, OR A
16 COLLECTION AGENCY THAT IS NOT ACTING AS THE ASSOCIATION'S MANAGING AGENT,
17 TO BEGIN COLLECTION ACTIVITY ON BEHALF OF THE ASSOCIATION:

18 YOUR ACCOUNT IS DELINQUENT. IF YOU DO NOT BRING YOUR ACCOUNT
19 CURRENT OR MAKE ARRANGEMENTS THAT ARE APPROVED BY THE
20 ASSOCIATION TO BRING YOUR ACCOUNT CURRENT WITHIN THIRTY DAYS
21 AFTER THE DATE OF THIS NOTICE, YOUR ACCOUNT WILL BE TURNED
22 OVER FOR FURTHER COLLECTION PROCEEDINGS. SUCH COLLECTION
23 PROCEEDINGS COULD INCLUDE BRINGING A FORECLOSURE ACTION
24 AGAINST YOUR PROPERTY.

25 THE NOTICE SHALL BE IN BOLDFACED TYPE OR ALL CAPITAL LETTERS AND SHALL
26 INCLUDE THE CONTACT INFORMATION FOR THE PERSON THAT THE MEMBER MAY CONTACT
27 TO DISCUSS PAYMENT. THE NOTICE SHALL BE SENT BY CERTIFIED MAIL, RETURN
28 RECEIPT REQUESTED, AND MAY BE INCLUDED WITHIN OTHER CORRESPONDENCE SENT TO
29 THE MEMBER REGARDING THE MEMBER'S DELINQUENT ACCOUNT.

30 L. BEGINNING JANUARY 1, 2020, EXCEPT FOR PLANNED COMMUNITIES THAT
31 HAVE FEWER THAN FIFTY LOTS AND THAT DO NOT CONTRACT WITH A THIRD PARTY TO
32 PERFORM MANAGEMENT SERVICES ON BEHALF OF THE ASSOCIATION, THE ASSOCIATION
33 SHALL PROVIDE A STATEMENT OF ACCOUNT IN LIEU OF A PERIODIC PAYMENT BOOK TO
34 THE MEMBER WITH THE SAME FREQUENCY THAT ASSESSMENTS ARE PROVIDED FOR IN
35 THE DECLARATION. THE STATEMENT OF ACCOUNT SHALL INCLUDE THE CURRENT
36 ACCOUNT BALANCE DUE AND THE IMMEDIATELY PRECEDING LEDGER HISTORY. IF THE
37 ASSOCIATION OFFERS THE STATEMENT OF ACCOUNT BY ELECTRONIC MEANS, A MEMBER
38 MAY OPT TO RECEIVE THE STATEMENT ELECTRONICALLY. THE ASSOCIATION MAY STOP
39 PROVIDING ANY FURTHER STATEMENTS OF ACCOUNT TO A MEMBER IF COLLECTION
40 ACTIVITY BEGINS BY AN ATTORNEY, OR A COLLECTION AGENCY THAT IS NOT ACTING
41 AS THE ASSOCIATION'S MANAGING AGENT, REGARDING THAT MEMBER'S UNPAID
42 ACCOUNT. AFTER COLLECTION ACTIVITY BEGINS, A MEMBER MAY REQUEST
43 STATEMENTS OF ACCOUNT BY WRITTEN REQUEST TO THE ATTORNEY OR COLLECTION
44 AGENCY. ANY REQUEST BY A MEMBER FOR A STATEMENT OF ACCOUNT AFTER

1 COLLECTION ACTIVITY BEGINS BY AN ATTORNEY OR A COLLECTION AGENCY THAT IS
2 NOT ACTING AS THE ASSOCIATION'S MANAGING AGENT MUST BE FULFILLED BY THE
3 ATTORNEY OR THE COLLECTION AGENCY RESPONSIBLE FOR THE COLLECTION. THE
4 STATEMENT OF ACCOUNT PROVIDED BY THE ATTORNEY OR COLLECTION AGENCY
5 RESPONSIBLE FOR THE COLLECTION SHALL INCLUDE ALL AMOUNTS CLAIMED TO BE
6 OWING TO RESOLVE THE DELINQUENCY THROUGH THE DATE SET FORTH IN THE
7 STATEMENT, INCLUDING ATTORNEY FEES AND COSTS, REGARDLESS OF WHETHER SUCH
8 AMOUNTS HAVE BEEN REDUCED TO JUDGMENT.

9 M. AN AGENT FOR THE ASSOCIATION MAY COLLECT ON BEHALF OF THE
10 ASSOCIATION DIRECTLY FROM A MEMBER THE ASSESSMENTS AND OTHER AMOUNTS OWED
11 BY CASH OR CHECK, BY MAILED OR HAND-DELIVERED BANK DRAFTS, CHECKS,
12 CASHIER'S CHECKS OR MONEY ORDERS, BY CREDIT, CHARGE OR DEBIT CARD OR BY
13 OTHER ELECTRONIC MEANS. FOR ANY FORM OF PAYMENT OTHER THAN FOR CASH OR
14 FOR MAILED OR HAND-DELIVERED BANK DRAFTS, CHECKS, CASHIER'S CHECKS OR
15 MONEY ORDERS, THE AGENT MAY CHARGE A CONVENIENCE FEE TO THE MEMBER THAT IS
16 APPROXIMATELY THE AMOUNT CHARGED TO THE AGENT BY A THIRD-PARTY SERVICE
17 PROVIDER.

APPROVED BY THE GOVERNOR MAY 8, 2019.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 8, 2019.