

Senate Engrossed

~~homeowners' associations; foreclosure process~~
(now: HOAs; expense liens; special assessment)

State of Arizona
Senate
Fifty-seventh Legislature
Second Regular Session
2026

SENATE BILL 1246

AN ACT

AMENDING SECTIONS 33-1256 AND 33-1807, ARIZONA REVISED STATUTES; RELATING
TO CONDOMINIUMS AND PLANNED COMMUNITIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 33-1256, Arizona Revised Statutes, is amended to
3 read:

4 33-1256. Common expense liens; priority; mechanics' and
5 materialmen's liens; notice; applicability

6 A. The association has a common expense lien on a unit for any
7 assessment levied against that unit from the time the assessment becomes
8 due. The association's common expense lien may be foreclosed in the same
9 manner as a mortgage on real estate but may be foreclosed only if the unit
10 owner has been and remains delinquent in the payment of ~~assessments~~, ANY
11 ASSESSMENT OR PORTION OF THE ASSESSMENT for a period of ~~one year~~ EIGHTEEN
12 MONTHS or in the amount of ~~\$1,200~~ \$10,000 or more, whichever occurs first,
13 as determined on the date the action is filed. FOR ANY SPECIAL ASSESSMENT
14 WITH AN INITIAL VALUE OF \$10,000 OR MORE, ONLY THE EIGHTEEN-MONTH
15 DELINQUENCY THRESHOLD APPLIES. The association board of directors shall
16 exercise reasonable efforts to communicate with the unit owner and offer a
17 reasonable payment plan before filing a foreclosure action. If an
18 assessment is payable in installments, the full amount of the assessment
19 is a COMMON EXPENSE lien from the time the first installment of the
20 assessment becomes due.

21 B. Notwithstanding any provision in the condominium documents, unit
22 owner expenses are not enforceable as common expense liens under this
23 section. The association has a JUDGMENT lien for unit owner expenses
24 after the entry of a judgment in a civil suit for those unit owner
25 expenses from a court of competent jurisdiction and the recording of that
26 judgment in the office of the county recorder as otherwise provided by
27 law. The association's judgment lien for unit owner expenses may not be
28 foreclosed and is effective only on conveyance of any interest in the real
29 property.

30 C. A common expense lien under this section is prior to all other
31 liens, interests and encumbrances on a unit except:

32 1. Liens and encumbrances recorded before the recordation of the
33 declaration.

34 2. A recorded first mortgage on the unit, a seller's interest in a
35 first contract for sale pursuant to chapter 6, article 3 of this title on
36 the unit recorded before the COMMON EXPENSE lien arising pursuant to
37 subsection A of this section or a recorded first deed of trust on the
38 unit.

39 3. Liens for real estate taxes and other governmental assessments
40 or charges against the unit.

41 D. Subsection C of this section does not affect the priority of
42 mechanics' or materialmen's liens. The common expense lien under this
43 section is not subject to chapter 8 of this title.

1 E. Unless the declaration otherwise provides, if two or more
2 associations have common expense liens created at any time on the same
3 real estate, those COMMON EXPENSE liens have equal priority.

4 F. Recording the declaration constitutes record notice and
5 perfection of the common expense lien. Further recordation of any claim
6 of common expense lien under this section is not required.

7 G. A common expense lien is extinguished unless proceedings to
8 enforce the COMMON EXPENSE lien are instituted within six years after the
9 full amount of the assessments becomes due.

10 H. This section does not prohibit:

11 1. Actions to recover sums for which subsection A or B of this
12 section creates a lien.

13 2. An association from taking a deed in lieu of foreclosure.

14 I. A judgment or decree in any action brought under this section
15 may include costs and reasonable attorney fees for the prevailing party.

16 J. The association on written request shall furnish to a
17 lienholder, escrow agent, unit owner or person designated by a unit owner
18 a statement setting forth the amount of any unpaid liens prescribed by
19 subsection A or B of this section against the unit. The statement shall
20 be furnished within ten days after receipt of the request. The statement
21 is binding on the association if the statement is requested by an escrow
22 agency that is licensed pursuant to title 6, chapter 7. Failure to
23 provide the statement to the escrow agent within the time provided for in
24 this subsection extinguishes any lien for any unpaid assessment then due.

25 K. Notwithstanding any provision in the condominium documents or in
26 any contract between the association and a management company or any other
27 agent of the association, including any agreement or contract with any
28 attorney, unless the unit owner directs otherwise, all payments received
29 on a unit owner's account shall be applied first to any unpaid
30 assessments, due but not delinquent assessments, unpaid charges for late
31 payment of those assessments if authorized in the declaration, unpaid
32 reasonable collection fees and costs incurred or applied by the
33 association and unpaid attorney fees and costs incurred with respect to
34 those assessments if awarded by a court, in that order, with any remaining
35 amounts applied next to other unpaid fees, charges and monetary penalties
36 or interest and late charges on any of those amounts.

37 L. For a delinquent account for unpaid common expense liens, the
38 association shall provide the following written notice to the unit owner
39 at the unit owner's address as provided to the association at least thirty
40 days before authorizing an attorney, or a collection agency that is not
41 acting as the association's managing agent, to begin collection activity
42 on behalf of the association:

43 Your account is delinquent. If you do not bring your account
44 current or make arrangements that are approved by the
45 association to bring your account current within thirty days

1 after the date of this notice, your account will be turned
2 over for further collection proceedings. Such collection
3 proceedings could include bringing a foreclosure action
4 against your property.

5 The notice shall be in ~~boldfaced~~ BOLD-FACED type or all capital letters
6 and shall include the contact information for the person that the unit
7 owner may contact to discuss payment. The notice shall be sent by
8 certified mail, return receipt requested, and may be included within other
9 correspondence sent to the unit owner regarding the unit owner's
10 delinquent account.

11 M. Except for condominiums that have fewer than fifty units and
12 that do not contract with a third party to perform management services on
13 behalf of the association, the association shall provide a statement of
14 account in lieu of a periodic payment book to the unit owner with the same
15 frequency that assessments are provided for in the declaration. The
16 statement of account shall include the current account balance due and the
17 immediately preceding ledger history. If the association offers the
18 statement of account by electronic means, a unit owner may opt to receive
19 the statement electronically. The association may stop providing any
20 further statements of account to a unit owner if collection activity
21 begins by an attorney, or a collection agency that is not acting as the
22 association's managing agent, regarding that unit owner's unpaid account.
23 After collection activity begins, a unit owner may request statements of
24 account by written request to the attorney or collection agency. Any
25 request by a unit owner for a statement of account after collection
26 activity begins by an attorney or a collection agency that is not acting
27 as the association's managing agent must be fulfilled by the attorney or
28 the collection agency responsible for the collection. The statement of
29 account provided by the attorney or collection agency responsible for the
30 collection shall include all amounts claimed to be owing to resolve the
31 delinquency through the date set forth in the statement, including
32 attorney fees and costs, regardless of whether such amounts have been
33 reduced to judgment.

34 N. An agent for the association may collect on behalf of the
35 association directly from a unit owner the assessments and other amounts
36 owed by cash or check, by mailed or hand-delivered bank drafts, checks,
37 cashier's checks or money orders, by credit, charge or debit card or by
38 other electronic means. For any form of payment other than for cash or
39 for mailed or hand-delivered bank drafts, checks, cashier's checks or
40 money orders, the agent may charge a convenience fee to the unit owner
41 that is approximately the amount charged to the agent by a third-party
42 service provider.

43 O. The association may not transfer ownership or control of debt
44 for common expense liens or unit owner expenses.

1 ~~0.~~ P. This section does not apply to timeshare plans or
2 associations that are subject to chapter 20 of this title.

3 Sec. 2. Section 33-1807, Arizona Revised Statutes, is amended to
4 read:

5 33-1807. Common expense liens; priority; mechanics' and
6 materialmen's liens; notice

7 A. The association has a common expense lien on a property for any
8 assessment levied against that property from the time the assessment
9 becomes due. The association's common expense lien may be foreclosed in
10 the same manner as a mortgage on real estate but may be foreclosed only if
11 the owner has been and remains delinquent in the payment of any assessment
12 or portion of the assessment for a period of eighteen months or in the
13 amount of \$10,000 or more, whichever occurs first, as determined on the
14 date the action is filed. **FOR ANY SPECIAL ASSESSMENT WITH AN INITIAL**
15 **VALUE OF \$10,000 OR MORE, ONLY THE EIGHTEEN-MONTH DELINQUENCY THRESHOLD**
16 **APPLIES.** The association board of directors shall exercise reasonable
17 efforts to communicate with the member and offer a reasonable payment plan
18 before filing a foreclosure action. If an assessment is payable in
19 installments, the full amount of the assessment is a common expense lien
20 from the time the first installment of the assessment becomes due.

21 B. Notwithstanding any provision in the community documents, member
22 expenses are not enforceable as common expense liens under this section.
23 The association has a judgment lien for member expenses after the entry of
24 a judgment in a civil suit for those member expenses from a court of
25 competent jurisdiction and the recording of that judgment in the office of
26 the county recorder as otherwise provided by law. The association's
27 judgment lien for member expenses may not be foreclosed and is effective
28 only on conveyance of any interest in the real property.

29 C. A common expense lien under this section is prior to all other
30 liens, interests and encumbrances on a property except:

31 1. Liens and encumbrances recorded before the recordation of the
32 declaration.

33 2. A recorded first mortgage on the property, a seller's interest
34 in a first contract for sale pursuant to chapter 6, article 3 of this
35 title on the property recorded before the common expense lien arising
36 pursuant to subsection A of this section or a recorded first deed of trust
37 on the property.

38 3. Liens for real estate taxes and other governmental assessments
39 or charges against the property.

40 D. Subsection C of this section does not affect the priority of
41 mechanics' or materialmen's liens. The common expense lien under this
42 section is not subject to chapter 8 of this title.

43 E. Unless the declaration otherwise provides, if two or more
44 associations have common expense liens created at any time on the same
45 real estate those common expense liens have equal priority.

1 F. Recording the declaration constitutes record notice and
2 perfection of the common expense lien. Further recordation of any claim
3 of common expense lien under this section is not required.

4 G. A common expense lien is extinguished unless proceedings to
5 enforce the common expense lien are instituted within six years after the
6 full amount of the assessment becomes due.

7 H. This section does not prohibit:

8 1. Actions to recover amounts for which subsection A or B of this
9 section creates a lien.

10 2. An association from taking a deed in lieu of foreclosure.

11 I. A judgment or decree in any action brought under this section
12 may include costs and reasonable attorney fees for the prevailing party.

13 J. On written request, the association shall furnish to a
14 lienholder, escrow agent, member or person designated by a member a
15 statement setting forth the amount of any unpaid liens prescribed by
16 subsection A or B of this section against the property. The association
17 shall furnish the statement within ten days after receipt of the request.
18 The statement is binding on the association if the statement is requested
19 by an escrow agency that is licensed pursuant to title 6, chapter 7.
20 Failure to provide the statement to the escrow agent within the time
21 provided for in this subsection extinguishes any lien for any unpaid
22 assessment then due.

23 K. Notwithstanding any provision in the community documents or in
24 any contract between the association and a management company or any other
25 agent of the association, including any agreement or contract with any
26 attorney, unless the member directs otherwise, all payments received on a
27 member's account shall be applied first to any unpaid assessments, due but
28 not delinquent assessments, unpaid charges for late payment of those
29 assessments if authorized in the declaration, unpaid reasonable collection
30 fees and costs incurred or applied by the association, and unpaid attorney
31 fees and costs incurred with respect to those assessments if awarded by a
32 court, in that order, with any remaining amounts applied next to other
33 unpaid fees, charges and monetary penalties or interest and late charges
34 on any of those amounts.

35 L. For a delinquent account for unpaid common expense liens, the
36 association shall provide the following written notice to the member at
37 the member's address as provided to the association at least thirty days
38 before authorizing an attorney, or a collection agency that is not acting
39 as the association's managing agent, to begin collection activity on
40 behalf of the association:

41 Your account is delinquent. If you do not bring your account
42 current or make arrangements that are approved by the
43 association to bring your account current within thirty days
44 after the date of this notice, your account will be turned
45 over for further collection proceedings. Such collection

1 proceedings could include bringing a foreclosure action
2 against your property.

3 The notice shall be in bold-faced type or all capital letters and shall
4 include the contact information for the person that the member may contact
5 to discuss payment. The notice shall be sent by certified mail, return
6 receipt requested, and may be included within other correspondence sent to
7 the member regarding the member's delinquent account.

8 M. Except for planned communities that have fewer than fifty lots
9 and that do not contract with a third party to perform management services
10 on behalf of the association, the association shall provide a statement of
11 account in lieu of a periodic payment book to the member with the same
12 frequency that assessments are provided for in the declaration. The
13 statement of account shall include the current account balance due and the
14 immediately preceding ledger history. If the association offers the
15 statement of account by electronic means, a member may opt to receive the
16 statement electronically. The association may stop providing any further
17 statements of account to a member if collection activity begins by an
18 attorney, or a collection agency that is not acting as the association's
19 managing agent, regarding that member's unpaid account. After collection
20 activity begins, a member may request statements of account by written
21 request to the attorney or collection agency. Any request by a member for
22 a statement of account after collection activity begins by an attorney or
23 a collection agency that is not acting as the association's managing agent
24 must be fulfilled by the attorney or the collection agency responsible for
25 the collection. The statement of account provided by the attorney or
26 collection agency responsible for the collection shall include all amounts
27 claimed to be owing to resolve the delinquency through the date set forth
28 in the statement, including attorney fees and costs, regardless of whether
29 such amounts have been reduced to judgment.

30 N. An agent for the association may collect on behalf of the
31 association directly from a member the assessments and other amounts owed
32 by cash or check, by mailed or hand-delivered bank drafts, checks,
33 cashier's checks or money orders, by credit, charge or debit card or by
34 other electronic means. For any form of payment other than for cash or
35 for mailed or hand-delivered bank drafts, checks, cashier's checks or
36 money orders, the agent may charge a convenience fee to the member that is
37 approximately the amount charged to the agent by a third-party service
38 provider.

39 O. The association may not transfer ownership or control of debt
40 for common expense liens or member expenses.