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SENATE BILL NO. 1135

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on General Laws
on February 12, 1997)

(Patron Prior to Substitute—Senator Ticer)

A *BILL to amend and reenact §§ 55-79.84 and 55-516 of the Code of Virginia, relating to the condominium and property owners' associations; liens for assessments.*

Be it enacted by the General Assembly of Virginia:

1. That §§ 55-79.84 and 55-516 of the Code of Virginia are amended and reenacted as follows:

§ 55-79.84. Lien for assessments.

A. The unit owners' association shall have a lien on every condominium unit for unpaid assessments levied against that condominium unit in accordance with the provisions of this chapter and all lawful provisions of the condominium instruments. The said lien, once perfected, shall be prior to all other liens and encumbrances except (i) real estate tax liens on that condominium unit, (ii) liens and encumbrances recorded prior to the recordation of the declaration, and (iii) sums unpaid on any first mortgages or first deeds of trust recorded prior to the perfection of said lien for assessments and securing institutional lenders. The provisions of this subsection shall not affect the priority of mechanics' and materialmen's liens.

B. Notwithstanding any other provision of this section, or any other provision of law requiring documents to be recorded in the miscellaneous lien books or the deed books in the clerk's office of any court, on or after July 1, 1974, all memoranda of liens arising under this section shall, in the discretion of the clerk, be recorded in the miscellaneous lien books or the deed books in such clerk's office. Any such memorandum shall be indexed in the general index to deeds, and such general index shall identify the lien as a lien for condominium assessments.

C. The unit owners' association, in order to perfect the lien given by this section, shall file before the expiration of ninety days from the time such assessment became due and payable in the clerk's office in the county or city in which such condominium is situated, a memorandum, verified by the oath of the principal officer of the unit owners' association, or such other officer or officers as the condominium instruments may specify, which contains the following:

1. A description of the condominium unit in accordance with the provisions of § 55-79.47.

2. The name or names of the persons constituting the unit owners of that condominium unit.

3. The amount of unpaid assessments currently due or past due together with the date when each fell due.

4. The date of issuance of the memorandum.

It shall be the duty of the clerk in whose office such memorandum ~~shall be~~ *is* filed as hereinabove provided to record and index the same as provided in subsection B, in the names of the persons identified therein as well as in the name of the unit owners' association. The cost of recording such memorandum shall be taxed against the person found liable in any judgment or decree enforcing such lien.

D. No suit to enforce any lien perfected under subsection C shall be brought after twenty-four months from the time when the memorandum of lien was recorded; ~~provided, however, that~~ the filing of a petition to enforce any such lien in any suit wherein such petition may be properly filed shall be regarded as the institution of a suit under this section; ~~and provided further that nothing.~~ *Nothing* herein shall extend the time within which any such lien may be perfected.

E. The judgment or decree in an action brought pursuant to this section shall include, without limitation, reimbursement for costs and attorneys' fees, together with interest at the maximum lawful rate for the sums secured by the lien from the time each such sum became due and payable.

F. When payment or satisfaction is made of a debt secured by the lien perfected by subsection C, said lien shall be released in accordance with the provisions of § 55-66.3. For the purposes of that section, the principal officer of the unit owners' association, or such other officer or officers as the condominium instruments may specify, shall be deemed the duly authorized agent of the lien creditor.

G. Nothing in this section shall be construed to prohibit actions at law to recover sums for which subsection A creates a lien, maintainable pursuant to § 55-79.53.

H. Any unit owner or purchaser of a condominium unit, having executed a contract for the disposition of the same, shall be entitled upon request to a recordable statement setting forth the amount of unpaid assessments currently levied against that unit. Such request shall be in writing, directed to the principal officer of the unit owners' association or to such other officer as the condominium instruments may specify. Failure to furnish or make available such a statement within ten days of the receipt of such request shall extinguish the lien created by subsection A as to the condominium unit involved. Such

60 statement shall be binding on the unit owners' association, the executive organ, and every unit owner.
61 Payment of a fee not exceeding ten dollars may be required as a prerequisite to the issuance of such a
62 statement if the condominium instruments so provide.

63 *1. At any time after perfecting the lien pursuant to this section, the unit owners' association may sell*
64 *the unit at public sale conducted in compliance with the following:*

65 *1. In addition to the advertisement required by subdivision 2, the unit owners' association shall give*
66 *written notice of the time, date and place of any proposed sale in execution of the lien by personal*
67 *delivery or by mail to (i) the present owner of the property to be sold at his last known address as such*
68 *owner and address appear in the records of the unit owners' association, (ii) any lienholder who holds*
69 *a note against the property secured by a deed of trust recorded at least thirty days prior to the*
70 *proposed sale and whose address is recorded with the deed of trust, and (iii) any assignee of such a*
71 *note secured by a deed of trust provided the assignment and address of the assignee are likewise*
72 *recorded at least thirty days prior to the proposed sale. Mailing a copy of the advertisement or the*
73 *notice containing the same information to the owner by certified or registered mail no less than fourteen*
74 *days prior to such sale and to the lienholders and their assigns, at the addresses noted in the*
75 *memorandum of lien, by ordinary mail no less than fourteen days prior to such sale, shall be a*
76 *sufficient compliance with the requirement of notice.*

77 *2. The advertisement of sale by the unit owners' association shall be in a newspaper having a*
78 *general circulation in the city or county wherein the property to be sold, or any portion thereof, lies*
79 *pursuant to the following provisions:*

80 *a. The unit owners' association shall advertise once a week for four successive weeks; however, if*
81 *the property or some portion thereof is located in a city or in a county immediately contiguous to a city,*
82 *publication of the advertisement five different days, which may be consecutive days, shall be deemed*
83 *adequate. The sale shall be held on any day following the day of the last advertisement which is no*
84 *earlier than eight days following the first advertisement nor more than thirty days following the last*
85 *advertisement.*

86 *b. Such advertisement shall be placed in that section of the newspaper where legal notices appear or*
87 *where the type of property being sold is generally advertised for sale. The advertisement of sale, in*
88 *addition to such other matters as the unit owners' association finds appropriate, shall set forth a*
89 *description of the property to be sold, which description need not be as extensive as that contained in*
90 *the deed of trust, but shall identify the property by street address, if any, or, if none, shall give the*
91 *general location of the property with reference to streets, routes, or known landmarks. Where available,*
92 *tax map identification may be used but is not required. The advertisement shall also include the date,*
93 *time, place, and terms of sale and the name of the unit owners' association. It shall set forth the name,*
94 *address and telephone number of the representative, agent, or attorney who may be able to respond to*
95 *inquiries concerning the sale.*

96 *c. In addition to the advertisement required by subdivisions a and b above, the unit owners'*
97 *association shall give such other further and different advertisement as the association finds*
98 *appropriate.*

99 *3. In the event of postponement of sale, which postponement shall be at the discretion of the unit*
100 *owners' association, advertisement of such postponed sale shall be in the same manner as the original*
101 *advertisement of sale.*

102 *4. Failure to comply with the requirements for advertisement contained in this section shall, upon*
103 *petition, render a sale of the property voidable by the court.*

104 *5. In the event of a sale, the unit owners' association shall have the following powers and duties:*

105 *a. Written one-price bids may be made and shall be received by the unit owners' association from*
106 *any person for entry by announcement at the sale. Any person other than a member of the unit owners'*
107 *association may bid at the foreclosure sale, including a person who has submitted a written one-price*
108 *bid. Upon request to the unit owners' association, any other bidder in attendance at a foreclosure sale*
109 *shall be permitted to inspect written bids.*

110 *b. The unit owners' association may require of any bidder at any sale a cash deposit of as much as*
111 *ten percent of the sale price before his bid is received, which shall be refunded to him if the property is*
112 *not sold to him. The deposit of the successful bidder shall be applied to his credit at settlement, or if*
113 *such bidder fails to complete his purchase promptly, the deposit shall be applied to pay the costs and*
114 *expenses of the sale, and the balance, if any, shall be retained by the unit owners' association in*
115 *connection with that sale.*

116 *c. The unit owners' association shall receive and receipt for the proceeds of sale, no purchaser being*
117 *required to see to the application of the proceeds, and apply the same in the following order: first, to*
118 *the reasonable expenses of sale; second, to the satisfaction of all taxes, levies and assessments, with*
119 *costs and interest; third, to the satisfaction of all liens and encumbrances recorded prior to the*
120 *declaration; fourth, to the satisfaction of any first mortgages or first deeds of trust recorded prior to the*
121 *perfection of said lien for assessments and securing institutional lenders; fifth, to the satisfaction of the*

lien for the unit owners' assessments; sixth, to the satisfaction in the order of priority of any remaining claims of record; and seventh, to pay the residue of the proceeds to the unit owner or his assigns; provided, however, that the association as to such residue shall not be bound by any inheritance, devise, conveyance, assignment or lien of or upon the unit owner's equity, without actual notice thereof prior to distribution.

§ 55-516. Lien for assessments.

A. Once perfected, the association shall have a lien on every lot for unpaid assessments levied against that lot in accordance with the provisions of this chapter and all lawful provisions of the declaration. The lien, once perfected, shall be prior to all other subsequent liens and encumbrances except (i) real estate tax liens on that lot, (ii) liens and encumbrances recorded prior to the recordation of the declaration, and (iii) sums unpaid on and owing under any mortgage or deed of trust recorded prior to the perfection of said lien. The provisions of this subsection shall not affect the priority of mechanics' and materialmen's liens. Notice of a memorandum of lien to a holder of a credit line deed of trust under § 55-58.2 shall be given in the same fashion as if the association's lien were a judgment.

B. The association, in order to perfect the lien given by this section, shall file before the expiration of twelve months from the time such assessment became due and payable in the clerk's office in the county or city in which such development is situated, a memorandum, verified by the oath of the principal officer of the association, or such other officer or officers as the declaration may specify, which contains the following:

1. The name of the development;
2. A description of the lot;
3. The name or names of the persons constituting the owners of that lot;
4. The amount of unpaid assessments currently due or past due relative to such lot together with the date when each fell due;

5. The date of issuance of the memorandum;

6. The name of the association and the name and current address of the person to contact to arrange for payment or release of the lien; and

7. A statement that the association is obtaining a lien in accordance with the provisions of the Virginia Property Owners' Association Act as set forth in Chapter 26 (§ 55-508 et seq.) of Title 55.

It shall be the duty of the clerk in whose office such memorandum shall be filed as hereinafter provided to record and index the same as provided in subsection D, in the names of the persons identified therein as well as in the name of the association. The cost of recording and releasing the memorandum shall be taxed against the person found liable in any judgment or decree enforcing such lien.

C. Prior to filing a memorandum of lien, a written notice shall be sent to the property owner by certified mail, at the property owner's last known address, informing the property owner that a memorandum of lien will be filed in the circuit court clerk's office of the applicable city or county. The notice shall be sent at least ten days before the actual filing date of the memorandum of lien.

D. Notwithstanding any other provision of this section, or any other provision of law requiring documents to be recorded in the miscellaneous lien books or the deed books in the clerk's office of any court, on or after July 1, 1989, all memoranda of liens arising under this section shall be recorded in the deed books in the clerk's office. Any memorandum shall be indexed in the general index to deeds, and the general index shall identify the lien as a lien for lot assessments.

E. No suit to enforce any lien perfected under subsection B shall be brought after twenty-four months from the time when the memorandum of lien was recorded; however, the filing of a petition to enforce any such lien in any suit wherein the petition may be properly filed shall be regarded as the institution of a suit under this section. Nothing herein shall extend the time within which any such lien may be perfected.

F. The judgment or decree in an action brought pursuant to this section shall include, without limitation, reimbursement for costs and reasonable attorney's fees, together with interest at the maximum lawful rate for the sums secured by the lien from the time each such sum became due and payable.

G. When payment or satisfaction is made of a debt secured by the lien perfected by subsection B hereof, the lien shall be released in accordance with the provisions of § 55-66.3. For the purposes of § 55-66.3, the principal officer of the association, or any other officer or officers as the declaration may specify, shall be deemed the duly authorized agent of the lien creditor.

H. Nothing in this section shall be construed to prohibit actions at law to recover sums for which subsection A hereof creates a lien, maintainable pursuant to § 55-515.

I. At any time after perfecting the lien pursuant to this section, the property owners' association may sell the unit at public sale conducted in compliance with the following:

1. In addition to the advertisement required by subdivision 2, the property owners' association shall give written notice of the time, date and place of any proposed sale in execution of the lien by personal

183 delivery or by mail to (i) the present owner of the property to be sold at his last known address as such
184 owner and address appear in the records of the property owners' association, (ii) any lienholder who
185 holds a note against the property secured by a deed of trust recorded at least thirty days prior to the
186 proposed sale and whose address is recorded with the deed of trust, and (iii) any assignee of such a
187 note secured by a deed of trust provided the assignment and address of the assignee are likewise
188 recorded at least thirty days prior to the proposed sale. Mailing a copy of the advertisement or the
189 notice containing the same information to the owner by certified or registered mail no less than fourteen
190 days prior to such sale and to lienholders and their assigns, at the addresses noted in the memorandum
191 of lien, by ordinary mail no less than fourteen days prior to such sale, shall be a sufficient compliance
192 with the requirement of notice.

193 2. The advertisement of sale by the property owners' association shall be in a newspaper having a
194 general circulation in the city or county wherein the property to be sold, or any portion thereof, lies
195 pursuant to the following provisions:

196 a. The property owners' association shall advertise once a week for four successive weeks; however,
197 if the property or some portion thereof is located in a city or in a county immediately contiguous to a
198 city, publication of the advertisement five different days, which may be consecutive days, shall be
199 deemed adequate. The sale shall be held on any day following the day of the last advertisement which is
200 no earlier than eight days following the first advertisement nor more than thirty days following the last
201 advertisement.

202 b. Such advertisement shall be placed in that section of the newspaper where legal notices appear or
203 where the type of property being sold is generally advertised for sale. The advertisement of sale, in
204 addition to such other matters as the property owners' association finds appropriate, shall set forth a
205 description of the property to be sold, which description need not be as extensive as that contained in
206 the deed of trust, but shall identify the property by street address, if any, or, if none, shall give the
207 general location of the property with reference to streets, routes, or known landmarks. Where available,
208 tax map identification may be used but is not required. The advertisement shall also include the date,
209 time, place, and terms of sale and the name of the property owners' association. It shall set forth the
210 name, address and telephone number of the representative, agent, or attorney who may be able to
211 respond to inquiries concerning the sale.

212 c. In addition to the advertisement required by subdivisions a and b above, the property owners'
213 association shall give such other further and different advertisement as the association finds
214 appropriate.

215 3. In the event of postponement of sale, which postponement shall be at the discretion of the property
216 owners' association, advertisement of such postponed sale shall be in the same manner as the original
217 advertisement of sale.

218 4. Failure to comply with the requirements for advertisement contained in this section shall, upon
219 petition, render a sale of the property voidable by the court.

220 5. In the event of a sale, the property owners' association shall have the following powers and
221 duties:

222 a. Written one-price bids may be made and shall be received by the property owners' association
223 from any person for entry by announcement at the sale. Any person other than a member of the
224 property owners' association may bid at the foreclosure sale, including a person who has submitted a
225 written one-price bid. Upon request to the property owners' association, any other bidder in attendance
226 at a foreclosure sale shall be permitted to inspect written bids.

227 b. The property owners' association may require of any bidder at any sale a cash deposit of as much
228 as ten percent of the sale price before his bid is received, which shall be refunded to him if the property
229 is not sold to him. The deposit of the successful bidder shall be applied to his credit at settlement, or if
230 such bidder fails to complete his purchase promptly, the deposit shall be applied to pay the costs and
231 expenses of the sale, and the balance, if any, shall be retained by the property owners' association in
232 connection with that sale.

233 c. The property owners' association shall receive and receipt for the proceeds of sale, no purchaser
234 being required to see to the application of the proceeds, and apply the same in the following order:
235 first, to the reasonable expenses of sale; second, to the satisfaction of all taxes, levies and assessments,
236 with costs and interest; third, to the satisfaction of all liens and encumbrances recorded prior to the
237 declaration; fourth, to the satisfaction of any mortgages or deeds of trust recorded prior to the
238 perfection of said lien for assessments; fifth, to the satisfaction of the lien for the owners' assessments;
239 sixth, to the satisfaction in the order of priority of any remaining claims of record; and seventh, to pay
240 the residue of the proceeds to the owner or his assigns; provided, however, that the association as to
241 such residue shall not be bound by any inheritance, devise, conveyance, assignment or lien of or upon
242 the owner's equity, without actual notice thereof prior to distribution.