

**SEAL BEACH MUTUAL NO. SIXTEEN****Shareholder Regulations****Collection and Lien Enforcement Policy and Procedures for Assessment Delinquencies****PURPOSE STATEMENT**

The following is a statement (the "Policy Statement") of the specific procedures, policies and practices employed by Seal Beach Mutual Number Sixteen, a California nonprofit mutual benefit corporation ("Mutual 16") in enforcing lien rights or other legal remedies for default in payment of assessments against its members ("Shareholders"). This Policy Statement is provided pursuant to the requirements of California Civil Code Section 5310(a)(7) and incorporates by reference the disclosure provided by Mutual 16 pursuant to California Civil Code Section 5730.

The collection of delinquent assessments is of vital concern to all Shareholders of Mutual 16. Such efforts ensure that all Shareholders pay their fair share of the costs of services and facilities provided and maintained by Mutual 16. Shareholders' failure to pay assessments when due creates a cash-flow problem for Mutual 16 and causes those Shareholders who make timely payment of their assessments to bear a disproportionate share of the community's financial obligations.

Assessments are the separate debt of shareholders. Mutual 16 may employ single collection recourses or combinations thereof as allowed by law. In addition to any other rights provided for by law or described in the governing documents, including, but not limited to the Articles of Incorporation, Bylaws, and each Shareholder's Occupancy Agreement ("Governing Documents"), the Board has the right to collect delinquent assessments as stated herein.

WE SINCERELY TRUST THAT ALL SHAREHOLDERS, IN THE SPIRIT OF COOPERATION AND IN RECOGNITION OF THEIR LEGAL OBLIGATIONS, WILL MAKE TIMELY PAYMENTS AND AVOID THE IMPOSITION OF LATE CHARGES AND POSSIBLE RESULTANT LEGAL ACTION, AND REIMBURSEMENT FOR THE COSTS OF SUCH LEGAL ACTION. IT IS IN YOUR BEST INTEREST AND THE BEST INTEREST OF THE COMMUNITY AS A WHOLE TO MAKE YOUR MONTHLY PAYMENTS ON TIME.

REGARDLESS OF WHETHER A LIEN IS RECORDED AGAINST YOUR LEASEHOLD INTEREST DURING THE COLLECTION OF PAST-DUE ASSESSMENTS, ALL SHAREHOLDERS HAVE A PERSONAL AND ONGOING OBLIGATION TO PAY ASSESSMENTS AND CHARGES.

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Delinquency reports are made available monthly by Mutual 16's managing agent to the Board of Mutual 16, identifying the delinquent Shareholder, the delinquent amount and the length of time the assessments have been in arrears. Additionally, to ensure the prompt payment of monthly assessments Mutual 16 employs the following collection and lien enforcement procedures. The policies and practices outlined herein shall remain in effect until such time as they may be changed, modified, or amended by a duly adopted resolution of Mutual 16's Board of Directors.

Pursuant to Mutual 16's Governing Documents, as well as the California Civil Code, the following are Mutual 16's collection and lien enforcement policies and procedures for assessment delinquencies. Also following, pursuant to Paragraphs 3, 16 and 22, are Mutual 16's collection policies and procedures for the collection of fines, fees, and chargeable services charged against Shareholders pursuant to the Governing Documents and current law:

1. **Assessments; Assessments Due Date.** "Carrying Charges" as defined by Mutual 16's Occupancy Agreement, also referred to as "assessments" in Mutual 16's Bylaws, are referred to throughout this Policy Statement as "assessments." Assessments are due and payable to Mutual 16, in advance, in equal monthly installments, on the first (1st) day of each month. It is each Shareholder's responsibility to pay assessments in full each month regardless of whether a billing statement is received. Special assessments shall be due and payable on the due date specified by the Board of Directors in the notice imposing the special assessment. In no event shall a special assessment be due and payable earlier than thirty (30) days after the special assessment is duly imposed. If a special assessment is payable in installment payments and an installment payment of that special assessment is delinquent for more than 30 days, all remaining installments will be accelerated, and the entire unpaid balance of the special assessment shall become immediately due and payable. The remaining balance shall be subject to late charges and interest as provided herein. Note that the obligation to pay assessments shall not be relieved or modified by the temporary closure and/or modified availability of common area facilities and amenities, absent a moratorium or mandate from state officials, or as otherwise determined at the discretion of the Board of Directors.
2. **Reminder Notice; Administrative Collection Fee.** If Assessments are not received by Mutual 16 on or before the close of business on the first (1st) day of the month (or if a special assessment is not received by Mutual 16 on or before the close of business on the fifteenth (15th) day after it is due), a Reminder Notice is sent to the Shareholder. PLEASE NOTE THAT TO BE CONSIDERED TIMELY, THE PAYMENT MUST BE

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RECEIVED BY MUTUAL 16 WITHIN THIS GRACE PERIOD. SIMPLY PLACING THE PAYMENT IN THE MAIL BEFORE THE GRACE PERIOD EXPIRES IS NOT SUFFICIENT. It is the policy of Mutual 16 not to waive any duly imposed late charges, interest, or collection fees and costs. Each delinquent account shall incur an administrative collection fee, in the amount of Ten Percent or Ten Dollars (10% or \$10.00) (the "Administrative Collection Fee"), which is charged by Mutual 16's managing agent to reasonably cover staff's costs to prepare the files for delivery to Mutual 16's collection agent in order to carry out collection activities authorized hereunder, as well as direct costs incurred in recording and/or forwarding documents in connection with the collection process. (See *Brown v. Professional Community Management, Inc.* [2005] 127 Cal.App.4th 532.) This Administrative Collection Fee may be increased by majority vote of Mutual 16's Board and may be collected by Mutual 16's collection agent on Mutual 16's behalf, and remitted to Mutual 16's managing agent, or may be directly collected by Mutual 16's managing agent. IT IS THE SHAREHOLDER'S RESPONSIBILITY TO ALLOW AMPLE TIME TO DROP OFF OR MAIL ALL PAYMENTS SO THAT THEY ARE RECEIVED BEFORE THE DELINQUENCY DATE. All notices or invoices for assessments will be sent to Shareholders by first-class mail addressed to the Shareholder or the Shareholder's designee at his or her address as shown on the books and records of Mutual 16 unless otherwise required by law. However, it is the Shareholder's responsibility to be aware of the assessment payment due dates and to advise Mutual 16 of any changes in the Shareholder's mailing address.

3. **Late Charges; Interest. Assessments** not received by the first (1st day of the month will incur a late fee in the amount of Ten Percent of Ten Dollars (10% or \$10.00), which amount is consistent with statutory authority. Further, both state law and Mutual 16's governing documents provide for interest on the delinquent assessment, late charges and collection fees and costs. Accordingly, interest may be imposed thirty (30) days after the assessment is due, at an annual percentage rate not to exceed Ten Percent (10%), consistent with Civil Code Section 5650. Such interest may be imposed and collected per the foregoing sentence regardless of whether the Shareholder's delinquent account is referred to Mutual 16's collection agent for collections. Non-assessment fines, fees and chargeable services are also subject to late charges and interest.
4. **Thirty-Day Pre-Lien Letter Notice to Delinquent Shareholder.** If full payment of the delinquent amount is not received by the close of business on the thirtieth (30th) day after the date of the Reminder Notice, Mutual 16's managing agent will send a pre-lien letter (also referred to as a final demand for payment letter) to the Shareholder as required by Civil Code Section 5660 by certified and regular first class mail, to the Shareholder's mailing address of record in Mutual 16's books and records advising of, among other

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things required by law, the delinquent status of the account, including an itemized statement of the charges owed by the shareholder, impending collection action and the Shareholder's rights including a statement that the shareholder will not be liable to pay charges, interest and costs of collection if it is determined the assessment was paid on time to Mutual 16, and the right to request a meeting with the Board of Directors of Mutual 16 pursuant to Civil Code Section 5665, the right to dispute the assessment debt by submitting a written request for dispute resolution pursuant to Civil Code pursuant to Article 2 (commencing with Section 5900) of Chapter 10 ("IDR"), the right to request alternative dispute resolution pursuant to Article 3 (commencing with Section 5925) of Chapter 10 ("ADR") and the right to request debt validation. Notwithstanding the provisions of this paragraph, Mutual 16 may cause a pre-lien letter to be sent to a delinquent Shareholder at any time when there is an open escrow involving the Shareholder's leasehold interest, may cause a pre-lien letter to be sent to a delinquent Shareholder if any special assessment becomes delinquent, and/or may turn the delinquent account over to Mutual 16's collection agent to send a pre-lien letter to a delinquent Shareholder.

5. **Recordation of a Lien Against a Delinquent Shareholder's Leasehold Interest.** If a Shareholder does not pay the amounts set forth in the pre-lien letter and does not request IDR or ADR within thirty (30) days of the date of the pre-lien letter, or, otherwise, requests to validate the debt in which case the collection process will be placed on hold in order to validate the debt, the delinquent account will be turned over to Mutual 16's collection agent for collections. The Board shall decide, by majority vote in an open meeting, whether to authorize Mutual 16's collection agent to record a lien for the amount of any delinquent assessments, late charges, interest, and collection fees and costs, including attorneys' fees against the Shareholder's leasehold interest. If Mutual 16 authorizes Mutual 16's collection agent to record a lien against the Shareholder's leasehold interest, the Shareholder will incur additional fees and costs for preparing and recording the lien. The lien may be enforced in any manner permitted by law, including without limitation, judicial or non-judicial foreclosure (Civil Code Section 5700). A copy of the lien will be sent to the Shareholder, via certified mail, within ten (10) days of recordation of the lien.
6. **Enforcement of a Lien.** Mutual 16's collection agent may be authorized to enforce the lien thirty (30) days after recordation of the lien, in any manner permitted by law, which may include recording a Notice of Default. Mutual 16 may foreclose the lien by judicial or non-judicial foreclosure when either (a) the delinquent assessment amount totals One Thousand Eight Hundred Dollars (\$1,800.00) or more, excluding accelerated assessments, late charges, interest, and collection fees and costs or (b) the assessments are delinquent for more than twelve (12) months. **YOU COULD LOSE YOUR**

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LEASEHOLD INTEREST AT MUTUAL 16 IF A FORECLOSURE ACTION IS COMPLETED. A non-judicial foreclosure sale by Mutual 16 to collect upon a debt for delinquent assessments is subject to a statutory right of redemption. The redemption period within which your leasehold interest may be redeemed ends ninety (90) days after Mutual 16's foreclosure sale, per California Civil Code Section 5715(b). The Shareholder will incur significant additional fees and costs if a Notice of Default is recorded and a foreclosure action is commenced against the Shareholder's leasehold interest. The decision to foreclose on a lien must be made by a majority of the Board of Directors in an Executive Session meeting and the Board of Directors must record their votes in the minutes of the next open meeting of the Board. The Board must maintain the confidentiality of the delinquent Shareholder(s) by identifying the matter in the minutes by only the parcel number of the property in which the Shareholder has a leasehold interest. Prior to initiating any foreclosure sale on a recorded lien, Mutual 16 shall offer delinquent Shareholders the option of participating in IDR, ADR, or both IDR and ADR as requested by the Shareholder.

Mutual 16 may commence and maintain a lawsuit directly on the debt without waiving its right to establish a lien and initiate foreclosure against the owner's separate interest for the delinquent assessment. In any action to collect delinquent assessments, late charges, or interest, the prevailing party will be entitled to costs and reasonable attorney's fees.

7. **Inspection of Books and Records.** A Shareholder is entitled to inspect Mutual 16's accounting books and records to verify the amounts owed pursuant to Civil Code Section 5200, et seq.
8. **Application of Payments.** Any payments made shall be first applied to assessments owed and only after the assessments owed are paid in full, shall such payment be applied to late charges, interest, and collection fees and costs, including attorneys' fees.
9. **Account Sent to Mutual 16's Collection Agent In Error.** In the event it is determined that the Shareholder has paid the assessments on time, the Shareholder will not be liable to pay the charges, interests, and fees and costs of collection associated with collection of those assessments. If it is determined that a lien was recorded in error, a release of lien shall be recorded within twenty-one (21) calendar days and the owner of the separate interest will be provided with a copy of the release of lien. If the lien was recorded in error, Mutual 16 shall promptly reverse all late charges, fees, interest, attorney's fees, and costs of collection.
10. **Payment Under Protest.** A Shareholder may but is not obligated to, pay under protest

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any disputed charge or sum levied by Mutual 16, including but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

11. **Right to Dispute the Debt.** A Shareholder has the right to dispute the assessment debt by submitting a written request for dispute resolution to the collection agent for delivery to Mutual 16 pursuant to Civil Code Section 5900 et seq. A dispute, by itself, will not impede Mutual 16's ability to record a lien.
12. **Right to Request Internal Dispute Resolution ("IDR").** Pursuant to Civil Code Section 5670, prior to recording a lien, Mutual 16 offers to Shareholders, and if so requested by a Shareholder, participation in internal dispute resolution ("IDR") pursuant to Mutual 16's "meet and confer" program.
13. **Right to Request Alternative Dispute Resolution ("ADR").** A Shareholder has the right to request alternative dispute resolution with a neutral third party pursuant to Civil Code Section 5925 et seq. before Mutual 16 may initiate foreclosure against the Shareholder's leasehold interest, except that binding arbitration shall not be available if Mutual 16 intends to initiate a judicial foreclosure.
14. **Right to Request Debt Validation.** Under the Fair Debt Collection Practices Act ("FDCPA"), a Shareholder may request that Mutual 16 and/or its collection agent send the Shareholder proof that the debt sought to be recovered is valid, that the Shareholder lawfully owes the debt, and that Mutual 16 and/or its collection agent has the right to collect the debt.
15. **Payment Plan Requests.** Any Shareholder who is unable to pay assessments will be entitled to make a written request for a payment plan to Mutual 16, or Mutual 16's collection agent, as applicable, to be considered by the Board of Directors. A Shareholder may also request to meet with the Board in executive session to discuss a payment plan if the payment plan request is mailed within fifteen (15) days of the postmark date of the pre-lien letter. If such request is mailed within fifteen (15) days of the postmark of the pre-lien letter, the Board will meet with the Shareholder, in executive session, within forty-five (45) days of the postmark of such request, unless there is no regularly scheduled meeting of the Board within that time period, in which case the Board may designate a committee of one or more directors to meet with the Shareholder. The Board will consider payment plan requests on a case-by-case basis and is under no obligation to grant payment plan requests. Payment plans shall not interfere with Mutual 16's ability to record a lien on a

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Shareholder's separate interest to secure payment for the Shareholder's delinquent assessments. If the Board authorizes a payment plan, it may incorporate payment of ongoing assessments that accrue during the payment plan period in addition to a one-time setup fee. If a payment plan is approved by the Board, additional late charges from the Shareholder will not accrue while the Shareholder remains current under the terms of the payment plan. If the Shareholder breaches an approved payment plan, Mutual 16 may resume its collection action from the time the payment plan was approved. Generally speaking, no payment plan may exceed six (6) months in duration. Any payment plan which exceeds six (6) months in duration must be accompanied by a written explanation of the reason for the request, which includes documentation of the Shareholder's special circumstances, financial hardship and ability to make the payments requested.

16. **Termination of Shareholder's Rights under Occupancy Agreement.** Nothing herein limits or otherwise affects Mutual 16's right to proceed in any lawful manner to collect any delinquent sums owed to Mutual 16 (such as duly levied and imposed assessments, fines, fees and chargeable services, and any associated late charges and interest), or to pursue any other discipline set forth in Mutual 16's governing documents, including but not limited to a termination of the Shareholder's rights under the Occupancy Agreement and pursuant to the procedures set forth the Bylaws and pursuing an unlawful detainer action or other proceeding which may apply to the eviction of tenants.
17. **Release of Lien.** Prior to the release of any lien, or dismissal of any legal action, all assessments, late charges, interest, and fees and costs of collection, including attorneys' fees, must be paid in full to Mutual 16.
18. **No Right of Offset.** There is no right of offset. Shareholder may not withhold assessments owed to Mutual 16 on the alleged grounds that the Shareholder is entitled to recover money or damages from Mutual 16 for some other obligation. Additionally, the obligation to pay assessments shall not be relieved or modified by the temporary closure and/or modified availability of common area facilities and amenities, absent a moratorium or mandate from state officials or as otherwise determined at the discretion of the Board.
19. **Returned Checks.** Mutual 16 may charge the Shareholder a Twenty-Five Dollar (\$25.00) fee for the first check tendered to Mutual 16 that is returned unpaid by the Shareholder's bank and Thirty-Five Dollars (\$35.00) for each subsequent check passed on insufficient funds. If the check cannot be negotiated, Mutual 16 may also seek to recover damages of at least One Hundred Dollars (\$100.00), or, if higher, three (3) times the amount of the check up to One Thousand, Five Hundred Dollars (\$1,500.00) pursuant to Civil Code Section 1719.

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20. **Additional Mailing Addresses.** Shareholders have the right to provide a secondary address to Mutual 16 for mailing of an additional copy of notices and other correspondence related to collection of delinquent assessments. The Shareholder's request shall be in writing and shall be mailed to Mutual 16 in a way that shall indicate that Mutual 16 has received it. A Shareholder may identify or change a secondary address at any time, provided that, if a secondary address is identified or changed during the collection process, Mutual 16 shall only be required to send notices to the indicated secondary address from the point Mutual 16 receives the request.
21. **Charges Subject to Change.** All charges listed herein are subject to change upon thirty (30) days prior written notice. After a delinquent account has been turned over to Mutual 16's collection agent, Mutual 16's collection agent's charges may vary from Mutual 16's and are subject to change without prior written notice. Shareholders in collections should rely on Mutual 16 collection agent's charges and statement of account.
22. **Notice and Hearing Prior to Suspension of Shareholder Privileges.** Until the Shareholder has paid all amounts due, including delinquent assessments, late charges, interest and costs of collection, including attorneys' fees, and duly imposed fines, fees and chargeable services, and associated late charges and interest, the Board of Directors may suspend the Shareholder's right to vote, and suspend the Shareholder's right to use Mutual 16's recreational facilities and/or the facilities or services provided by the Golden Rain Foundation of Laguna Woods after providing the Shareholder with a duly noticed hearing pursuant to Civil Code Section 5855. However, any suspension imposed shall not prevent the delinquent Shareholder from the use, benefit and pleasure of the Shareholder's leasehold interest (i.e., the manor).

When the Board is to meet in executive session to consider or impose a monetary charge as a means of reimbursing Mutual 16 for costs incurred by it in the repair of damage to common area and facilities caused by a member or the member's guest or tenant, the Board shall notify the member in writing, by either personal delivery or individual delivery pursuant to Section 4040, at least 10 days prior to the meeting. (Civil Code Section 5855(a).) The notice shall contain, at a minimum, the date, time, and place of the meeting, the nature of the alleged violation for which a member may be disciplined or the nature of the damage to the common area and facilities for which a monetary charge may be imposed, and a statement that the member has a right to attend and may address the board at the meeting.



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23. **Overnight Payments.** The mailing address for overnight payment of assessments is: Leisure World Seal Beach Mutual Sixteen, Attn: Assessments, Cashiers, Finance Office, P.O. Box 2069, Seal Beach, CA 90740.
24. **Annual Notice to Members.** Mutual 16 shall distribute its collection policy to each member during the 60-day period immediately preceding the beginning of Mutual 16's fiscal year.
25. **No limitations.** Nothing herein limits or otherwise affects Mutual 16's right to proceed in any lawful manner to collect any delinquent sums owed to Mutual 16.

**Document History**

Adopted: 22 Dec 2022

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