

HOUSE BILL 34

N1

7lr0303

(PRE-FILED)

By: **Delegate Holmes**

Requested: April 12, 2016

Introduced and read first time: January 11, 2017

Assigned to: Environment and Transportation

A BILL ENTITLED

1 AN ACT concerning

2 **Real Property – Homeowners Associations – Resale of Lot – Inspection Fees**

3 FOR the purpose of authorizing a homeowners association to charge a certain maximum
4 fee for an inspection of a lot owner’s lot under certain circumstances; and generally
5 relating to inspection fees and homeowners associations.

6 BY repealing and reenacting, with amendments,

7 Article – Real Property

8 Section 11B–106

9 Annotated Code of Maryland

10 (2015 Replacement Volume and 2016 Supplement)

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

13 **Article – Real Property**

14 11B–106.

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

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

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

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

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

29 (1) Architectural changes, design, color, landscaping, or appearance;

30 (2) Occupancy density;

31 (3) Kind, number, or use of vehicles;

32 (4) Renting, leasing, mortgaging, or conveying property;

33 (5) Commercial activity; or

34 (6) Other matters.

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

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

4 (1) A statement as to whether the lot is located within a development;

5 (2) (i) The current monthly fees or assessments imposed by the
6 homeowners association upon the lot;

7 (ii) The total amount of fees, assessments, and other charges
8 imposed by the homeowners association upon the lot during the prior fiscal year of the
9 homeowners association; and

10 (iii) A statement of whether any of the fees, assessments, or other
11 charges against the lot are delinquent;

12 (3) The name, address, and telephone number of the management agent of
13 the homeowners association, or other officer or agent authorized by the homeowners
14 association to provide to members of the public, information regarding the homeowners
15 association and the development, or a statement that no agent or officer is presently so
16 authorized by the homeowners association;

17 (4) A statement as to whether the owner has actual knowledge of:

18 (i) The existence of any unsatisfied judgments or pending lawsuits
19 against the homeowners association; and

20 (ii) Any pending claims, covenant violations actions, or notices of
21 default against the lot; and

22 (5) A copy of:

23 (i) The articles of incorporation, the declaration, and all recorded
24 covenants and restrictions of the primary development, and of other related developments
25 to the extent reasonably available, to which the purchaser shall become obligated on
26 becoming an owner of the lot, including a statement that these obligations are enforceable
27 against an owner’s tenants, if applicable; and

28 (ii) The bylaws and rules of the primary development, and of other
29 related developments to the extent reasonably available, to which the purchaser shall
30 become obligated on becoming an owner of the lot, including a statement that these
31 obligations are enforceable against an owner and the owner’s tenants, if applicable.

32 (c) (1) Except as provided in paragraph [(3)] (4) of this subsection, within 20
33 days after a written request by a lot owner and receipt of a reasonable fee, not to exceed
34 the cost to the homeowners association, if any, up to a maximum of \$250, the homeowners

1 association, the management agent of the homeowners association, or any other authorized
2 officer or agent of the homeowners association, shall provide the information listed under
3 subsection (b) of this section.

4 (2) IN ADDITION TO THE FEE UNDER PARAGRAPH (1) OF THIS
5 SUBSECTION, THE HOMEOWNERS ASSOCIATION IS ENTITLED TO A REASONABLE FEE
6 NOT TO EXCEED \$100 FOR AN INSPECTION OF THE LOT OWNER'S LOT IF REQUIRED.

7 (3) In addition to the [fee] FEES under [paragraph (1)] PARAGRAPHS (1)
8 AND (2) of this subsection, the homeowners association is entitled to a reasonable fee:

9 (i) Not to exceed \$50 for delivery of the information within 14 days
10 after the request for the information; and

11 (ii) Not to exceed \$100 for delivery of the information within 7 days
12 after the request for the information.

13 [(3)] (4) (i) The Department of Housing and Community Development
14 shall adjust the maximum fee authorized under paragraph (1) of this subsection every 2
15 years, beginning on October 1, 2018, to reflect any aggregate increase in the Consumer
16 Price Index for All Urban Consumers (CPI-U) for Washington-Baltimore, or any successor
17 index, for the previous 2 years.

18 (ii) The Department of Housing and Community Development shall
19 maintain on its Web site a list of the maximum fees authorized under paragraph (1) of this
20 subsection as adjusted every 2 years in accordance with subparagraph (i) of this paragraph.

21 (d) (1) Within 30 calendar days of any resale transfer of a lot within a
22 development, the transferor shall notify the homeowners association for the primary
23 development of the transfer.

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

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

1 (f) In satisfying the requirements of subsection (b) of this section, the vendor
2 shall be entitled to rely upon the disclosures contained in the depository after June 30,
3 1989.

4 (g) The provisions of subsections (a), (b), (e), and (f) of this section do not apply to
5 the sale of a lot in an action to foreclose a mortgage or deed of trust.

6 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
7 October 1, 2017.