

# SENATE BILL 229

N1

4lr0613

---

By: **Senator Frosh**

Introduced and read first time: January 16, 2014

Assigned to: Judicial Proceedings

---

## A BILL ENTITLED

AN ACT concerning

### **Real Property – Condominiums and Homeowners Associations – Disclosures to Purchasers on Resale of Unit or Lot – Limitation on Fees**

FOR the purpose of limiting the amount of the fee that a condominium council of unit owners may charge a unit owner to furnish a certain certificate; limiting the amount of the fee that a homeowners association or certain other persons may charge a lot owner for providing certain information; and generally relating to the resale of a condominium unit or a lot located in a certain development.

BY repealing and reenacting, without amendments,  
Article – Real Property  
Section 11–135(a) and (b)  
Annotated Code of Maryland  
(2010 Replacement Volume and 2013 Supplement)

BY repealing and reenacting, with amendments,  
Article – Real Property  
Section 11–135(c) and 11B–106  
Annotated Code of Maryland  
(2010 Replacement Volume and 2013 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

### **Article – Real Property**

11–135.

(a) Except as provided in subsection (b) of this section, a contract for the resale of a unit by a unit owner other than a developer is not enforceable unless the contract of sale contains in conspicuous type a notice in the form specified in

---

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



subsection (g)(1) of this section, and the unit owner furnishes to the purchaser not later than 15 days prior to closing:

- (1) A copy of the declaration (other than the plats);
- (2) The bylaws;
- (3) The rules or regulations of the condominium;
- (4) A certificate containing:
  - (i) A statement disclosing the effect on the proposed conveyance of any right of first refusal or other restraint on the free alienability of the unit other than any restraint created by the unit owner;
  - (ii) A statement setting forth the amount of the monthly common expense assessment and any unpaid common expense or special assessment currently due and payable from the selling unit owner;
  - (iii) A statement of any other fees payable by the unit owners to the council of unit owners;
  - (iv) A statement of any capital expenditures approved by the council of unit owners planned at the time of the conveyance which are not reflected in the current operating budget disclosed under item (vi) of this item;
  - (v) The most recent regularly prepared balance sheet and income expense statement, if any, of the condominium;
  - (vi) The current operating budget of the condominium including details concerning the reserve fund for repair and replacement and its intended use, or a statement that there is no reserve fund;
  - (vii) A statement of any judgments against the condominium and the existence of any pending suits to which the council of unit owners is a party;
  - (viii) A statement generally describing any insurance policies provided for the benefit of unit owners, a notice that copies of the policies are available for inspection, stating the location at which the copies are available, and a notice that the terms of the policy prevail over the description;
  - (ix) A statement as to whether the council of unit owners has knowledge that any alteration or improvement to the unit or to the limited common elements assigned to the unit violates any provision of the declaration, bylaws, or rules or regulations;

(x) A statement as to whether the council of unit owners has knowledge of any violation of the health or building codes with respect to the unit, the limited common elements assigned to the unit, or any other portion of the condominium;

(xi) A statement of the remaining term of any leasehold estate affecting the condominium and the provisions governing any extension or renewal thereof; and

(xii) A description of any recreational or other facilities which are to be used by the unit owners or maintained by them or the council of unit owners, and a statement as to whether or not they are to be a part of the common elements;

(5) A statement by the unit owner as to whether the unit owner has knowledge:

(i) That any alteration to the unit or to the limited common elements assigned to the unit violates any provision of the declaration, bylaws, or rules and regulations;

(ii) Of any violation of the health or building codes with respect to the unit or the limited common elements assigned to the unit; and

(iii) That the unit is subject to an extended lease under § 11–137 of this title or under local law, and if so, a copy of the lease must be provided; and

(6) A written notice of the unit owner's responsibility for the council of unit owners' property insurance deductible and the amount of the deductible.

(b) A contract for the resale by a unit owner other than a developer of a unit in a condominium containing less than 7 units is not enforceable unless the contract of sale contains in conspicuous type a notice in the form specified in subsection (g)(2) of this section, and the unit owner furnishes to the purchaser not later than 15 days prior to closing:

(1) A copy of the declaration (other than the plats);

(2) The bylaws;

(3) The rules and regulations of the condominium;

(4) A statement by the unit owner of the unit owner's expenses during the preceding 12 months relating to the common elements; and

(5) A written notice of the unit owner's responsibility for the council of unit owners' property insurance deductible and the amount of the deductible.

(c) (1) The council of unit owners, within 20 days after a written request by a unit owner and receipt of a reasonable fee therefor, not to exceed the **LESSER OF \$50 OR THE ACTUAL** cost to the council of unit owners, if any, shall furnish a certificate containing the information necessary to enable the unit owner to comply with subsection (a) of this section. A unit owner providing a certificate under subsection (a) of this section is not liable to the purchaser for any erroneous information provided by the council of unit owners and included in the certificate.

(2) With respect to the remaining information that the unit owner is required to disclose under subsection (a) of this section that is not provided by the council of unit owners and included in the certificate, a unit owner:

(i) Except as provided in item (ii) of this paragraph, is liable to the purchaser under this section for damages proximately caused by:

1. An untrue statement about a material fact; and
2. An omission of a material fact that is necessary to make the statements made not misleading, in light of the circumstances under which the statements were made; and

(ii) Is not liable to the purchaser under this section if the owner had, after reasonable investigation, reasonable grounds to believe, and did believe, at the time the information was provided to the purchaser, that the statements were true and that there was no omission to state a material fact necessary to make the statements made not misleading, in light of the circumstances under which the statements were made.

11B-106.

(a) A contract for the resale of a lot within a development, or for the initial sale of a lot within a development containing 12 or fewer lots, to a member of the public who intends to occupy or rent the lot for residential purposes, is not enforceable by the vendor unless:

(1) The purchaser is given, on or before entering into the contract for the sale of such lot, or within 20 calendar days of entering into the contract, the disclosures set forth in subsection (b) of this section;

(2) The purchaser is given any changes in mandatory fees and payments exceeding 10 percent of the amount previously stated to exist and any other substantial and material amendment to the disclosures after they become known to the vendor; and

(3) The contract of sale contains a notice in conspicuous type, which shall include bold and underscored type, in a form substantially the same as the following:

“This sale is subject to the requirements of the Maryland Homeowners Association Act (the “Act”). The Act requires that the seller disclose to you at or before the time the contract is entered into, or within 20 calendar days of entering into the contract, certain information concerning the development in which the lot you are purchasing is located. The content of the information to be disclosed is set forth in § 11B–106(b) of the Act (the “MHAA information”) as follows:

(The notice shall include at this point the text of § 11B–106(b) in its entirety).

If you have not received all of the MHAA information 5 calendar days or more before entering into the contract, you have 5 calendar days to cancel this contract after receiving all of the MHAA information. You must cancel the contract in writing, but you do not have to state a reason. The seller must also provide you with notice of any changes in mandatory fees exceeding 10% of the amount previously stated to exist and copies of any other substantial and material amendment to the information provided to you. You have 3 calendar days to cancel this contract after receiving notice of any changes in mandatory fees, or copies of any other substantial and material amendment to the MHAA information which adversely affects you. If you do cancel the contract you will be entitled to a refund of any deposit you made on account of the contract. However, unless you return the MHAA information to the seller when you cancel the contract, the seller may keep out of your deposit the cost of reproducing the MHAA information, or \$100, whichever amount is less.

By purchasing a lot within this development, you will automatically be subject to various rights, responsibilities, and obligations, including the obligation to pay certain assessments to the homeowners association within the development. The lot you are purchasing may have restrictions on:

- (1) Architectural changes, design, color, landscaping, or appearance;
- (2) Occupancy density;
- (3) Kind, number, or use of vehicles;
- (4) Renting, leasing, mortgaging, or conveying property;
- (5) Commercial activity; or
- (6) Other matters.

You should review the MHAA information carefully to ascertain your rights, responsibilities, and obligations within the development.”

(b) The vendor shall provide the purchaser the following information in writing:

- (1) A statement as to whether the lot is located within a development;
- (2)
  - (i) The current monthly fees or assessments imposed by the homeowners association upon the lot;
  - (ii) The total amount of fees, assessments, and other charges imposed by the homeowners association upon the lot during the prior fiscal year of the homeowners association; and
  - (iii) A statement of whether any of the fees, assessments, or other charges against the lot are delinquent;
- (3) The name, address, and telephone number of the management agent of the homeowners association, or other officer or agent authorized by the homeowners association to provide to members of the public, information regarding the homeowners association and the development, or a statement that no agent or officer is presently so authorized by the homeowners association;
- (4) A statement as to whether the owner has actual knowledge of:
  - (i) The existence of any unsatisfied judgments or pending lawsuits against the homeowners association; and
  - (ii) Any pending claims, covenant violations actions, or notices of default against the lot; and
- (5) A copy of:
  - (i) The articles of incorporation, the declaration, and all recorded covenants and restrictions of the primary development, and of other related developments to the extent reasonably available, to which the purchaser shall become obligated on becoming an owner of the lot, including a statement that these obligations are enforceable against an owner's tenants, if applicable; and
  - (ii) The bylaws and rules of the primary development, and of other related developments to the extent reasonably available, to which the purchaser shall become obligated on becoming an owner of the lot, including a statement that these obligations are enforceable against an owner and the owner's tenants, if applicable.

**(C) THE HOMEOWNERS ASSOCIATION, THE MANAGEMENT AGENT OF THE HOMEOWNERS ASSOCIATION, OR ANY OTHER AUTHORIZED OFFICER OR AGENT OF THE HOMEOWNERS ASSOCIATION, WITHIN 20 DAYS AFTER A WRITTEN REQUEST BY A LOT OWNER AND RECEIPT OF A REASONABLE FEE, NOT EXCEEDING THE LESSER OF \$50 OR THE ACTUAL COST OF PROVIDING THE**

**INFORMATION, SHALL PROVIDE ANY INFORMATION NECESSARY TO ENABLE THE LOT OWNER TO COMPLY WITH SUBSECTION (B) OF THIS SECTION.**

**[(c)] (D)** (1) Within 30 calendar days of any resale transfer of a lot within a development, the transferor shall notify the homeowners association for the primary development of the transfer.

(2) The notification shall include, to the extent reasonably available, the name and address of the transferee, the name and forwarding address of the transferor, the date of transfer, the name and address of any mortgagee, and the proportionate amount of any outstanding homeowners association fee or assessment assumed by each of the parties to the transaction.

**[(d)] (E)** The requirements of subsection (b) of this section shall be deemed to have been fulfilled if the information required to be disclosed is provided to the purchaser in writing in a clear and concise manner. The disclosures may be summarized or produced in any collection of documents, including plats, the declaration, or the organizational documents of the homeowners association, provided those documents effectively convey the required information to the purchaser.

**[(e)] (F)** In satisfying the requirements of subsection (b) of this section, the vendor shall be entitled to rely upon the disclosures contained in the depository after June 30, 1989.

**[(f)] (G)** The provisions of subsections (a), (b), **[(d), and] (e), AND (F)** of this section do not apply to the sale of a lot in an action to foreclose a mortgage or deed of trust.

**SECTION 2. AND BE IT FURTHER ENACTED,** That this Act shall take effect October 1, 2014.