

GARROW-ST. CHARLES TOWNHOME ASSOCIATION, INC.

ASSESSMENT COLLECTION POLICY

1.0 Definitions. In this policy the definitions set forth in Section 209.002 of the Texas Property Code control (whether or not capitalized), including "Board" which means the governing body of this Association, whether incorporated or unincorporated. To the extent not inconsistent with the foregoing, all definitions set forth in the Declaration of Covenants, Conditions, Restrictions and Easements for Cottage Grove C.A., Inc. (whether or not capitalized), including Article II thereof, are also incorporated herein.

2.0 Delinquency Charges.

2.1 Due Dates; Delinquency. All assessments are due and payable as stated in the Association's governing documents. Any assessment which is not paid by the due date is delinquent.

2.2 Interest. Interest at the rate stated in the Association's governing documents may be charged on any assessment which is not paid within thirty days after the due date, from the due date.

2.3 Late Charges. A late charge of \$25.00 per month may be charged as to any assessment account which is not paid in full by the end of each month.

2.4 Managing Agent Fees. Any administrative fees, costs or other charges, including collection program and similar fees, imposed by the Association's managing agent with prior approval of the Board, shall be added to each applicable delinquent assessment account.

2.5 Compliance Costs. In addition to the charges set forth in Sections 2.2, 2.3 and 2.4, a defaulting Owner is obligated to pay all other costs incurred by the Association to collect any delinquent amounts due to the Association, including costs of title reports, credit reports, postage, long distance call costs, lien claim notice/affidavit preparation and filing fees, all other filing fees, all reasonable costs and attorneys, and all other applicable charges as set forth in this policy or the Association's governing documents.

2.6 Waiver. Upon written request stating good cause as determined in the sole discretion of the Board, the Board may in its sole discretion waive payment of any charges set forth in Sections 2.2 – 2.5, in whole or in part.

3.0 Payments.

3.1 Insufficient Funds. The Association may charge a \$25.00 fee for any check or other payment which is returned due to insufficient funds or which is not paid for any other reason. In addition, the Association may require all future payment be made by the applicable Owner or other payee only by certified check, money order or equivalent for a period not to exceed two years following the date of dishonor.

3.2 Application of Payments.

3.2.1 Except as provided in Section 3.2.2, payment from an Owner or for an Owner's account shall be applied in the following order of priority:

(a) delinquent assessments;

(b) current assessments;

- (c) attorneys fees or third party collection costs incurred by the Association associated solely with assessments or any other charge that could provide the basis for foreclosure under the Associations' governing documents;
- (d) other attorneys fees;
- (e) fines; and
- (f) any other amounts owed to the Association.

3.2.2 If at the time the Association receives a payment while the applicable Owner is in default under a payment plan entered with the Association:

- (a) the Association is not required to apply the payment as provided in Section 3.2.1, and instead may apply the payment in any manner provided in the payment plan agreement in the event of default, or as provided in the Association's governing documents, or as otherwise determined by the Board or the Association's managing agent;
- (b) notwithstanding subsection (a), a fine may not be given priority over any other amount owed to the Association.

3.2.3 All payments within each category of application, either under Section 3.2.1 or Section 3.2.2, as applicable, shall be applied on a first-in, first-out basis.

3.2.4 The Association may refuse to accept any partial payment, being any payment for less than the total amount due, including any payment under a payment plan which is less than the total amount then due pursuant to the payment plan.

3.2.5 The Association may refuse to accept any payment with a restrictive endorsement or which contains or is accompanied by conditions, directives or limitations contrary to this policy, or to the terms of any payment plan agreement then in effect, or to any other provisions of the Association's governing documents.

3.2.6 Endorsement or deposit of a payment or posting of a payment to an account do not constitute acceptance of the payment unless the payment is not refunded within sixty days after deposit. Acceptance of payment does not in any case constitute acceptance as to any modification of any terms of, or waiver of default under, a payment plan agreement then in effect, as to any restrictive endorsement, or as to any other accompanying conditions, directives or limitations. Acceptance of any kind, including acceptance of a partial payment, does not in any case waive any Association rights or preclude strict compliance in the future.

4.0 Payment Plans.

4.1 Availability. Except as provided in Section 4.10.3, the Association shall offer alternative payment plans to Owners in accordance with this policy covering all assessments and other amounts owed to the Association.

4.2 Requests. Request for a payment plan must be submitted to the Association in writing. The request must be (i) dated, (ii) signed by the Owner or submitted by email or fax under the Owner's name, and (iii) set forth and proposed payment terms and amounts within the guidelines set forth in

Section 4.6, and (iv) if a payment term of more than three months is requested, the request must provide a brief statement of the basis for the extended payment term.

4.3 Minimum/Maximum Term. An Owner may propose any term for a payment plan provided that (i) the Association will approve a minimum term of three months, and (ii) the Association will not approve a term exceeding eighteen months.

4.4 Written Agreement Required. All payment plan agreements (i) must be in writing on a form provided or approved by the Association or its managing agent or attorney, and (ii) must be fully completed, dated and signed by the applicable Owner.

4.5 Terms and Conditions. All payment plans are subject to the following terms and conditions:

4.5.1 The total amount due under the payment plan shall be calculated as of the date of receipt by the Association of a proper request under Section 4.2 from the applicable Owner for a payment plan (the "Payment Plan Amount").

4.5.2 So long as the payment plan remains in effect, no additional monetary penalties will be added to the Payment Plan Amount other than (i) reasonable costs associated with administration of the payment plan, and (ii) interest at the rate allowed by the Association's governing documents, or such lesser rate as stated in the payment plan agreement.

4.5.3 The applicable Owner must keep track of payments, including due dates, dates and amounts of payments and remaining payments due. No notices or reminders as to any of the foregoing need be sent. Any reasonable costs incurred by the Association regarding the foregoing may be charged as costs of administration of the payment plan which must be paid upon demand.

4.5.4 All assessments and any other amounts which become due to the Association after the date of determination of the Payment Plan Amount must be paid to the Association in full, when due, and in addition to the payments due under the payment plan.

4.6 Guidelines. The terms of payment for all payment plans must be approved by the Board, provided (i) the terms of three month plan as provided in Section 4.6.1 which is automatically approved (subject to Section 4.10.3), or (ii) a payment plan with terms of payment equal to or better than a six month plan as provided in Section 4.6.2 may be approved by the Board, or the Association's managing agent or attorney. Terms of payment as aforesaid are as follows:

4.6.1 Three Month Plan. The Payment Plan Amount is due and payable in three equal and consecutive monthly payments, beginning not more than thirty days after the date of the payment plan agreement.

4.6.2 Six Month Plan. The Payment Plan Amount is due and payable as follows: (i) 35% down, due and payable not more than thirty days after the date of the payment plan agreement; and (ii) five equal and consecutive monthly payments, beginning not more than thirty days after the date the down payment is due and payable.

4.7 When Plan Effective. A payment plan is effective only upon (i) receipt by the Association of a fully completed, dated, and signed payment plan agreement; and (ii) receipt by the Association of the first payment (or down payment) due and payable pursuant to the payment plan agreement.

4.8 Default. The following provisions apply regarding a "default" under a payment plan agreement:

- 4.8.1 An Owner is considered in default if,
- (a) the Owner fails to complete, date, sign and return the payment plan agreement and the initial payment to the Association when due; or
 - (b) the Owner fails to make any payment when due; or
 - (c) the Owner makes any payment for less than the total amount due.
- 4.8.2 A payment plan is terminated and of no further effect automatically if:
- (a) the Owners fails to fully cure any default within ten days after the date notice of default is sent to the Owner; or
 - (b) upon any default which occurs after notice of default has been given as provided in subsection (a) above.

4.9 Waiver of Default Reinstatement. A default may be waived or a terminated payment plan may be reinstated in the sole discretion of the Board, but only if the default is fully cured within ten days after the date of the applicable notice of reinstatement.

4.10 Effect of Termination. Upon termination of a payment plan:

4.10.1 all amounts due under the payment plan agreement, and all other amounts which would be due to the Association but for the agreement and in consequence of the default, automatically and immediately become due and payable to the Association; and

4.10.2 the Association may immediately pursue all rights and remedies of the Association under its governing documents or as otherwise permitted by law; and

4.10.3 the Association has no obligation to accept a payment plan from the defaulting Owner during the two year period following the date of termination/voiding of the applicable payment plan agreement.

5.0 Collection Procedures.

5.1 Guidelines Only. The collection procedures set forth in this Section 5.0 apply unless otherwise determined by the Board on a case-by-case basis or as circumstances in the sole discretion of the Board require.

5.2 Association. The Association, directly or through its managing agent, shall comply with the following collection procedures:

5.2.1 An annual notice of assessment and other amounts due to the Association shall be sent to the Owner (whether one or more) in accordance with the Association's governing documents;

5.2.2 At least one delinquent notice shall be sent to the Owner who is thirty days or more delinquent in payment of assessments or any other amounts due to the Association.

5.2.3 Prior to referral of any delinquent account to the Association's attorney, notice shall be sent to the applicable Owner stating that attorney's fees and costs will be charged to the Owner

if the delinquency continues after a date certain (which may be stated as a certain number of days after the date of the letter which is not less than ten days).

5.2.4 The account of any Owner who is ninety or more days delinquent and who is not under an effective payment plan as provided in Section 4.0 may be referred to the Association's attorney for collection.

5.3 Association Attorney. Upon referral of a delinquent account to the Association's attorney, the attorney shall comply with the following collection procedures:

5.3.1 A final demand letter shall be sent to the Owner demanding payment in full in not less than thirty days.

5.3.2 If the account is not paid in full pursuant to the notice sent under Section 5.3.1, the attorney shall prepare and file a lien claim notice/affidavit, and shall send the delinquent Owner a notice of intent to proceed with foreclosure which shall include a copy of the lien claim notice/affidavit. The notice of intent to proceed with foreclosure must allow not less than ten days to fully cure the delinquency.

5.3.3 At the time of giving notice under Section 5.3.2 or in any event prior to initiation of a foreclosure action, the Association attorney shall give written notice to applicable lienholders, if any, in accordance with Section 209.0091 of the Texas Property Code providing notice and opportunity to cure the delinquency before the 61st day after the date the recipient receives the notice.

5.3.4 If the account is not paid in full pursuant to the notice sent under Section 5.3.2 (and Section 5.3.3, if applicable), the Association attorney shall so advise the Board. The Board may then authorize the attorney to proceed with foreclosure in accordance with the Association's governing documents and applicable law.

6.0 Owner Right to Vote. The Association may not disqualify any Owner from voting in an election of any Board member or on any matter concerning the rights or responsibilities of the Owner for any reason, including any delinquency in payment of amount due to the Association.

7.0 Suspensions. The Association may suspend a delinquent Owner's right to use of common area facilities and amenities for nonpayment of amounts due to the Association and as otherwise permitted by the Association's governing documents, but only after notice and compliance as otherwise applicable with Section 209.006 of the Texas Property Code.

8.0 Notices. Unless otherwise required by the Association's governing documents, applicable law or this policy, the following provisions apply regarding any notices or other communications (a "notice") permitted or required by this policy.

8.1 "Owner" refers to the owner, whether one or more, of the applicable property. When two or more persons are an Owner, notice to any co-Owners is deemed notice to all other co-Owners.

8.2 Notices may be given to any Owner by personal delivery, by regular mail, by certified mail, return receipt requested, by email, or by telephone documents transfer according to the records of the Association.

8.3 Notices to an Owner are deemed given as applicable (i) upon delivery to any recipient at the Owner's address, (ii) upon deposit in the United States mail, (iii) on the day and at the time the email

or facsimile is successfully transmitted, or (iv) in any other manner permitted by the Association's governing documents.

8.4 Notice to the Association is deemed given (i) upon receipt, or (ii) in any other manner permitted by the Association's governing documents.

9.0 Effective Date; Amendment.

9.1 Effective Date. This policy is effective upon the date of filing in the Official Public Records of Real Property of Harris County, Texas, subject to amendment as hereafter provided.

9.2 Amendment. This policy may be amended from time to time and at any time by the Board. Any such amendment shall be effective upon the date of filing in the Official Public Records of Real Property of Harris County, Texas, or such later date as expressed stated in the amendment.

10.0 Controlling Effect. This policy is adopted pursuant to and in accordance with the requirements of Sections 209.0059, 209.0062 and 209.0063 of the Texas Property Code in lieu of any other provisions of the Association's governing documents regarding the express provisions set forth in this policy or which conflict with applicable Texas law. In all other respects, all provisions of the Association's governing documents shall continue in full force and effect.