

# Lawmakers work to protect homeowners from dubious HOAs

BY KRISTA KAFER

COLUMNIST FOR THE DENVER POST

No homeowners association. That was on my list of nonnegotiables when I shopped for a house a couple of decades ago. I don't want someone measuring the height of my lawn or telling me what shade of beige I can paint my house or disallowing a front yard bird bath or hiking fees every year until I can no longer afford to pay them. When I hear horror stories I breathe a sigh of relief that I am not one of the 2.7 million Coloradans who live under an HOA.

About half of the state's population lives under the thumb of an HOA. They might appreciate the communal gardens, community pool, and limits on the number of front yard lawn gnomes, but worry about the dark side of HOA governance — the proliferation of rules, busybody enforcement, escalating dues and fees, and the risk of HOA foreclosure for delinquent payments. They should worry about the latter. According to a 2023 investigation by the Colorado Sun, HOAs filed around 3,000 foreclosure cases since 2018 and more than 250 homes were ultimately auctioned off, most for less than the home's market value. A hundred of the properties sold for less than \$60,000 and the owners lost most or all of their equity.

One such property the Sun found was auctioned off for \$5,000, just \$110.69 more than the homeowner owed the HOA. A half a year later, the condo sold for \$420,000, that's money the former owner never saw.

This session, the General Assembly is considering legislation to protect homeowners' equity. House Bill 1043 by State Rep. Naquetta Ricks would give homeowners facing an HOA foreclosure a nine-month grace period to try and sell the house on the open market. Homeowners unable to get the market value could secure a lien on the home to retain some of the equity from the eventual sale. The bill just passed out of committee.

Ricks has sponsored a second bill, House Bill 1123, which would mandate homeowners and HOAs in dispute work through an internal mediation process to resolve the conflict. Under current law, HOAs and homeowners in dispute must resolve their issues through civil lawsuits, which can be expensive and take a long time to resolve. Mediation can lessen the cost and time for resolution.

Both of these bills have merit.

Last year the legislature passed House Bill 1337 to reduce the number of HOA foreclosures. The law requires the HOA to take steps before initiating a foreclosure. It must first file a lawsuit to collect the debt owed or file an involuntary bankruptcy petition against the owner. The law caps attorneys' fees at the lesser of \$5,000 or 50% of their debt. The law increases the limit each year based on inflation. The law also creates a "first right of redemption" for HOA-foreclosed houses sold at auction. Homeowners, tenants, affordable housing nonprofits, community land trusts, cooperative housing corporations, and state and local government agencies have 30 days to state their intent to purchase the property in an affidavit. The law gives the purchaser 180 days to raise the money for purchase and complete the sale. \*

House Bills 1043 and 1123 would complement House Bill 1337's protections for homeowners who live under HOAs. They wouldn't go far enough to get me to consider purchasing in such a neighborhood. I still couldn't live with the beige paint palette.

*Krista L. Kafer is a weekly Denver Post columnist. Follow her on Twitter: @kristakafer.*

