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HOUSE BILL NO. 234**AMENDMENT IN THE NATURE OF A SUBSTITUTE**

(Proposed by the House Committee on General Laws)

(Patron Prior to Substitute—Delegate Cosgrove)

House Amendments in [] — February 13, 2012

A *BILL to amend and reenact § 55-370 of the Code of Virginia, relating to the advertisement of time-share estate foreclosure sales.*

Be it enacted by the General Assembly of Virginia:

1. That § 55-370 of the Code of Virginia is amended and reenacted as follows:

§ 55-370. Time-share estate owners' association control liens.

A. The board of directors of the association shall have the authority to adopt regular annual assessments and to levy periodic special assessments against each of the time-share estate unit owners and to collect the same from such owners according to law, if the purpose in so doing is determined by the board of directors to be in the best interest of the project and the proceeds are used to pay time-share expenses. In addition, the board of directors of the association shall have the authority to collect, on behalf of the developer or on its own account, the maintenance fee imposed by the developer pursuant to § 55-369. The authority hereby granted and conferred upon the association shall exist notwithstanding any covenants and restrictions of record applicable to the project stated to the contrary and any such covenants and restrictions are hereby declared void.

B. The developer may provide that it not be obligated to pay all or a portion of any assessment, dues, or other charges of the association, however denominated, passed, or adopted, pursuant to subsection A, if such developer so provides, in bold type, in the time-share instrument for the time-share estate project. If no such provision exists, the developer shall be responsible to pay the same assessment, dues, or other charges that a time-share estate owner is obligated to pay for each of its unsold time-shares existing at the end of the fiscal year of the association and no more if the board of directors of the association so determines. In no event shall either a time-share expense or the dues, assessment, or charges of the association discriminate against the developer.

C. The association shall have a lien on every time-share estate within its project for unpaid and past due regular or special assessments levied against that estate in accordance with the provisions of this chapter and for all unpaid and past due maintenance fees. The exemption created by § 34-4 shall not be claimed against the debt or lien of the association created by this section.

The association, in order to perfect the lien given by this subsection, shall file, before the expiration of four years from the time such special or regular assessment or maintenance fee became due and payable, in the clerk's office of the county or city in which the project is situated, a memorandum verified by the oath of any officer of the association or its managing agent and containing the following information:

1. The name and location of the project;
2. The name and address of each owner of the time-share on which the lien exists and a description of the unit in which the time-share is situate;
3. The amount of unpaid and past due special or regular assessments or unpaid and past due maintenance fees applicable to the time-share, together with the date when each became due;
4. The amount of any other charges owing occasioned by the failure of the owner to pay the assessments or maintenance fees, including late charges, interest, postage and handling, attorneys' fees, recording costs and release fees;
5. The name, address and telephone number of the association's trustee, if known at the time, who will be called upon by the association to foreclose on the lien upon the owner's failure to pay as provided in this subsection; and
6. The date of issuance of the memorandum.

Notwithstanding any other provision of this chapter, or any other provision of law requiring documents to be recorded in the deed books of the clerk's office of any court, from July 1, 1981, all memoranda of liens arising under this subsection shall be recorded in 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 time-share estate regular or special assessments or maintenance fees.

It shall be the duty of the clerk in whose office such memorandum shall be filed as provided herein to record and index the same as provided in this subsection, in the names of the persons identified therein as well as in the name of the time-share estates owners' association. The cost of recording such memorandum shall be taxed against the owner of the time-share on which the lien is placed. The filing with the clerk of one memorandum on which is listed two or more delinquent time-share estate unit owners is permitted in order to perfect the lien hereby allowed and the cost of filing in this event shall

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60 be the clerk's fee as prescribed in subdivision A- 2- of § 17.1-275.

61 D. At any time after perfecting the lien pursuant to this section, the association may sell the
62 time-share estate at public sale, subject to prior liens. For purposes of this section, the association shall
63 have the power both to sell and convey the time-share estate, and shall be deemed the time-share estate
64 owner's statutory agent for the purpose of transferring title to the time-share estate. A nonjudicial
65 foreclosure sale shall be conducted by a trustee and in accordance with the following:

66 1. The association shall give notice to the time-share estate owner, prior to advertisement, as required
67 by subdivision 4. The notice shall specify (i) the debt secured by the perfected lien; (ii) the action
68 required to satisfy the debt secured by the perfected lien; (iii) the date, not less than 60 days from the
69 date the notice is given to the time-share estate owner, by which the debt secured by the lien must be
70 satisfied; and (iv) that failure to satisfy the debt secured by the lien on or before the date specified in
71 the notice may result in the sale of the time-share estate. The notice shall further inform the time-share
72 estate owner of the right to bring a court action in the circuit court of the county or city where the
73 time-share project is located to assert the nonexistence of a debt or any other defenses of the time-share
74 estate owner to the sale.

75 2. After expiration of the 60-day notice period provided in subdivision 1, the association may appoint
76 a trustee to conduct the sale. The appointment of the trustee shall be filed in the clerk's office of the
77 circuit court in the county or city in which the time-share project is located. It shall be the duty of the
78 clerk in whose office such appointment is filed to record and index the same, as provided in this
79 subsection, in the names of the persons identified therein as well as in the name of the association. The
80 association, at its option, may from time to time remove the trustee and appoint a successor trustee.

81 3. If the time-share estate owner meets the conditions specified in this subdivision prior to the date
82 of the foreclosure sale, the time-share estate owner shall have the right to have enforcement of the
83 perfected lien discontinued prior to the sale of the time-share estate. Such conditions are that the
84 time-share estate owner: (i) satisfy the debt secured by lien that is the subject of the nonjudicial
85 foreclosure sale and (ii) pay all expenses and costs incurred in perfecting and enforcing the lien,
86 including but not limited to advertising costs and reasonable attorney fees.

87 4. In addition to the advertisement required by subdivision 5, the association shall give written notice
88 of the time, date, and place of any proposed sale in execution of the lien, including the name, address,
89 and telephone number of the trustee, by personal delivery or by mail to (i) the present owner of the
90 time-share estate to be sold at his last known address as such owner and address appear in the records
91 of the association, (ii) any lienholder who holds a note against the time-share estate secured by a deed
92 of trust recorded at least 30 days prior to the proposed sale and whose address is recorded with the deed
93 of trust, and (iii) any assignee of such a note secured by a deed of trust provided the assignment and
94 address of the assignee are likewise recorded at least 30 days prior to the proposed sale. Mailing a copy
95 of the advertisement or the notice containing the same information to the owner by certified or
96 registered mail no less than 14 days prior to such sale and to the lienholders and their assigns, at the
97 addresses noted in the memorandum of lien, by ordinary mail no less than 14 days prior to such sale
98 shall be a sufficient compliance with the requirement of notice.

99 5. The advertisement of sale by the association shall be in a newspaper having a general circulation
100 in the city or county wherein the time-share estate to be sold and the time-share project, or any portion
101 thereof, lies pursuant to the following provisions:

102 a. The association shall advertise once a week for four successive weeks; however, if the time-share
103 estate and the time-share project or some portion thereof is located in a city or in a county immediately
104 contiguous to a city, publication of the advertisement five different days, which may be consecutive
105 days, shall be deemed adequate. The sale shall be held on any day following the day of the last
106 advertisement that is no earlier than eight days following the first advertisement nor more than 30 days
107 following the last advertisement.

108 b. Such advertisement shall be placed in that section of the newspaper where legal notices appear or
109 where the type of time-share estate being sold is generally advertised for sale. ~~The advertisement of sale,~~
110 ~~in addition to such other matters as the association finds appropriate, shall set forth a description of the~~
111 ~~time-share estate to be sold, which description need not be as extensive as that contained in the deed of~~
112 ~~trust, but shall identify the time-share project by street address, if any, or, if none, shall give the general~~
113 ~~location of such time-share project with reference to streets, routes, or known landmarks with further~~
114 ~~identification of the time-share estate to be sold. Where available, tax map identification may be used~~
115 ~~but is not required. The advertisement shall also include the date, time, place, and terms of sale and the~~
116 ~~name of the association. It shall set forth (i) the name, address, and telephone number of the~~
117 ~~representative, agent, or attorney who may be able to respond to inquiries and give additional~~
118 ~~information concerning the time-share estate to be sold, including providing in hard copy or electronic~~
119 ~~form a description of the time-share estate to be sold by street address, if any, or, if none, by the~~
120 ~~general location of the time-share project with reference to streets, routes, or known landmarks, and~~
121 ~~where available, tax map identification, [and] (ii) [the street address of the time-share to be sold, if~~

any, or if none, the general location of the time-share project, and (iii)] a website address where the information contained in clause (i) is displayed for the time-share estate to be sold.

c. In addition to the advertisement required by subdivisions 5 a and 5 b, the association may give such other further and different advertisement as the association finds appropriate.

6. In the event of postponement of the sale, which postponement shall be at the discretion of the association, advertisement of the postponed sale shall be in the same manner as the original advertisement of sale.

7. Failure to comply with the requirements for advertisement contained in this section shall, upon petition, render a sale of the property voidable by the court. Such petition shall be filed within 60 days of the sale or the right to do so shall lapse.

8. In the event of a sale, the association shall have the following powers and duties:

a. The association may sell two or more time-share estates at the sale. Written one-price bids may be made and shall be received by the trustee from the association or any person for entry by announcement at the sale. Any person other than the trustee may bid at the foreclosure sale, including a person who has submitted a written one-price bid. Upon request to the trustee, any other bidder in attendance at a foreclosure sale shall be permitted to inspect written bids. Unless otherwise provided in the time-share instrument, the association may bid to purchase the time-share estate at a foreclosure sale. The association may own, lease, encumber, exchange, sell, or convey the time-share estate. Whenever the written bid of the association is the highest bid submitted at the sale, such written bid shall be filed by the trustee with his account of sale required under subdivision D 10 of this section and § 26-15. The written bid submitted pursuant to this subsection may be prepared by the association, its agent or attorney.

b. The association may require of any bidder at any sale a cash deposit of as much as 33.33% percent of the sale price before his bid is received, which shall be refunded to him if the time-share estate is not sold to him through action of the trustee. The deposit of the successful bidder shall be applied to his credit at settlement, or if such bidder fails to complete his purchase promptly, the deposit shall be applied to pay the costs and expenses of the sale, and the balance, if any, shall be retained by the association in connection with that sale.

c. The association shall receive and receipt for the proceeds of sale, no purchaser being required to see to the application of the proceeds, and apply the same in the following order: first, to the reasonable expenses of sale, including reasonable attorney fees; second, to the satisfaction of all taxes, levies, and assessments, with costs and interest; third, to the satisfaction of the lien for the time-share estate owners' assessments; fourth, to the satisfaction in the order of priority of any remaining inferior claims of record; and fifth, to pay the residue of the proceeds to the time-share estate 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.

9. The trustee shall deliver to the purchaser a trustee's deed conveying the time-share estate with special warranty of title. The trustee shall not be required to take possession of the time-share estate prior to the sale thereof or to deliver possession of the time-share estate to the purchaser at the sale.

10. The trustee shall file an accounting of the sale with the commissioner of accounts pursuant to § 26-15 and every account of a sale shall be recorded pursuant to § 26-16. In addition, the accounting shall be made available for inspection and copying pursuant to § 55-370.01 upon the written request of the prior time-share estate owner, current time-share estate owner, or any holder of a recorded lien against the time-share estate at the time of the sale. The association shall maintain a copy of the accounting for at least 12 months following the foreclosure sale.

11. If the sale of a time-share estate is made pursuant to this subsection and the accounting is made by the trustee, the title of the purchaser at such sale shall not be disturbed unless within six months from the date of foreclosure, the sale is set aside by the court or an appeal is allowed by the Supreme Court of Virginia, and a decree is therein entered requiring such sale to be set aside.

When payment or satisfaction is made of a debt secured by the lien perfected by this subsection, such lien shall be released in accordance with the provisions of § 55-66.3. For the purposes of § 55-66.3, any officer of the time-share estate owners' association or its managing agent shall be deemed the duly authorized agent of the lien creditor.

E. The commissioner of accounts to whom an account of sale is returned in connection with the foreclosure of either a lien under subsection C or a purchase money deed of trust taken back by the developer in the sale of a time-share in order to satisfy § 26-15 shall be entitled to a fee, not to exceed ~~forty-five dollars~~ \$45, on each such sale.

F. Any time-share owner within the project having executed a contract for the disposition of the time-share, shall be entitled, upon request, to a recordable statement setting forth the amount of unpaid regular or special assessments or maintenance fees currently levied against that time-share. Such request

183 shall be in writing, directed to the president of the time-share estate owners' association, and delivered to
184 the principal office of the association. Failure of the association to furnish or make available such
185 statement within ~~twenty~~ 20 days from the actual receipt of such written request shall extinguish the lien
186 created by subsection C as to the time-share involved. Payment of a fee reflecting the reasonable cost of
187 materials and labor, not to exceed the actual cost thereof, may be required as a prerequisite to the
188 issuance of such a statement.