

RESOLUTION OF THE ORCHIDLAND COMMUNITY ASSOCIATION, INC.
COLLECTION POLICIES AND PROCEDURES

SUBJECT: Adoption of a policy and procedure regarding the collections of delinquent or unpaid assessments for road maintenance, including, but not limited to the Mandatory Road Maintenance Assessment and paving assessments.

PURPOSE: To adopt a policy and procedure to be followed for the collections of all such delinquent or unpaid assessments of the association.

AUTHORITY: The Articles of Incorporation, Bylaws of the Association and Hawaii law.

EFFECTIVE DATE: July 1, 2013

RESOLUTION: Orchidland Community Association (“Association”) hereby adopts the following policy and procedure for the collection of such delinquent or unpaid assessments pursuant to Hawaii statutes.

1. **Due Date.** The assessments as determined by the Board of Directors (the “Board”), the general membership and as allowed for in the Bylaws and Hawaii statutes shall be due and payable as billed. The Mandatory Road Maintenance Assessment (“MRMA”) assessments shall be billed by the Association’s agent in June of each year and shall be due and payable on the first day of each fiscal year (i.e. 7/1). The Board may establish due dates and related delinquency dates for paving assessments.
2. **Late Charge and Interest Charges.** A late charge of \$10.00 per lot owned may be assessed whenever the property owner is thirty days (30) overdue, and therefore delinquent, if payment has not been received in the Association agent’s office by the due date of each assessment billing. The Board may assess an interest rate as determined by the BOD and/or the membership using the current one (1) year CD rate at the Hawaii Federal Credit Union (HFC) located in Keaau as a guide, not to exceed the amount established by law. Should the HFC no longer be in business, the Board shall select a similar institution for this purpose.
3. **Return Check Charges.** In addition to any and all charges imposed under the Articles, Bylaws, Hawaii statutes, or this policy, a twenty-five dollar (\$25.00) fee or other amount deemed appropriate by the Board shall be assessed against an owner in the event any check or other instrument attributable to or payable for the benefit of such owner is not honored by the bank or is returned by the bank for any reason whatsoever, including but not limited to insufficient funds. Such return check charge shall be due and payable immediately, upon demand.

Notwithstanding this provision, the Association shall be entitled to all additional remedies as may be provided by applicable law. Returned check charges shall be the obligation of the owner(s) of the property for which payment was tendered to the Association. Returned check charges shall become effective on any instrument tendered to the Association for payment of sums due under the Articles, Bylaws, Hawaii statutes, Rules and Regulations, or this policy.

4. Collection Letters.

- a. The Association shall prepare a special notice to any owner that becomes delinquent on any amounts due to the Association. This notice shall request that payment be forwarded immediately and received in the Association's offices no later than fifteen (15) calendar days from the date of the notice and shall outline the late payment policy of the Association. The 1st Collection Letter shall be sent out after the payment(s) is/are 90 days past due. A 2nd Collection Letter shall be sent out again after another 90 days if payment has not been received.
 - b. Each notice shall also offer the option of a payment plan. One of two payment options will be accepted: either 12 equal payments for one (1) year or 24 equal payments for two (2) years. The property owner must remain current with all subsequent assessments. A copy of each Collection Letter and any response from the property owner shall be retained in the account file.
 - c. If payment in full for any amounts due is not received in the Association's agent's offices within one (1) year of the due date, the Board may, but shall not be required to, send the account to the Association's attorney for collection and the filing of a Notice of Assessment Lien against the property. Once the account has been forwarded to an attorney, no payment plans shall be offered unless filing fees, attorney fees and other costs incurred by the Association are included as part of the total amount owed.
5. Referral of Delinquent Accounts to Attorneys. The Board may refer delinquent accounts to its attorney for assistance in collection. Upon referral to the attorney, a 3rd letter shall be sent to the property owner notifying them of the referral of the delinquent account to an attorney for collection. The attorney may take all appropriate action to collect the accounts referred, including seeking a judicial judgment for the recording of a Notice of Assessment Lien against the property. After an account has been referred to an attorney, the account shall remain with the association until the account is settled, has a zero balance or is written off. All payment plans involving accounts referred to an attorney for collection shall be set up and monitored through the association. Foreclosure is not an appropriate action for collection of past due accounts.
6. Attorney Fees on Delinquent Accounts. As an additional expense permitted under the Articles, Bylaws and Hawaii statutes, the Association shall be entitled to recover its

reasonable attorney fees and collection costs incurred in the collection of assessments or other charges due the Association from a delinquent owner as determined by the Court.

7. Ongoing Evaluation. Nothing in this policy shall require the Board to take specific actions at a specific time but the Board shall not take any action in less than the time stated herein for a particular action. The Board has the option and right to continue to evaluate each delinquency on a case-by-case basis.

8. Payment Plan Requirements:

- a. All payment plans shall be reviewed by the Board. Once approved, the Treasurer shall forward account information along with the payment plan to the accounts receivable clerk and the records keeper. The Treasurer shall also keep a file on all members on a payment plan.
- b. The BOD shall follow rules and policy regarding time limits, amounts, contracts and agreements with regard to the plan.
- c. All payment plans shall be accompanied by:
 - i. Agreement of total amounts owed to the Association to include new fees, if any, incurred during the term of the payment plan. A copy of the account statement shall be provided to the member. If the amount is in dispute, the Treasurer shall verify the amount with the accounts receivable clerk and records keeper. If after verification the amount owed is still disputed, the Association shall refer the account for collection to an attorney for a judicial determination and collection proceedings.
 - ii. Agreement of liability for reasonable fees, and cost of lien proceedings should the member default on the [payment plan at any time during its term.
 - iii. Agreement of payment plan schedule to include amount of periodic payments and due dates: The Treasurer shall prepare a payment schedule that is signed by member and shall kept in the account file.
- d. Payment plans shall not exceed one (1) payment per month for the term of the plan, not to exceed 24 months.
- e. At its option, the Association may only waive interest amounts. Principle amounts are not negotiable. No member may “work off” or offer any type of

service/labor/product or any other type of exchange other than US currency to satisfy monies owed.

- f. Default: Unless written notice is sent to the Association no less than 7 days before a scheduled due date, the account shall be in default if the scheduled payment is not received within 14 days after the due date. A notice of default shall be sent by certified mail, with a written response required within 7 days. An account found to be in default shall be referred to an attorney for collection.
- g. At the Board's discretion, a waiver of default may be issued, however, no more than 2 waivers shall be allowed during the term of the plan and shall not be allowed once the Association incurs default collection costs for the account.

PRESIDENT'S CERTIFICATION: The undersigned, being the President of Orchidland Community Association, Inc., a Hawaii non-profit corporation, certifies that the foregoing Policy and Procedure was adopted by the Board of the Association at a duly called and held meeting, and in witness thereof the undersigned has subscribed his/her name.
ORCHIDLAND COMMUNITY ASSOCIATION, INC., a Hawaii non-profit 501c (4) corporation.

By: _____

President

Date: _____