

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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HOUSE BILL 372
Committee Substitute Favorable 4/1/25
Committee Substitute #2 Favorable 4/15/25
Senate State and Local Government Committee Substitute Adopted 6/11/25

Short Title: Home-Based Business Fairness/HOA Revisions.

(Public)

Sponsors:

Referred to:

March 12, 2025

A BILL TO BE ENTITLED
AN ACT TO PROVIDE THAT CITIES SHALL NOT PROHIBIT CERTAIN HOME-BASED
BUSINESSES WITHIN THEIR JURISDICTIONAL LIMITS, TO AMEND LAWS
GOVERNING OWNERS' ASSOCIATIONS IN CONDOMINIUMS AND PLANNED
COMMUNITIES, TO MANDATE PRELITIGATION MEDIATION OF DISPUTES
BETWEEN OWNERS' ASSOCIATIONS AND THEIR MEMBERS, AND TO REQUIRE
THE DEPARTMENT OF JUSTICE TO COLLECT AND REPORT ON COMPLAINTS
SUBMITTED TO IT INVOLVING SUCH DISPUTES.

The General Assembly of North Carolina enacts:

**PART I. CITIES SHALL ALLOW CERTAIN HOME-BASED BUSINESSES WITHIN
THEIR JURISDICTIONAL LIMITS**

SECTION 1. Article 8 of Chapter 160A of the General Statutes is amended by
adding a new section to read:

"§ 160A-205.8. No-impact home-based businesses.

(a) A city shall not adopt an ordinance or other regulation prohibiting no-impact home-based businesses within its jurisdictional limits or require a person to apply, register, or obtain any permit, license, variance, or other type of approval to operate a no-impact home-based business within its jurisdictional limit. A city may impose reasonable regulations on no-impact home-based businesses if the regulations are narrowly tailored for any of the following purposes:

(1) Ensuring the protection of public health and safety, as allowed by law.

(2) Ensuring that the business activity meets all of the following:

a. Is compatible with the residential use of the property and surrounding residential use.

b. Is secondary to the use of the property as a residential dwelling.

c. Complies with State and federal law, including the payment of applicable taxes.

(3) Prohibiting or limiting the use of no-impact home-based businesses for the purpose of selling illegal drugs, liquor, operating or maintaining a structured sober living home, pornography, obscenity, or nude or topless dancing or other adult-oriented businesses.

(b) A city shall not require as a condition of operating a no-impact home-based business that the owner or occupant of the property do the following:

(1) Submit a petition for rezoning the property for commercial use.



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- 1 (2) Install or equip fire sprinklers in any building or structure subject to the North
2 Carolina Residential Code.
- 3 (c) The provisions of this section shall not apply if the operation of a no-impact
4 home-based business is prohibited by the terms of:
- 5 (1) Any deed, covenant, or agreement restricting the use of the land.
6 (2) Any master deed, bylaws, or other documents applicable to a homeowners
7 association.
- 8 (d) The following definitions apply in this section:
- 9 (1) Goods. – Any merchandise, equipment, products, supplies, or materials.
10 (2) Home-based business. – Any business owned and operated by the owner or
11 occupant of the residential dwelling that manufactures, provides, or sells
12 goods or services.
- 13 (3) No-impact home-based business. – A no-impact home-based business for
14 which all of the following apply:
- 15 a. The total number of on-site employees and clients do not exceed the
16 city's occupancy limit for the residential property.
- 17 b. The business activities are characterized by all of the following:
- 18 1. Are limited to the sale of lawful goods and services.
19 2. Do not generate on-street parking or a substantial increase in
20 traffic through the residential area.
21 3. Occur inside or in the yard of the residential dwelling.
22 4. Are not visible from the street.
23 5. Do not store merchandise, equipment, products, supplies, or
24 materials outside of the premises."

25
26 **PART II. AMEND LAWS GOVERNING OWNERS' ASSOCIATIONS IN**
27 **CONDOMINIUMS AND PLANNED COMMUNITIES**

28 **SECTION 2.1.(a)** G.S. 47C-3-102(a) reads as rewritten:

29 **"§ 47C-3-102. Powers of unit owners' association.**

30 (a) Unless the declaration expressly provides to the contrary, the association, even if
31 unincorporated, may do all of the following:

32 ...

- 33 (3) Hire and terminate managing agents and other employees, agents, and
34 independent contractors. A contract between an association and a managing
35 agent shall not have a term exceeding two years and shall not contain an
36 automatic renewal provision that requires the association to give notice of
37 nonrenewal more than 60 days prior to the contract's anniversary date. Any
38 contract with a managing agent that is automatically renewed shall be
39 terminable by the association for any reason upon 90 days' notice.

40 ...

- 41 (6) Regulate the use, maintenance, repair, replacement, and modification of
42 common ~~elements~~ elements; provided, however, that in the absence of an
43 express authorization in the declaration, an association shall not enforce any
44 restriction on parking of a personal vehicle on a public street, public road, or
45 public right-of-way for which the North Carolina Department of
46 Transportation or local government has assumed responsibility for
47 maintenance and repairs, unless the authority to regulate such parking has
48 been expressly delegated to the association by the Department of
49 Transportation or local government under an agreement prescribing the
50 manner in which the association may exercise that authority. As used in this
51 subdivision, "personal vehicle" means an automobile with a gross weight of

less than 26,001 pounds that is used for personal pleasure, travel, or commuting to and from a place of work, and does not include a motor home or self-propelled recreational vehicle, or an automobile that is otherwise used primarily in connection with any commercial endeavor or business.

...

- (11) Impose charges for late payment of assessments, not to exceed the greater of twenty dollars (\$20.00) per month or ten percent (10%) of any assessment installment unpaid and, after notice and an opportunity to be heard, suspend privileges or services provided by the association (except rights of access to lots) during any period that assessments or other amounts due and owing to the association remain unpaid for a period of 30 days or longer, and levy reasonable fines not to exceed one hundred dollars (\$100.00)(G.S. 47C-3-107.1) for violations of the declaration, bylaws, and rules and regulations of the association. No fine shall be levied for violation of a provision restricting or prohibiting tutoring, educational lessons, academic lessons, or music lessons provided in the owner's unit to a group of no more than five people at any one time, regardless of whether compensation is received for such lessons.

...

- (12a) ~~Impose reasonable charges in connection with the preparation of statements a lender's questionnaire or certification or a statement of unpaid assessments, which must be furnished within 10 business days after receipt of the request, in an amount not to exceed two hundred dollars (\$200.00) per statement or request, item requested, and an additional expedite expedited fee in an amount not to exceed one hundred dollars (\$100.00) if the request is made within 48 hours of closing, all of which item is requested to be furnished less than 10 days after receipt of the request. These charges may be collected by the association, its managers, or its agents. Any charge for preparation of a lender's questionnaire or certification shall be billed to the requesting party. Neither the association nor its managing agent shall impose any charge upon a unit owner or a prospective purchaser of a unit in connection with the conveyance of a unit unless the charge is expressly authorized in this subdivision, or unless the charge is authorized in the declaration and is not otherwise expressly prohibited by law. Violation of this subdivision by an association or by its managing agent shall constitute an unfair and deceptive trade practice under G.S. 75-1.1.~~

- (12b) Impose a reasonable charge for providing copies of records requested by a member, not to exceed the actual cost of photocopying the records, including the cost of materials used in responding to the request and the cost of shipping if shipping is required.

...

- (14a) Exercise any authority granted to it under the declaration to approve or disapprove any proposed changes to a unit or limited common element. In exercising such authority, the association shall provide a fair, reasonable, and expeditious procedure for making its decision, which procedure shall be set forth in the association's governing documents. The procedures shall state the maximum time for issuance of any decision on a proposal or a request for reconsideration. An association may adopt formal submission requirements for any proposed change, which shall be communicated to the members. A decision shall be made within 90 days after the initial submission of the proposal or submission of any additional information or changes to the

proposal requested by the association in response to the initial submission. A decision shall be in writing, shall be made in good faith, and may not be unreasonable, arbitrary, or capricious. If the proposal is disapproved, the decision shall include an explanation of why the proposal is disapproved and, if the determination was not issued by the executive board, a description of the procedure for reconsideration of the decision by the executive board.

...."

SECTION 2.1.(b) G.S. 47C-3-102(a)(3), as amended by subsection (a) of this section, reads as rewritten:

"(3) Hire and terminate managing agents and other employees, agents, and independent contractors. A contract between an association and a managing agent shall not have a term exceeding two years and shall not contain an automatic renewal provision that requires the association to give notice of nonrenewal more than 60 days prior to the contract's anniversary date. Any contract with a managing agent that is automatically renewed shall be terminable by the association for any reason upon 90 days' notice. A managing agent shall not be compensated in whole or in part based on the amount of fines collected by the managing agent on behalf of the association."

SECTION 2.1.(c) Subsection (b) of this section is effective January 1, 2026, and applies to contracts entered into on or after that date. The remainder of this section is effective when it becomes law.

SECTION 2.2. G.S. 47C-3-107.1 reads as rewritten:

"§ 47C-3-107.1. Procedures for fines and suspension of condominium privileges or services.

Unless a specific procedure for the imposition of fines or suspension of condominium privileges or services is provided for in the declaration, a hearing shall be held before the executive board or an adjudicatory panel appointed by the executive board to determine if any unit owner should be fined or if condominium privileges or services should be suspended pursuant to the powers granted to the association in G.S. 47C-3-102(11). Any adjudicatory panel appointed by the executive board shall be composed of members of the association who are not officers of the association or members of the executive board. The unit owner charged shall be given notice of the charge, opportunity to be heard and to present evidence, and notice of the decision. A written notice of hearing shall be sent to the unit owner in the manner provided in G.S. 47C-3-116(e) not less than 10 days prior to the scheduled hearing date. The notice of hearing shall specify the date, time, and place of the hearing and shall include a general description of each alleged violation and the action, if any, required to cure each alleged violation. Not less than two days prior to the scheduled hearing date, the executive board or adjudicatory panel shall provide the unit owner with the names of any persons whose testimony it intends to offer in support of the charge and a copy of any documents, photographs, or other exhibits that it intends to submit in support of the charge. The unit owner shall be given an opportunity to be heard and to present evidence at the hearing. A written notice of the decision specifying each violation verified by the evidence and the action, if any, required to cure each verified violation shall be sent to the unit owner in the manner provided in G.S. 47C-3-116(e). If it is decided that a fine should be imposed, a fine not to exceed one hundred dollars (\$100.00) may be imposed for the violation and without further hearing, for each day more than five days after the decision that the violation occurs—occurs, up to a maximum fine of two thousand five hundred dollars (\$2,500). Such fines shall be assessments secured by liens under G.S. 47C-3-116. If it is decided that a suspension of condominium privileges or services should be imposed, the suspension may be continued without further hearing until the violation or delinquency is cured. A unit owner may appeal a decision of an adjudicatory panel to the full executive board by delivering written notice of appeal to the executive board within 15 days after the date of the decision. The executive board may affirm, vacate, or modify the prior decision of the adjudicatory body."

SECTION 2.3.(a) G.S. 47C-3-116 reads as rewritten:

"§ 47C-3-116. Lien for sums due the association; enforcement.

(a) Any assessment attributable to a unit which remains unpaid for a period of 30 days or longer shall constitute a lien on that unit when a claim of lien is filed of record in the office of the clerk of superior court of the county in which the unit is located in the manner provided in this section. A claim of lien securing a debt consisting of fines or fine-related charges shall be filed separately from a claim of lien securing other sums owed to the association and shall be filed within 90 days after the date the fine was imposed. As used in this section, "fines or fine-related charges" means fines imposed by the association, interest on unpaid fines, or attorneys' fees incurred by the association related to fines imposed by the association. Once filed, a claim of lien secures all sums due the association through the date filed and any sums due to the association thereafter. Unless the declaration provides otherwise, fees, charges, late charges and other charges imposed pursuant to G.S. 47C-3-102, 47C-3-107, 47C-3-107.1, and 47C-3-115 are subject to the ~~claim~~ claims of lien provided for under this section as well as any other sums due and payable to the association under the declaration, the provisions of this Chapter, or as the result of an arbitration, mediation, or judicial decision.

(b) The association must provide proper notice of delinquent assessments to the unit owner before filing a claim of lien. The association must make reasonable and diligent efforts ensure that its records contain the unit owner's current physical mailing address, ~~address~~ and current electronic mailing address. No fewer than 15 days prior to filing the lien, the association shall ~~mail~~ do all of the following:

(1) Mail a statement of the assessment amount due by first class mail to the physical address of the unit and the unit owner's address of record with the association and, if different, to the address for the unit owner shown on the county tax records for the unit. If the unit owner is a corporation or limited liability company, the statement shall also be sent by first class mail to the mailing address of the registered agent for the corporation or limited liability company. Notwithstanding anything to the contrary in this Chapter, the association is not required to mail a statement to an address known to be a vacant unit or to a unit for which there is no United States postal address.

(2) Send a statement of the assessment amount due via electronic mail if the owner has designated an email address as provided in G.S. 55A-1-70(b).

(c) A claim of lien shall set forth the name and address of the association, the name of the record owner of the unit at the time the claim of lien is filed, a description of the unit, and the amount of the lien claimed. A claim of lien may also appoint a trustee to conduct a foreclosure as provided in subsection (f) of this section. The first page of the claim of lien shall contain the following statement in print that is in boldface, capital letters, and no smaller than the largest print used elsewhere in the document:

"THIS DOCUMENT CONSTITUTES A LIEN AGAINST YOUR PROPERTY, AND IF THE LIEN IS NOT PAID, THE HOMEOWNERS ASSOCIATION MAY PROCEED WITH FORECLOSURE ENFORCEMENT AGAINST YOU AND YOUR PROPERTY IN LIKE MANNER AS A MORTGAGE AS PERMITTED UNDER NORTH CAROLINA LAW."

The person signing the claim of lien on behalf of the association shall attach to and file with the claim of lien a certificate of service attesting to the attempt of service on the record owner, which service shall be attempted in accordance with G.S. 1A-1, Rule 4(j), for service of a copy of a summons and a complaint. If the actual service is not achieved, the person signing the claim of lien on behalf of the association shall be deemed to have met the requirements of this subsection if service has been attempted pursuant to both of the following: (i) G.S. 1A-1, Rule 4(j)(1)c, d, or e and (ii) by mailing a copy of the lien by regular, first class mail, postage prepaid to the physical address of the unit and the unit owner's address of record with the association, and, if different, to the address for the unit owner shown on the county tax records and the county

1 real property records for the unit. The association shall also send the owner a copy of the claim
2 of lien and certificate of service by email if the owner has designated an email address as provided
3 in G.S. 55A-1-70(b). In the event that the owner of record is not a natural person, and actual
4 service is not achieved, the person signing the claim of lien on behalf of the association shall be
5 deemed to have met the requirements of this subsection if service has been attempted once
6 pursuant to the applicable provisions of G.S. 1A-1, Rule 4(j)(3) through G.S. 1A-1, Rule 4(j)(9).
7 Notwithstanding anything to the contrary in this Chapter, the association is not required to mail
8 a claim of lien to an address which is known to be a vacant unit or to a unit for which there is no
9 United States postal address. A lien for unpaid assessments is extinguished unless proceedings
10 to enforce the lien are instituted within three years after the filing of the claim of lien in the office
11 of the clerk of superior court. A lien securing a debt consisting of fines or fine-related charges is
12 extinguished unless proceedings to enforce the lien are instituted within one year after the filing
13 of the claim of lien in the office of the clerk of superior court.

14 (d) A claim of lien filed under this section is prior to all liens and encumbrances on a unit
15 except (i) liens and encumbrances, specifically including, but not limited to, a mortgage or deed
16 of trust on the unit, recorded before the filing of the claim of lien in the office of the clerk of
17 superior court and (ii) liens for real estate taxes and other governmental assessments and charges
18 against the unit. This subsection does not affect the priority of mechanics' or materialmen's liens.

19 (e) ~~The association shall be entitled to recover the~~ court may, in the court's discretion,
20 allow the association to recover the reasonable attorneys' fees and costs if the association incurs
21 in connection with the collection of any sums due. A lot owner may not be required to pay
22 attorneys' fees and court costs until the lot owner is notified in writing of the association's intent
23 to seek payment of attorneys' fees, costs, and expenses. The notice must be sent by first-class
24 mail to the physical address of the lot and the lot owner's address of record with the association
25 and, if different, to the address for the lot owner shown on the county tax records for the lot. The
26 association must make reasonable and diligent efforts to ensure that its records contain the lot
27 owner's current mailing address. Notwithstanding anything to the contrary in this Chapter, there
28 shall be no requirement that notice under this subsection be mailed to an address which is known
29 to be a vacant lot on which no dwelling has been constructed or a lot for which there is no United
30 States postal address. The notice shall set out the outstanding balance due as of the date of the
31 notice and state that the lot owner has 15 days from the mailing of the notice by first-class mail
32 to pay the outstanding balance without the attorneys' fees and court costs. If the lot owner pays
33 the outstanding balance within this period, then the lot owner shall have no obligation to pay
34 attorneys' fees, costs, or expenses. The notice shall also inform the lot owner of the opportunity
35 to contact a representative of the association to discuss a payment schedule for the outstanding
36 balance, as provided in subsection (i) of this section, and shall provide the name and telephone
37 number of the representative.

38 (f) Except as provided in subsection (h) of this section, the association, acting through
39 the executive board, may foreclose a claim of lien securing a debt consisting of sums due the
40 association other than fines or fine-related charges in like manner as a mortgage or deed of trust
41 on real estate under power of sale, as provided in Article 2A of Chapter 45 of the General Statutes,
42 if the ~~assessment remains unpaid~~ delinquency has continued for 90-180 days or more. The
43 association shall not foreclose the claim of lien unless the executive board votes to commence
44 the proceeding against the specific unit. The following provisions and procedures shall be
45 applicable to and complied with in every nonjudicial power of sale foreclosure of a claim of lien,
46 and these provisions and procedures shall control to the extent they are inconsistent or in conflict
47 with the provisions of Article 2A of Chapter 45 of the General Statutes:

48 ...

- 49 (5) After the association has filed a claim of lien and prior to the commencement
50 of a nonjudicial foreclosure, the association shall give to the unit owner notice
51 of the association's intention to commence a nonjudicial foreclosure to enforce

its claim of lien. The notice shall contain the information required in G.S. 45-21.16(e)(5a), G.S. 45-21.16(c)(5) and G.S. 45-21.16(c)(5a) and shall specifically reference the unit owner's right of redemption provided under subdivision (8) of this subsection. The notice shall be sent by first-class mail to the physical address of the unit and the unit owner's address of record with the association and, if different, to the address for the unit owner shown on the county tax records for the unit.

(5a) The notice of hearing required pursuant to G.S. 45-21.16(a) shall be accompanied by the association's certification of the actions it has taken to give the owner notice of delinquent assessments in compliance with subsection (b) of this section.

(5b) At the commencement of the hearing, the clerk shall inquire as to whether the owner occupies the unit as his or her principal residence. If it appears that the owner does currently occupy the unit as a principal residence, the clerk shall further inquire as to the efforts the association has made to communicate with the owner and to attempt to resolve the matter voluntarily before the foreclosure proceeding. The clerk's inquiry shall not be required if the association has submitted, at or before the hearing, an affidavit briefly describing any efforts that have been made to resolve the default with the owner and the results of any such efforts.

(5c) The clerk shall order the hearing continued if the clerk finds that there is good cause to believe that additional time or additional efforts have a reasonable likelihood of resolving the delinquency without foreclosure. In determining whether to continue the hearing, the clerk may consider (i) whether the association has offered the debtor an opportunity to resolve the foreclosure under a payment schedule pursuant to subsection (i) of this section, (ii) whether the association has engaged in actual responsive communication with the owner, including telephone conferences or in-person meetings with the owner or other actual two-party communications, (iii) whether the owner has indicated that he or she has the intent and ability to resolve the delinquency by making future payments under a payment plan, and (iv) whether the initiation or continuance of good-faith voluntary resolution efforts between the parties may resolve the matter without a foreclosure sale. Where good cause exists to continue the hearing, the clerk shall order the hearing continued to a date and time certain not more than 90 days from the date scheduled for the original hearing. Nothing in this part shall limit the authority of the clerk to continue a hearing for other good cause shown.

...

(g) The provisions of subsection (f) of this section do not prohibit or prevent an association from pursuing judicial foreclosure of a claim of ~~lien, lien securing a debt consisting of sums due the association other than fines and fine-related charges,~~ from taking other actions to recover the sums due the association, or from accepting a deed in lieu of foreclosure. Any judgment, decree, or order in any judicial foreclosure or civil action relating to the collection of assessments shall include an award of costs and reasonable attorneys' fees for the prevailing party, which shall not be subject to the limitation provided in subdivision (f)(12) of this section.

(h) A claim of lien securing a debt consisting ~~solely of fines imposed by the association, interest on unpaid fines, or attorneys' fees incurred by the association solely associated with fines imposed by the association or fine-related charges~~ may only be enforced by ~~judicial foreclosure, as provided in Article 29A of Chapter 1 of the General Statutes, the filing of a civil action seeking a judgment.~~ In addition, an association shall not levy, charge, or attempt to collect a service, collection, consulting, or administration fee from any unit owner unless the fee is expressly

1 allowed in the declaration, and any claim of lien securing a debt consisting solely of these fees
2 may only be enforced by ~~judicial foreclosure, as provided in Article 29A of Chapter 1 of the~~
3 ~~General Statutes.~~ the filing of a civil action seeking a judgment. Liens arising as a result of the
4 entry of a judgment in favor of the association in any such civil action shall relate back and be
5 effective as of the date the claim of lien was filed.

6"

7 **SECTION 2.3.(b)** This section becomes effective December 1, 2025, and applies to
8 claims of lien filed and instruments presented for registration on or after that date.

9 **SECTION 2.4.** G.S. 47C-3-118 reads as rewritten:

10 "**§ 47C-3-118. Association ~~records~~records and contracts.**

11 ...

12 (a1) A unit owner or the unit owner's authorized agent is entitled to inspect and copy, at a
13 reasonable time and location specified by the association, any contract entered into by the
14 association if the unit owner gives the association written notice of the demand at least five
15 business days before the date on which the unit owner wishes to inspect and copy and the request
16 satisfies the conditions for inspection set forth in G.S. 55A-16-02(c). A demand to inspect made
17 pursuant to this subsection shall be presumed to have been made in good faith and for a proper
18 purpose. In any action to compel the inspection and copying of documents, the court may award
19 reasonable attorneys' fees to the prevailing party. If the association does not allow a unit owner
20 who complies with this subsection to inspect and copy the requested contract, and if a court of
21 competent jurisdiction thereafter enters an order compelling the association to do so, the court
22 shall also order the association to pay the unit owner's costs, including reasonable attorneys' fees,
23 incurred to obtain the order.

24 (b) The association, upon written request, shall furnish a unit owner or the unit owner's
25 authorized agents a statement setting forth the amount of unpaid assessments and other charges
26 against a unit. The statement shall be furnished within 10 ~~business~~ days after receipt of the request
27 and is binding on the association, the executive board, and every unit owner. The association, its
28 managers, or its agents may charge a ~~reasonable~~ fee for providing statements of unpaid
29 assessments and other charges, not to exceed two hundred dollars (\$200.00) per statement or
30 request, and an additional ~~expedite~~ expedited fee in an amount not to exceed one hundred dollars
31 (\$100.00) if the ~~request is made within 48 hours of closing.~~ item is requested to be furnished less
32 than 10 days after receipt of the request.

33 ...

34 (d) The association shall keep written records of any policy regarding automatic license
35 plate reader systems adopted pursuant to G.S. 20-183.33. The records shall be made reasonably
36 available for examination by any unit owner and the unit owner's authorized agents."

37 **SECTION 2.5.(a)** G.S. 47F-3-102 reads as rewritten:

38 "**§ 47F-3-102. Powers of owners' association.**

39 Unless the articles of incorporation or the declaration expressly provides to the contrary, the
40 association may do all of the following:

41 ...

42 (3) Hire and discharge managing agents and other employees, agents, and
43 independent contractors. A contract between an association and a managing
44 agent shall not have a term exceeding two years and shall not contain an
45 automatic renewal provision that requires the association to give notice of
46 nonrenewal more than 60 days prior to the contract's anniversary date. Any
47 contract with a managing agent that is automatically renewed shall be
48 terminable by the association for any reason upon 90 days' notice.

49 ...

50 (6) Regulate the use, maintenance, repair, replacement, and modification of
51 common ~~elements~~ elements; provided, however, that in the absence of an

express authorization in the declaration, an association shall not enforce any restriction on parking of a personal vehicle on a public street, public road, or public right-of-way for which the North Carolina Department of Transportation or local government has assumed responsibility for maintenance and repairs, unless the authority to regulate such parking has been expressly delegated to the association by the Department of Transportation or local government under an agreement prescribing the manner in which the association may exercise that authority. As used in this subdivision, "personal vehicle" means an automobile with a gross weight of less than 26,001 pounds that is used for personal pleasure, travel, or commuting to and from a place of work, and does not include a motor home or self-propelled recreational vehicle, or an automobile that is otherwise used primarily in connection with any commercial endeavor or business.

...

(12) After notice and an opportunity to be heard, impose reasonable fines or suspend privileges or services provided by the association (except rights of access to lots) for reasonable periods for violations of the declaration, bylaws, and rules and regulations of the association. No fine shall be levied for violation of a provision restricting or prohibiting tutoring, educational lessons, academic lessons, music lessons, or swimming lessons provided on the owner's lot to a group of no more than five people at any one time, regardless of whether compensation is received for such lessons.

...

(13a) ~~Impose reasonable charges in connection with the preparation of statements a lender's questionnaire or certification or a statement of unpaid assessments, which must be furnished within 10 business days after receipt of the request, in an amount not to exceed two hundred dollars (\$200.00) per statement or request, item requested, and an additional expedite expedited fee in an amount not to exceed one hundred dollars (\$100.00) if the request is made within 48 hours of closing, all of which item is requested to be furnished less than 10 days after receipt of the request. These charges may be collected by the association, its managers, or its agents. Any charge for preparation of a lender's questionnaire or certification shall be billed to the requesting party. Neither the association nor its managing agent shall impose any charge upon a lot owner or a prospective purchaser of a lot in connection with the conveyance of a lot unless the charge is expressly authorized in this subdivision, or unless the charge is authorized in the declaration and is not otherwise expressly prohibited by law. Violation of this subdivision by an association or by its managing agent shall constitute an unfair and deceptive trade practice under G.S. 75-1.1.~~

(13b) Impose a reasonable charge for providing copies of records requested by a member, not to exceed the actual cost of photocopying the records, including the cost of materials used in responding to the request and the cost of shipping if shipping is required.

...

(15a) Exercise any authority granted to it under the declaration to approve or disapprove any proposed changes on a lot or limited common element. In exercising such authority, the association shall provide a fair, reasonable, and expeditious procedure for making its decision, which procedure shall be set forth in the association's governing documents. The procedures shall state the maximum time for issuance of any decision on a proposal or a request for

reconsideration. An association may adopt formal submission requirements for any proposed change, which shall be communicated to the members. A decision shall be made within 90 days after the initial submission of the proposal or submission of any additional information or changes to the proposal requested by the association in response to the initial submission. A decision shall be in writing, shall be made in good faith, and may not be unreasonable, arbitrary, or capricious. If the proposal is disapproved, the decision shall include an explanation of why the proposal is disapproved and, if the determination was not issued by the executive board, a description of the procedure for reconsideration of the decision by the executive board.

...."

SECTION 2.5.(b) G.S. 47F-3-102(3), as amended by subsection (a) of this section, reads as rewritten:

"(3) Hire and discharge managing agents and other employees, agents, and independent contractors. A contract between an association and a managing agent shall not have a term exceeding two years and shall not contain an automatic renewal provision that requires the association to give notice of nonrenewal more than 60 days prior to the contract's anniversary date. Any contract with a managing agent that is automatically renewed shall be terminable by the association for any reason upon 90 days' notice. A managing agent shall not be compensated in whole or in part based on the amount of fines collected by the managing agent on behalf of the association."

SECTION 2.5.(c) Subsection (b) of this section is effective January 1, 2026, and applies to contracts entered into on or after that date. The remainder of this section is effective when it becomes law.

SECTION 2.6. G.S. 47F-3-107.1 reads as rewritten:

"§ 47F-3-107.1. Procedures for fines and suspension of planned community privileges or services.

Unless a specific procedure for the imposition of fines or suspension of planned community privileges or services is provided for in the declaration, a hearing shall be held before the executive board or an adjudicatory panel appointed by the executive board to determine if any lot owner should be fined or if planned community privileges or services should be suspended pursuant to the powers granted to the association in G.S. 47F-3-102(11) and (12). Any adjudicatory panel appointed by the executive board shall be composed of members of the association who are not officers of the association or members of the executive board. The lot owner charged shall be given notice of the charge, opportunity to be heard and to present evidence, and notice of the decision. A written notice of hearing shall be sent to the unit owner in the manner provided in G.S. 47F-3-116(e) not less than 10 days prior to the scheduled hearing date. The notice of hearing shall specify the date, time, and place of the hearing and shall include a general description of each alleged violation and the action, if any, required to cure each alleged violation. Not less than two days prior to the scheduled hearing date, the executive board or adjudicatory panel shall provide the unit owner with the names of any persons whose testimony it intends to offer in support of the charge and a copy of any documents, photographs, or other exhibits that it intends to submit in support of the charge. The unit owner shall be given an opportunity to be heard and to present evidence at the hearing. A written notice of the decision specifying each violation verified by the evidence and the action, if any, required to cure each verified violation shall be sent to the unit owner in the manner provided in G.S. 47F-3-116(e). If it is decided that a fine should be imposed, a fine not to exceed one hundred dollars (\$100.00) may be imposed for the violation and without further hearing, for each day more than five days after the decision that the violation occurs, up to a maximum fine of two thousand five hundred dollars (\$2,500). Such fines shall be assessments secured by liens under G.S. 47F-3-116.

If it is decided that a suspension of planned community privileges or services should be imposed, the suspension may be continued without further hearing until the violation or delinquency is cured. The lot owner may appeal the decision of an adjudicatory panel to the full executive board by delivering written notice of appeal to the executive board within 15 days after the date of the decision. The executive board may affirm, vacate, or modify the prior decision of the adjudicatory body."

SECTION 2.7.(a) G.S. 47F-3-116 reads as rewritten:

"§ 47F-3-116. Lien for sums due the association; enforcement.

(a) Any assessment attributable to a lot which remains unpaid for a period of 30 days or longer shall constitute a lien on that lot when a claim of lien is filed of record in the office of the clerk of superior court of the county in which the lot is located in the manner provided in this section. A claim of lien securing a debt consisting of fines or fine-related charges shall be filed separately from a claim of lien securing other sums due the association and shall be filed within 90 days after the date the fine was imposed. As used in this section, "fines or fine-related charges" means fines imposed by the association, interest on unpaid fines, or attorneys' fees incurred by the association related to fines imposed by the association. Once filed, a claim of lien secures all sums due the association through the date filed and any sums due to the association thereafter. Unless the declaration provides otherwise, fees, charges, late charges, and other charges imposed pursuant to G.S. 47F-3-102, 47F-3-107, 47F-3-107.1, and 47F-3-115 are subject to the ~~claim~~ claims of lien provided for under this section as well as any other sums due and payable to the association under the declaration, the provisions of this Chapter, or as the result of an arbitration, mediation, or judicial decision.

(b) The association must provide proper notice of delinquent assessments to the lot owner before filing a claim of lien. The association must make reasonable and diligent efforts to ensure that its records contain the lot owner's current physical mailing address. ~~address and current electronic mailing address.~~ No fewer than 15 days prior to filing the lien, the association shall ~~mail~~ do all of the following:

(1) Mail a statement of the assessment amount due by first-class mail to the physical address of the lot and the lot owner's address of record with the association and, if different, to the address for the lot owner shown on the county tax records for the lot. If the lot owner is a corporation or limited liability company, the statement shall also be sent by first-class mail to the mailing address of the registered agent for the corporation or limited liability company. Notwithstanding anything to the contrary in this Chapter, the association is not required to mail a statement to an address known to be a vacant lot on which no dwelling has been constructed or to a lot for which there is no United States postal address.

(2) Send a statement of the assessment amount due via electronic mail if the owner has designated an email address as provided in G.S. 55A-1-70(b).

(c) A claim of lien shall set forth the name and address of the association, the name of the record owner of the lot at the time the claim of lien is filed, a description of the lot, and the amount of the lien claimed. A claim of lien may also appoint a trustee to conduct a foreclosure, as provided in subsection (f) of this section. The first page of the claim of lien shall contain the following statement in print that is in boldface, capital letters, and no smaller than the largest print used elsewhere in the document:

"THIS DOCUMENT CONSTITUTES A LIEN AGAINST YOUR PROPERTY, AND IF THE LIEN IS NOT PAID, THE HOMEOWNERS ASSOCIATION MAY PROCEED WITH ~~FORECLOSURE ENFORCEMENT AGAINST YOU AND YOUR PROPERTY IN LIKE MANNER AS A MORTGAGE AS PERMITTED UNDER NORTH CAROLINA LAW.~~"

The person signing the claim of lien on behalf of the association shall attach to and file with the claim of lien a certificate of service attesting to the attempt of service on the record owner,

1 which service shall be attempted in accordance with G.S. 1A-1, Rule 4(j), for service of a copy
2 of a summons and a complaint. If the actual service is not achieved, the person signing the claim
3 of lien on behalf of the association shall be deemed to have met the requirements of this
4 subsection if service has been attempted pursuant to both of the following: (i) G.S. 1A-1, Rule
5 4(j)(1)c, d, or e and (ii) by mailing a copy of the lien by regular, first-class mail, postage prepaid
6 to the physical address of the lot and the lot owner's address of record with the association, and,
7 if different, to the address for the lot owner shown on the county tax records and the county real
8 property records for the lot. The association shall also send the owner a copy of the claim of lien
9 and certificate of service by email if the owner has designated an email address as provided in
10 G.S. 55A-1-70(b). In the event that the owner of record is not a natural person, and actual service
11 is not achieved, the person signing the claim of lien on behalf of the association shall be deemed
12 to have met the requirements of this subsection if service has been attempted once pursuant to
13 the applicable provisions of G.S. 1A-1, Rule 4(j)(3) through G.S. 1A-1, Rule 4(j)(9).
14 Notwithstanding anything to the contrary in this Chapter, the association is not required to mail
15 a claim of lien to an address which is known to be a vacant lot on which no dwelling has been
16 constructed or to a lot for which there is no United States postal address. A lien for unpaid
17 assessments is extinguished unless proceedings to enforce the lien are instituted within three
18 years after the filing of the claim of lien in the office of the clerk of superior court. A lien securing
19 a debt consisting of fines or fine-related charges is extinguished unless proceedings to enforce
20 the lien are instituted within one year after the filing of the claim of lien in the office of the clerk
21 of superior court.

22 (d) A claim of lien filed under this section is prior to all liens and encumbrances on a lot
23 except (i) liens and encumbrances, specifically including, but not limited to, a mortgage or deed
24 of trust on the lot, recorded before the filing of the claim of lien in the office of the clerk of
25 superior court and (ii) liens for real estate taxes and other governmental assessments and charges
26 against the lot. This subsection does not affect the priority of mechanics' or materialmen's liens.

27 (e) ~~The association shall be entitled to recover the court may, in the court's discretion,~~
28 allow the association to recover the reasonable attorneys' fees and costs if the association incurs
29 in connection with the collection of any sums due. A lot owner may not be required to pay
30 attorneys' fees and court costs until the lot owner is notified in writing of the association's intent
31 to seek payment of attorneys' fees, costs, and expenses. The notice must be sent by first-class
32 mail to the physical address of the lot and the lot owner's address of record with the association
33 and, if different, to the address for the lot owner shown on the county tax records for the lot. The
34 association must make reasonable and diligent efforts to ensure that its records contain the lot
35 owner's current mailing address. Notwithstanding anything to the contrary in this Chapter, there
36 shall be no requirement that notice under this subsection be mailed to an address which is known
37 to be a vacant lot on which no dwelling has been constructed or a lot for which there is no United
38 States postal address. The notice shall set out the outstanding balance due as of the date of the
39 notice and state that the lot owner has 15 days from the mailing of the notice by first-class mail
40 to pay the outstanding balance without the attorneys' fees and court costs. If the lot owner pays
41 the outstanding balance within this period, then the lot owner shall have no obligation to pay
42 attorneys' fees, costs, or expenses. The notice shall also inform the lot owner of the opportunity
43 to contact a representative of the association to discuss a payment schedule for the outstanding
44 balance, as provided in subsection (i) of this section, and shall provide the name and telephone
45 number of the representative.

46 (f) Except as provided in subsection (h) of this section, the association, acting through
47 the executive board, may foreclose a claim of lien securing a debt consisting of sums due the
48 association other than fines or fine-related charges in like manner as a mortgage or deed of trust
49 on real estate under power of sale, as provided in Article 2A of Chapter 45 of the General Statutes,
50 if the assessment remains unpaid delinquency has continued for 90-180 days or more. The

1 association shall not foreclose the claim of lien unless the executive board votes to commence
2 the proceeding against the specific lot.

3 The following provisions and procedures shall be applicable to and complied with in every
4 nonjudicial power of sale foreclosure of a claim of lien, and these provisions and procedures shall
5 control to the extent they are inconsistent or in conflict with the provisions of Article 2A of
6 Chapter 45 of the General Statutes:

7 ...

8 (5) After the association has filed a claim of lien and prior to the commencement
9 of a nonjudicial foreclosure, the association shall give to the lot owner notice
10 of the association's intention to commence a nonjudicial foreclosure to enforce
11 its claim of lien. The notice shall contain the information required in
12 G.S. 45-21.16(e)(5a), G.S. 45-21.16(c)(5) and G.S. 45-21.16(c)(5a) and shall
13 specifically reference the lot owner's right of redemption provided under
14 subdivision (8) of this subsection. The notice shall be sent by first-class mail
15 to the physical address of the lot and the lot owner's address of record with the
16 association and, if different, to the address for the lot owner shown on the
17 county tax records for the lot.

18 (5a) The notice of hearing required pursuant to G.S. 45-21.16(a) shall be
19 accompanied by the association's certification of the actions it has taken to
20 give the owner notice of delinquent assessments in compliance with
21 subsection (b) of this section.

22 (5b) At the commencement of the hearing, the clerk shall inquire as to whether the
23 owner occupies the lot as his or her principal residence. If it appears that the
24 owner does currently occupy the lot as a principal residence, the clerk shall
25 further inquire as to the efforts the association has made to communicate with
26 the owner and to attempt to resolve the matter voluntarily before the
27 foreclosure proceeding. The clerk's inquiry shall not be required if the
28 association has submitted, at or before the hearing, an affidavit briefly
29 describing any efforts that have been made to resolve the default with the
30 owner and the results of any such efforts.

31 (5c) The clerk shall order the hearing continued if the clerk finds that there is good
32 cause to believe that additional time or additional efforts have a reasonable
33 likelihood of resolving the delinquency without foreclosure. In determining
34 whether to continue the hearing, the clerk may consider (i) whether the
35 association has offered the owner an opportunity to resolve the foreclosure
36 under a payment schedule pursuant to subsection (i) of this section, (ii)
37 whether the association has engaged in actual responsive communication with
38 the owner, including telephone conferences or in-person meetings with the
39 owner or other actual two-party communications, (iii) whether the owner has
40 indicated that he or she has the intent and ability to resolve the delinquency
41 by making future payments under a payment plan, and (iv) whether the
42 initiation or continuance of good-faith voluntary resolution efforts between
43 the parties may resolve the matter without a foreclosure sale. Where good
44 cause exists to continue the hearing, the clerk shall order the hearing continued
45 to a date and time certain not more than 90 days from the date scheduled for
46 the original hearing. Nothing in this part shall limit the authority of the clerk
47 to continue a hearing for other good cause shown.

48 ...

49 (g) The provisions of subsection (f) of this section do not prohibit or prevent an
50 association from pursuing judicial foreclosure of a claim of ~~lien~~, lien securing a debt consisting
51 of sums due the association other than fines and fine-related charges, from taking other actions

to recover the sums due the association, or from accepting a deed in lieu of foreclosure. Any judgment, decree, or order in any judicial foreclosure or civil action relating to the collection of assessments shall include an award of costs and reasonable attorneys' fees for the prevailing party, which shall not be subject to the limitation provided in subdivision (f)(12) of this section.

(h) ~~A claim of lien securing a debt consisting solely of fines imposed by the association, interest on unpaid fines, or attorneys' fees incurred by the association solely associated with fines imposed by the association or fine-related charges may only be enforced by judicial foreclosure, as provided in Article 29A of Chapter 1 of the General Statutes. the filing of a civil action seeking a judgment.~~ In addition, an association shall not levy, charge, or attempt to collect a service, collection, consulting, or administration fee from any lot owner unless the fee is expressly allowed in the declaration, and any claim of lien securing a debt consisting solely of these fees may only be enforced by judicial foreclosure, as provided in Article 29A of Chapter 1 of the General Statutes. the filing of a civil action seeking a judgment. Liens arising as a result of the entry of a judgment in favor of the association in any such civil action shall relate back and be effective as of the date the claim of lien was filed. If, prior to any hearing held pursuant to a civil action filed under this subsection, the lot owner satisfies the debt giving rise to the civil action, the association shall dismiss the civil action and cancel the claim of lien. The lot owner shall have all rights granted under Article 4 of Chapter 45 of the General Statutes to ensure the association's satisfaction of the claim of lien, and the association shall not be entitled to the collection or award of any attorneys' fees or court costs related to the dismissed civil action or cancelled claim of lien.

...."

SECTION 2.7.(b) This section becomes effective December 1, 2025, and applies to claims of lien filed and instruments presented for registration on or after that date.

SECTION 2.8. G.S. 47F-3-118 reads as rewritten:

"§ 47F-3-118. Association ~~records~~ records and contracts.

...

(a1) A lot owner or the lot owner's authorized agent is entitled to inspect and copy, at a reasonable time and location specified by the association, any contract entered into by the association if the lot owner gives the association written notice of the demand at least five business days before the date on which the lot owner wishes to inspect and copy and the request satisfies the conditions for inspection set forth in G.S. 55A-16-02(c). A demand to inspect made pursuant to this subsection shall be presumed to have been made in good faith and for a proper purpose. In any action to compel the inspection and copying of documents, the court may award reasonable attorneys' fees to the prevailing party. If the association does not allow a lot owner who complies with this subsection to inspect and copy the requested contract, and if a court of competent jurisdiction thereafter enters an order compelling the association to do so, the court shall also order the association to pay the lot owner's costs, including reasonable attorneys' fees, incurred to obtain the order.

(b) The association, upon written request, shall furnish to a lot owner or the lot owner's authorized agents a statement setting forth the amount of unpaid assessments and other charges against a lot. The statement shall be furnished within 10 ~~business~~-days after receipt of the request and is binding on the association, the executive board, and every lot owner. The association, its managers, or its agents may charge a ~~reasonable~~-fee for providing statements of unpaid assessments, not to exceed two hundred dollars (\$200.00) per statement or request, and an additional ~~expedite~~-expedited fee in an amount not exceeding one hundred dollars (\$100.00) if the request for a statement is made within 48 hours of closing-item is requested to be furnished less than 10 days after receipt of the request.

...

(d) The association shall keep written records of any policy regarding automatic license plate reader systems adopted pursuant to G.S. 20-183.33. The records shall be made reasonably available for examination by any lot owner and the lot owner's authorized agents."

PART III. PRELITIGATION MEDIATION

SECTION 3.(a) G.S. 7A-38.3F reads as rewritten:

"§ 7A-38.3F. Prelitigation mediation of condominium and ~~homeowners~~ owners' association disputes.

(a) Definitions. – The following definitions apply in this section:

- (1) Association. – An association of unit or lot owners organized as allowed under North Carolina law, including G.S. 47C-3-101 and G.S. 47F-3-101.
- (2) Dispute. – Any matter relating to real estate under the jurisdiction of an association about which the member and association cannot agree. The term "dispute" does not include matters expressly exempted in subsection (b) of this section.
- (3) Executive board. – The body, regardless of name, designated in the declaration to act on behalf of an association.
- (4) Mediator. – A neutral person who acts to encourage and facilitate a resolution of a dispute between an association and a member.
- (5) Member. – A person who is a member of an association of unit or lot owners organized as allowed under North Carolina law, including G.S. 47C-3-101 and G.S. 47F-3-101.
- (6) Party or parties. – An association or member who is involved in a dispute, as that term is defined in subdivision (2) of this subsection.

(a1) Disputes related solely to a member's failure to timely pay an association assessment or any fines or fees associated with the levying or collection of an association assessment are not covered under this section.

(b) Voluntary ~~Prelitigation~~ Mediation. – ~~Prior to filing a civil action, the~~ The parties to a dispute arising under Chapter 47C of the General Statutes (North Carolina Condominium Act), Chapter 47F of the General Statutes (North Carolina Planned Community Act), or an association's declaration, bylaws, or rules and regulations ~~are encouraged to initiate mediation pursuant to this section. However, disputes related solely to a member's failure to timely pay an association assessment or any fines or fees associated with the levying or collection of an association assessment are not covered under this section.~~ may agree at any time to mediation of the dispute pursuant to this section.

(b1) Mandatory Prelitigation Mediation. – Prior to filing a civil action arising under Chapter 47C of the General Statutes (North Carolina Condominium Act), Chapter 47F of the General Statutes (North Carolina Planned Community Act), or an association's declaration, bylaws, or rules and regulations, a party shall initiate mediation pursuant to this section. If an action is initiated, it shall, upon the motion of any party prior to trial, be dismissed without prejudice by the court unless any one or more of the following apply:

- (1) The nonmoving party has satisfied the requirements of this section, and this fact is indicated in the mediator's certification issued under subsection (g) of this section.
- (2) The court finds that a mediator failed to issue a mediator's certification under subsection (g) of this section indicating that the nonmoving party satisfied the requirements of this section.
- (3) The court finds good cause for a failure to attempt mediation. Good cause includes a determination that the time delay required for mediation would likely result in irreparable harm or that injunctive relief is otherwise warranted.

(c) Initiation of Mediation. – Either an association or a member may contact the North Carolina Dispute Resolution Commission or the Mediation Network of North Carolina for the name of a mediator or community mediation center. Upon contacting a mediator, either the association or member may supply to the mediator the physical address of the other party, or the party's representative, and the party's telephone number and e-mail address, if known. The mediator shall contact the party, or the party's representative, to notify ~~him or her~~ the party of the request to mediate. ~~If the parties agree to mediate, they~~ Unless the mediation is waived pursuant to subsection (e) of this section, the parties shall request in writing that the mediator schedule the mediation. The mediator shall then notify the parties in writing of the date, time, and location of the mediation, which shall be scheduled not later than 25 days after the mediator receives the written request from the parties.

(d) Mediation Procedure. – The following procedures shall apply to mediation under this section:

- (1) Attendance. – The mediator shall determine who may attend mediation. The mediator may require the executive board or a large group of members to designate one or more persons to serve as their representatives in the mediation.
- (2) All parties are expected to attend mediation. The mediator may allow a party to participate in mediation by telephone or other electronic means if the mediator determines that the party has a compelling reason to do so.
- (3) If the parties cannot reach a final agreement in mediation because to do so would require the approval of the full executive board or the approval of a majority or some other percentage of the members of the association, the mediator may recess the mediation meeting to allow the executive board or members to review and vote on the agreement.

~~(e) Decline Mediation. – Either party to a dispute may decline mediation under this section. If either party declines mediation after mediation has been initiated under subsection (c) of this section but mediation has not been held, the party declining mediation shall inform the mediator and the other party in writing of his or her decision to decline mediation. No costs shall be assessed to any party if either party declines mediation prior to the occurrence of an initial mediation meeting.~~ Waiver of Mediation. – The parties to a dispute may agree to waive mediation required by this section by informing the mediator of the waiver in writing.

(f) Costs of Mediation. – The costs of mediation, including the mediator's fees, shall be shared equally by the parties unless otherwise agreed to by the parties. Fees shall be due and payable at the end of each mediation meeting. A mediator may charge a reasonable fee, as applicable, to prepare a mediator's certification required under subsection (g) of this section when parties to a dispute agree to waive mediation pursuant to subsection (e) of this section or when one or more parties failed or refused without good cause to attend the mediation meetings or otherwise participate in the mediation. When an attorney represents a party to the mediation, that party shall pay ~~his or her~~ the attorneys' fees.

(g) Certification That Mediation Concluded. – Upon a waiver of the mediation under subsection (e) of this section or upon the conclusion of mediation, the mediator shall prepare a certification stating the date on which the mediation was concluded and a statement of the general results of the mediation, including, as applicable, that the parties waived the mediation, that an agreement was reached or reached, that mediation was attempted but an agreement was not reached, reached, or that one or more parties failed or refused without good cause to attend the mediation meetings or otherwise participate in the mediation. If both parties participate in mediation and a cause of action involving the dispute mediated is later filed, either party may file the certificate with the clerk of court, and the parties shall not be required to mediate again under any provision of law. The Supreme Court may adopt additional rules and standards to implement this section, including an exemption from the provisions of G.S. 7A-38.1 for cases in which

mediation was attempted under this section. The sanctions in G.S. 7A-38.1(g) do not apply to prelitigation mediation conducted under this section.

...

(j) Association Duty to Notify. – Each association ~~shall, in writing, shall~~ notify the members of the association ~~each year annually in writing~~ that they may initiate mediation under this section to try to resolve a dispute with the association. The association shall publish the notice required in this subsection on the association's ~~Web site; but if the association does not have a Web site, the association website or it~~ shall publish the notice ~~at the same time and in the same manner as the names and addresses of all officers and board members of the association are published as provided in G.S. 47C-3-103 and G.S. 47F-3-103."~~

SECTION 3.(b) This section becomes effective October 1, 2026, and applies to actions filed on or after that date.

PART IV. DEPARTMENT OF JUSTICE TO COLLECT AND REPORT ON OWNERS' ASSOCIATION COMPLAINTS

SECTION 4.(a) Article 1 of Chapter 114 of the General Statutes is amended by adding a new section to read:

"§ 114-8.8. Collection and report of owners' association complaint data.

(a) The Department of Justice shall receive and record data from all complaints concerning disputes between associations of unit owners or lot owners and their members as required by this section. The Department of Justice shall publish a complaint form providing for electronic submission of those complaints on its website. When the Department receives a complaint via phone, mail, or online submission, it shall collect the following information from the complainant:

- (1) The name and contact information of the complainant.
- (2) Whether the complainant is an association of unit owners or lot owners, or is a unit owner or lot owner belonging to those associations.
- (3) The name and contact information of the other party or parties to the dispute giving rise to the complaint.
- (4) The name, address, and contact information of the association management company, if any, involved in the dispute.
- (5) Details on whether the association member involved in the dispute (i) was informed of the requirement of membership in the association as a condition of unit or lot ownership and, if so informed, when and by whom, (ii) received a copy of the governing documents of the association before obtaining title to the property, (iii) was denied access to the association's governing documents, and (iv) understood the rights and obligations of owners and the association under the governing documents.
- (6) The nature of the complaint.
- (7) The background information regarding the dispute, including whether the member and association communicated about the dispute and whether all other remedies available under the association's governing documents were exhausted before the complaint was made.
- (8) The complainant's understanding of the rights and obligations under the association's governing documents as they relate to the dispute.
- (9) The complainant's desired remedy regarding the dispute.

(b) Upon receiving the complaint, the Department shall provide a copy of the complaint to the party complained against informing the party of the complaint made against it and allowing for the party to respond.

(c) The Department shall publish the following information on its website:

- (1) Information on the process to submit complaints pursuant to this section.

(2) Information about the laws and documents governing associations of unit owners and lot owners in North Carolina.

(3) General information about roles, rights, and responsibilities of associations of unit owners and lot owners, their members, and other related parties.

(4) Any other information the Department deems relevant to understanding the rights and obligations of associations of unit owners and lot owners and members of such associations.

(d) The Department is prohibited from promulgating regulations or issuing guidelines concerning the administration, governance, or governing documents of associations of unit owners or lot owners. The Department shall not serve as an arbiter in disputes between an association of unit owners or lot owners and its members.

(e) By July 1 of each year, the Department shall submit a report to the House Standing Committee on Commerce and Economic Development, the Senate Standing Committee on Commerce and Insurance, and the Fiscal Research Division and shall also publish the report on its website. The report shall include, at a minimum, a summary of all of the following:

(1) The total number of complaints received pursuant to this section.

(2) The number of those complaints submitted by unit owners or lot owners.

(3) The number of those complaints submitted by associations of unit owners or lot owners.

(4) The number of complaints originating in each county of this State.

(5) The number of complaints that involved association management companies.

(6) The nature of the disputes reflected in the complaints, including:

a. Access to association records.

b. Access to executive board meetings.

c. Assessments.

d. Executive board transparency.

e. Fines.

f. Collections of delinquent accounts.

g. Liens.

h. Foreclosures.

i. Content of restrictive covenants.

j. Enforcement of restrictive covenants.

(7) A ranking of the top five disputes based on the nature of the dispute reflected in the complaints.

(8) The number of responses to the complaints received by the Department.

The information summarized in the report must be categorized, filterable, and searchable. The Department must redact any personal or private information from the report, such as names, addresses, and telephone numbers of individuals. This redaction requirement does not apply to information concerning a homeowners association or a homeowners association management company."

SECTION 4.(b) This section becomes effective July 1, 2025.

PART V. ASSOCIATION USE OF AUTOMATIC LICENSE PLATE READER SYSTEMS

SECTION 5.(a) Article 3D of Chapter 20 of the General Statutes is amended by adding a new section to read:

"§ 20-183.32B. Use of automatic license plate reader systems by certain private associations.

(a) Definitions. – The following definitions apply to this section:

(1) Association. – Either (i) an owner's association organized under G.S. 47F-3-101 or (ii) a unit owner's association organized under G.S. 47C-3-101.

(2) Lot owner. – As defined in G.S. 47F-1-103.

(3) Unit owner. – As defined in G.S. 47C-1-103.

(b) An association shall not operate an automatic license plate reader system without first doing all of the following:

(1) Notifying a local law enforcement agency of the association's intent to begin using the system at least 30 days before the system is operational.

(2) Providing a local law enforcement agency ongoing access to the system.

(3) Notifying all lot owners or unit owners of the association's intent to begin using the system at least 30 days before the system is operational.

(4) Adopting a written policy governing the system's use before the automatic license plate reader system is operational. The policy shall address all of the following:

a. Data retention. The data retention policy adopted pursuant to this subdivision shall provide that captured plate data will not be retained for longer than 30 days unless a law enforcement agency requests that specific data be retained for a longer duration, in accordance with G.S. 20-183.32.

b. Training of automatic license plate reader system operators.

c. Supervisory oversight of automatic license plate reader system use.

d. Internal data security and access.

e. Annual or more frequent auditing to ensure proper operation of the system.

f. Maintenance and calibration of the system, as recommended by the system's manufacturer.

g. Annual or more frequent notifications to lot owners or unit owners if the association continues to operate the system.

(c) Data obtained by an association in accordance with this section shall be accessed, disclosed, preserved, or retained only for the purpose of assisting law enforcement agencies in connection with a law enforcement purpose. Notwithstanding, data obtained under the authority of this section shall not be used for the enforcement of traffic violations."

SECTION 5.(b) This section becomes effective October 1, 2025.

PART VI. EFFECTIVE DATE

SECTION 6. Except as otherwise provided, this act is effective when it becomes law.