
By: **Delegates Bozman, McClenahan, Gordon, Conway, and Walkup**
Introduced and read first time: February 11, 1998
Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Condominiums and Homeowners Associations - Public Offering**
3 **Statements - Disclosure of Judgments and Pending Suits**

4 FOR the purpose of requiring a vendor of a condominium unit to disclose in the public
5 offering statement any judgments against the vendor or any pending suits to
6 which the vendor is a party; requiring a vendor of a lot in a certain development
7 containing more than 12 lots to disclose in a certain disclosure material any
8 judgment against the homeowners association or vendor and any pending suits
9 to which the homeowners association or vendor is a party; requiring a vendor of
10 a lot in a certain development containing 12 or fewer lots to disclose in a certain
11 disclosure material any judgments against the vendor and any pending suits to
12 which the vendor is a party; requiring a vendor of a lot not intended for
13 residential purposes to disclose in a certain disclosure material any judgments
14 against the homeowners association or vendor and any pending suits to which
15 the homeowners association or vendor is a party; and generally relating to
16 condominiums and homeowners associations and disclosure of judgments and
17 pending suits in public offering statements and disclosure materials.

18 BY repealing and reenacting, without amendments,
19 Article - Real Property
20 Section 11-126(a), 11B-105(a)(1), 11B-106(a)(1), and 11B-107(a)(1)
21 Annotated Code of Maryland
22 (1996 Replacement Volume and 1997 Supplement)

23 BY repealing and reenacting, with amendments,
24 Article - Real Property
25 Section 11-126(b), 11B-105(b), 11B-106(b), and 11B-107(b)
26 Annotated Code of Maryland
27 (1996 Replacement Volume and 1997 Supplement)

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

1 **Article - Real Property**

2 11-126.

3 (a) A contract for the initial sale of a unit to a member of the public is not
4 enforceable by the vendor unless:

5 (1) The purchaser is given on or before the time a contract is entered into
6 between the vendor and the purchaser, a public offering statement as amended and
7 registered with the Secretary of State containing all of the information set forth in
8 subsection (b) of this section; and

9 (2) The contract of sale contains, in conspicuous type, a notice of:

10 (i) The purchaser's right to receive a public offering statement and
11 his rescission rights under this section; and

12 (ii) The warranties provided by § 11-131 of this subtitle.

13 (b) The public offering statement required by subsection (a) of this section
14 shall be sufficient for the purposes of this section if it contains at least the following:

15 (1) A copy of the proposed contract of sale for the unit;

16 (2) A copy of the proposed declaration, bylaws, and rules and regulations;

17 (3) A copy of the proposed articles of incorporation of the council of unit
18 owners, if it is to be incorporated;

19 (4) A copy of any proposed management contract, insurance contract,
20 employment contract, or other contract affecting the use of, maintenance of, or access
21 to all or part of the condominium to which it is anticipated the unit owners or the
22 council of unit owners will be a party, and a statement of the right of the council of
23 unit owners to terminate contracts entered into during the developer control period
24 under § 11-133 of this title;

25 (5) A copy of the actual annual operating budget for the condominium or,
26 if no actual operating budget exists, a copy of the projected annual operating budget
27 for the condominium including reasonable details concerning:

28 (i) The estimated monthly payments by the purchaser for
29 assessments;

30 (ii) Monthly charges for the use, rental, or lease of any facilities not
31 part of the condominium;

32 (iii) The amount of the reserve fund for repair and replacement and
33 its intended use; and

1 (iv) Any initial capital contribution or similar fee, other than
2 assessments for common expenses, to be paid by unit owners to the council of unit
3 owners or vendor, and a statement of how the fees will be used;

4 (6) A copy of any lease to which it is anticipated the unit owners or the
5 council of unit owners will be a party following closing;

6 (7) A description of any contemplated expansion of the condominium
7 with a general description of each stage of expansion and the maximum number of
8 units that can be added to the condominium;

9 (8) A copy of the floor plan of the unit or the proposed condominium
10 plats;

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

14 (10) A statement as to whether streets within the condominium are to be
15 dedicated to public use or maintained by the council of unit owners;

16 (11) A statement of any judgments against the council of unit owners OR
17 VENDOR and the existence of any pending suits to which the council of unit owners OR
18 VENDOR is a party;

19 (12) In the case of a condominium containing buildings substantially
20 completed more than 5 years prior to the filing of the application for registration
21 under § 11-127 of this title, a statement of the physical condition and state of repair
22 of the major structural, mechanical, electrical, and plumbing components of the
23 improvements, to the extent reasonably ascertainable, and estimated costs of repairs
24 for which a present need is disclosed in the statement and a statement of repairs
25 which the vendor intends to make. The vendor is entitled to rely on the reports of
26 architects or engineers authorized to practice their profession in this State;

27 (13) A description of any provision in the declaration or bylaws limiting or
28 providing for the duration of developer control or requiring the phasing-in of unit
29 owner participation, or a statement that there is no such provision;

30 (14) If the condominium is one which will be created by the conversion of
31 a rental facility, a copy of the notice and materials required by §§ 11-102.1 and
32 11-137 of this title;

33 (15) A statement of whether the unit being purchased is subject to an
34 extended lease under § 11-137 of this title, or local law, and a copy of any extended
35 lease; and

36 (16) Any other information required by regulation duly adopted and
37 issued by the Secretary of State.

1 11B-105.

2 (a) A contract for the initial sale of a lot in a development containing more
3 than 12 lots to a member of the public who intends to occupy or rent the lot for
4 residential purposes is not enforceable by the vendor unless:

5 (1) The purchaser is given, at or before the time a contract is entered into
6 between the vendor and the purchaser, or within 7 calendar days of entering into the
7 contract, the disclosures set forth in subsection (b) of this section;

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

10 (1) (i) The name, principal address, and telephone number of the
11 vendor and of the declarant, if the declarant is not the vendor; or

12 (ii) If the vendor is a corporation or partnership, the names and
13 addresses of the principal officers of the corporation, or general partners of the
14 partnership;

15 (2) (i) The name, if any, of the homeowners association; and

16 (ii) If incorporated, the state in which the homeowners association
17 is incorporated and the name of the Maryland resident agent;

18 (3) A description of:

19 (i) The location and size of the development, including the
20 minimum and maximum number of lots currently planned or permitted, if applicable,
21 which may be contained within the development; and

22 (ii) Any property owned by the declarant or the vendor contiguous
23 to the development which is to be dedicated to public use;

24 (4) If the development is or will be within or a part of another
25 development, a general description of the other development;

26 (5) If the declarant has reserved in the declaration the right to annex
27 additional property to the development, a description of the size and location of the
28 additional property and the approximate number of lots currently planned to be
29 contained in the development, as well as any time limits within which the declarant
30 may annex such property;

31 (6) A copy of:

32 (i) The articles of incorporation, the declaration, and all recorded
33 covenants and restrictions of the primary development and of other related
34 developments to the extent reasonably available, to which the purchaser shall become
35 obligated on becoming an owner of the lot, including a statement that these

1 obligations are enforceable against an owner and the owner's tenants, if applicable;
2 and

3 (ii) The bylaws and rules of the primary development and of other
4 related developments to the extent reasonably available, to which the purchaser shall
5 become obligated on becoming an owner of the lot, including a statement that these
6 obligations are enforceable against an owner and the owner's tenants, if applicable;

7 (7) A description or statement of any property which is currently planned
8 to be owned, leased, or maintained by the homeowners association;

9 (8) A copy of the estimated proposed or actual annual budget for the
10 homeowners association for the current fiscal year, including a description of the
11 replacement reserves for common area improvements, if any, and a copy of the
12 current projected budget for the homeowners association based upon the development
13 fully expanded in accordance with expansion rights contained in the declaration;

14 (9) A statement of current or anticipated mandatory fees or assessments
15 to be paid by owners of lots within the development for the use, maintenance, and
16 operation of common areas and for other purposes related to the homeowners
17 association and whether the declarant or vendor will be obligated to pay the fees in
18 whole or in part;

19 (10) (i) A brief description of zoning and other land use requirements
20 affecting the development; or

21 (ii) A written disclosure of where the information is available for
22 inspection;

23 (11) A statement regarding:

24 (i) When mandatory homeowners association fees or assessments
25 will first be levied against owners of lots;

26 (ii) The procedure for increasing or decreasing such fees or
27 assessments;

28 (iii) How fees or assessments and delinquent charges will be
29 collected;

30 (iv) Whether unpaid fees or assessments are a personal obligation of
31 owners of lots;

32 (v) Whether unpaid fees or assessments bear interest and if so, the
33 rate of interest;

34 (vi) Whether unpaid fees or assessments may be enforced by
35 imposing a lien on a lot under the terms of the Maryland Contract Lien Act; and

1 (vii) Whether lot owners will be assessed late charges or attorneys'
2 fees for collecting unpaid fees or assessments and any other consequences for the
3 nonpayment of the fees or assessments;

4 (12) If any sums of money are to be collected at settlement for
5 contribution to the homeowners association other than prorated fees or assessments,
6 a statement of the amount to be collected and the intended use of such funds; [and]

7 (13) A description of special rights or exemptions reserved by or for the
8 benefit of the declarant or the vendor, including:

9 (i) The right to conduct construction activities within the
10 development;

11 (ii) The right to pay a reduced homeowners association fee or
12 assessment; and

13 (iii) Exemptions from use restrictions or architectural control
14 provisions contained in the declaration or provisions by which the declarant or the
15 vendor intends to maintain control over the homeowners association; AND

16 (14) A STATEMENT OF ANY JUDGMENTS AGAINST THE HOMEOWNERS
17 ASSOCIATION OR VENDOR AND THE EXISTENCE OF ANY PENDING SUITS TO WHICH
18 THE HOMEOWNERS ASSOCIATION OR VENDOR IS A PARTY.

19 11B-106.

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

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

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

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

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

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

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

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

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

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

9 (ii) Any pending claims, covenant violations actions, or notices of
10 default against the lot; [and]

11 (5) A STATEMENT OF ANY JUDGMENTS AGAINST THE VENDOR AND THE
12 EXISTENCE OF ANY PENDING SUITS TO WHICH THE VENDOR IS A PARTY; AND

13 [(5)] (6) A copy of:

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

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

23 11B-107.

24 (a) A contract for the initial sale of a lot in a development of any size to a
25 person who does not intend to occupy or rent the lot for residential purposes is not
26 enforceable by the vendor unless:

27 (1) The purchaser is given, at or before the time a contract is entered into
28 between the vendor and the purchaser, or within 7 calendar days of entering into the
29 contract, the disclosures set forth in subsection (b) of this section;

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

32 (1) The name, principal address, and telephone number of the vendor
33 and of the declarant, if the declarant is not the vendor;

34 (2) A description of:

1 (i) The location and size of the development, including the
2 minimum and maximum number of lots currently planned or permitted, if applicable,
3 which may be contained within the development; and

4 (ii) Any property owned by the declarant or the vendor contiguous
5 to the development which is to be dedicated to public use; [and]

6 (3) A copy of the bylaws and rules of the primary development, and of
7 other related developments to the extent available, to which the purchaser shall
8 become obligated on becoming an owner of the lot, including a statement that these
9 obligations are enforceable against an owner and the owner's tenants, if applicable;
10 AND

11 (4) A STATEMENT OF ANY JUDGMENTS AGAINST THE HOMEOWNERS
12 ASSOCIATION OR VENDOR AND THE EXISTENCE OF ANY PENDING SUITS TO WHICH
13 THE HOMEOWNERS ASSOCIATION OR VENDOR IS A PARTY.

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
15 October 1, 1998.