

SENATE BILL 248

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71r1412

By: **Senators Kelley, Britt, Colburn, Conway, Currie, Exum, Klausmeier, McFadden, and Miller**

Introduced and read first time: January 29, 2007

Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Real Property - Common Ownership Communities - Disclosures**

3 FOR the purpose of providing that a certain contract for the resale of a cooperative
4 interest by a certain member is not enforceable against a certain purchaser
5 unless the purchaser is given, within a certain time after entering into the
6 contract, copies of certain documents and certain statements under the
7 Maryland Cooperative Housing Corporation Act; requiring a certain cooperative
8 housing corporation, after receiving a certain request, to furnish a certificate
9 containing certain information to a certain member; authorizing the cooperative
10 housing corporation to charge a reasonable fee; limiting the amount of the fee;
11 providing that certain statements may be summarized or produced in a
12 collection of certain documents; authorizing a purchaser to rescind, in writing, a
13 certain contract within a certain time, without liability; providing that a certain
14 purchaser shall be entitled to prompt return of a certain deposit; requiring a
15 certain seller to deliver to a certain purchaser a copy of certain amendments,
16 supplements, or modifications after a certain contract is signed and before
17 issuance or transfer of a certain certificate; providing that certain requirements
18 do not apply to the sale of a certain cooperative interest in a unit that is to be
19 used and occupied for nonresidential purposes; altering the time during which a
20 contract for the resale of a unit by a certain unit owner is not enforceable unless
21 the contract of sale contains a certain notice under the Maryland Condominium
22 Act; altering the time by which a certain council of unit owners must furnish a
23 certain certificate; altering the time during which a purchaser has the right to
24 cancel a certain contract without penalty; making conforming changes to a
25 certain notice under the Maryland Condominium Act; altering the percentage

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 change of certain mandatory fees about which a certain purchaser must be
 2 given notice under the Maryland Homeowners Association Act; requiring an
 3 initial sale of a lot subject to a homeowners association to contain a certain
 4 statement; altering the time by which a certain declarant must furnish certain
 5 information; requiring a certain vendor to provide to a certain purchaser a
 6 certain operating budget of a certain homeowners association including certain
 7 details; altering the required contents of a certain statement about certain
 8 judgments or lawsuits; altering the times during which a certain purchaser may
 9 cancel a certain contract without stating a reason and without liability; making
 10 certain conforming changes to certain notices under the Maryland Homeowners
 11 Association Act; making a stylistic change; and generally relating to disclosures
 12 for sales of property in a condominium, cooperative housing corporation, or
 13 homeowners association.

14 BY adding to

15 Article – Corporations and Associations
 16 Section 5–6B–03.1
 17 Annotated Code of Maryland
 18 (1999 Replacement Volume and 2006 Supplement)

19 BY repealing and reenacting, with amendments,

20 Article – Real Property
 21 Section 11–135, 11B–105, 11B–106, and 11B–108
 22 Annotated Code of Maryland
 23 (2003 Replacement Volume and 2006 Supplement)

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

26 **Article – Corporations and Associations**

27 **5–6B–03.1.**

28 (A) A CONTRACT FOR THE RESALE OF A COOPERATIVE INTEREST BY A
 29 MEMBER OTHER THAN THE DEVELOPER IS NOT ENFORCEABLE AGAINST THE
 30 PURCHASER UNLESS THE PURCHASER IS GIVEN WITHIN 20 DAYS AFTER
 31 ENTERING INTO THE CONTRACT:

32 (1) COPIES OF:

33 (I) THE MEMBERSHIP CERTIFICATE;

- 1 **(II) PROPERTY LEASE;**
- 2 **(III) ARTICLES OF INCORPORATION;**
- 3 **(IV) BYLAWS;**
- 4 **(V) RULES, IF ANY;**
- 5 **(VI) BLANKET ENCUMBRANCES; AND**
- 6 **(VII) THE CURRENT ANNUAL OPERATING BUDGET FOR THE**
- 7 **COOPERATIVE HOUSING CORPORATION, INCLUDING, WHERE APPLICABLE:**
- 8 **1. INSURANCE;**
- 9 **2. ADMINISTRATION;**
- 10 **3. MAINTENANCE;**
- 11 **4. UTILITIES;**
- 12 **5. GENERAL EXPENSES;**
- 13 **6. RESERVES;**
- 14 **7. CAPITAL ITEMS;**
- 15 **8. DEBT SERVICE; AND**
- 16 **9. TAXES; AND**
- 17 **(2) THE FOLLOWING STATEMENTS:**
- 18 **(I) A STATEMENT OF THE FORM OF OWNERSHIP OF ALL**
- 19 **REAL AND PERSONAL PROPERTY THAT IS OWNED OR LEASED BY THE**
- 20 **COOPERATIVE HOUSING CORPORATION;**

1 **(II) A STATEMENT WHETHER AND UNDER WHAT**
2 **CONDITIONS UNITS MAY BE SUBLET OR COOPERATIVE INTERESTS SOLD BY**
3 **MEMBERS;**

4 **(III) A DESCRIPTION OF THE VOTING AND OTHER RIGHTS IN**
5 **THE COOPERATIVE HOUSING CORPORATION THAT ATTACH TO A COOPERATIVE**
6 **INTEREST AS SUCH RIGHTS ARE DESCRIBED IN § 2-105 OF THIS ARTICLE;**

7 **(IV) AN OPINION, BASED ON STATED FACTUAL**
8 **ASSUMPTIONS, AS TO WHETHER THE MEMBERS UNDER CURRENT LAWS WILL BE**
9 **ENTITLED TO A PASS-THROUGH OR DEDUCTIONS FROM FEDERAL AND STATE**
10 **INCOME TAXES FOR PAYMENTS MADE BY THE COOPERATIVE HOUSING**
11 **CORPORATION FOR REAL ESTATE TAXES AND INTEREST ON THE PROPERTY OF**
12 **THE COOPERATIVE HOUSING CORPORATION;**

13 **(V) A STATEMENT SETTING FORTH THE AMOUNT OF THE**
14 **COMMON CHARGES, HOWEVER DENOMINATED, THAT MAY BE LEVIED AGAINST A**
15 **MEMBER;**

16 **(VI) A STATEMENT OF ANY FEES REQUIRED BY THE**
17 **COOPERATIVE HOUSING CORPORATION IN CONNECTION WITH THE TRANSFER**
18 **OF MEMBERSHIP OR ISSUANCE OF A PROPRIETARY LEASE;**

19 **(VII) A STATEMENT AS TO WHETHER THE COOPERATIVE**
20 **HOUSING CORPORATION HAS INSURANCE COVERAGE FOR CASUALTY, PROPERTY**
21 **DAMAGE, AND PUBLIC LIABILITY, AND IF SO, IN WHAT AMOUNTS;**

22 **(VIII) A STATEMENT DESCRIBING ANY MANAGEMENT**
23 **CONTRACT, EMPLOYMENT CONTRACT, OR OTHER CONTRACT EXCLUDING**
24 **CONTRACTS OF INSURANCE AFFECTING THE USE, MAINTENANCE, OR ACCESS TO**
25 **ALL OR PART OF THE REAL OR PERSONAL PROPERTY OF THE COOPERATIVE**
26 **HOUSING CORPORATION;**

27 **(IX) A STATEMENT OF ANY LEASE OR OTHER PROPRIETARY**
28 **LEASE TO A THIRD PARTY OF REAL OR PERSONAL PROPERTY TO WHICH THE**
29 **COOPERATIVE HOUSING CORPORATION IS A PARTY; AND**

1 (X) A STATEMENT OF ANY JUDGMENTS AGAINST THE
2 COOPERATIVE HOUSING CORPORATION AND THE EXISTENCE OF ANY PENDING
3 SUITS TO WHICH THE COOPERATIVE HOUSING CORPORATION IS A PARTY.

4 (B) (1) THE COOPERATIVE HOUSING CORPORATION, WITHIN 15 DAYS
5 AFTER RECEIVING A WRITTEN REQUEST BY A MEMBER SHALL FURNISH A
6 CERTIFICATE CONTAINING INFORMATION NECESSARY TO ENABLE THE MEMBER
7 TO COMPLY WITH SUBSECTION (A) OF THIS SECTION.

8 (2) (I) A COOPERATIVE HOUSING CORPORATION MAY CHARGE
9 A REASONABLE FEE TO A MEMBER TO FURNISH THE INFORMATION REQUIRED
10 UNDER PARAGRAPH (1) OF THIS SUBSECTION.

11 (II) A FEE IMPOSED UNDER SUBPARAGRAPH (I) OF THIS
12 PARAGRAPH MAY NOT EXCEED THE COST TO THE COOPERATIVE HOUSING
13 CORPORATION TO FURNISH THE INFORMATION.

14 (3) A MEMBER PROVIDING A CERTIFICATE UNDER SUBSECTION
15 (A) OF THIS SECTION IS NOT LIABLE TO THE PURCHASER FOR ANY ERRONEOUS
16 INFORMATION PROVIDED BY THE COOPERATIVE HOUSING CORPORATION AND
17 INCLUDED IN THE CERTIFICATE.

18 (C) STATEMENTS REQUIRED UNDER SUBSECTION (A)(2) OF THIS
19 SECTION MAY BE SUMMARIZED OR PRODUCED IN A COLLECTION OF
20 DOCUMENTS THAT EFFECTIVELY CONVEYS THE REQUIRED INFORMATION TO
21 THE PURCHASER.

22 (D) (1) WITHIN 15 DAYS AFTER RECEIVING THE COPIES AND
23 STATEMENTS REQUIRED UNDER SUBSECTION (A) OF THIS SECTION, THE
24 PURCHASER MAY RESCIND, IN WRITING, THE CONTRACT WITHOUT ANY
25 LIABILITY ON THE PURCHASER'S PART, AND SHALL BE ENTITLED TO THE
26 PROMPT RETURN OF ANY DEPOSIT MADE ON ACCOUNT OF THE CONTRACT.

27 (2) (I) AFTER A CONTRACT IS SIGNED AND BEFORE THE
28 ISSUANCE OR TRANSFER OF A MEMBERSHIP CERTIFICATE, THE SELLER MUST
29 DELIVER TO THE PURCHASER A COPY OF ANY AMENDMENTS, SUPPLEMENTS, OR
30 MODIFICATIONS TO THE COPIES OR STATEMENTS REQUIRED UNDER
31 SUBSECTION (A) OF THIS SECTION.

1 **(II) THE PURCHASER MAY RESCIND, IN WRITING, THE**
2 **CONTRACT WITHIN 5 DAYS AFTER RECEIVING ANY OF THE ITEMS DELIVERED**
3 **UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH THAT ARE MATERIAL IN**
4 **NATURE, WITHOUT ANY LIABILITY ON THE PURCHASER'S PART, AND SHALL BE**
5 **ENTITLED TO THE RETURN OF ANY DEPOSIT MADE ON ACCOUNT OF THE**
6 **CONTRACT.**

7 **(E) THE REQUIREMENTS OF THIS SECTION DO NOT APPLY TO THE SALE**
8 **OF ANY COOPERATIVE INTEREST IN A UNIT THAT IS TO BE USED AND OCCUPIED**
9 **FOR NONRESIDENTIAL PURPOSES.**

10 **Article - Real Property**

11 11-135.

12 (a) Except as provided in subsection (b) of this section, a contract for the
13 resale of a unit by a unit owner other than a developer is not enforceable unless the
14 contract of sale contains in conspicuous type a notice in the form specified in
15 subsection (g)(1) of this section, and the unit owner furnishes to the purchaser not
16 later than [15 days prior to closing] **20 CALENDAR DAYS AFTER ENTERING INTO**
17 **THE CONTRACT:**

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

19 (2) The bylaws;

20 (3) The rules or regulations of the condominium;

21 (4) A certificate containing:

22 (i) A statement disclosing the effect on the proposed conveyance
23 of any right of first refusal or other restraint on the free alienability of the unit other
24 than any restraint created by the unit owner;

25 (ii) A statement setting forth the amount of the monthly
26 common expense assessment and any unpaid common expense or special assessment
27 currently due and payable from the selling unit owner;

28 (iii) A statement of any other fees payable by the unit owners to
29 the council of unit owners;

1 (iv) A statement of any capital expenditures approved by the
2 council of unit owners planned at the time of the conveyance which are not reflected in
3 the current operating budget disclosed under subparagraph (vi) of this paragraph;

4 (v) The most recent regularly prepared balance sheet and
5 income expense statement, if any, of the condominium;

6 (vi) The current operating budget of the condominium including
7 details concerning the reserve fund for repair and replacement and its intended use, or
8 a statement that there is no reserve fund;

9 (vii) A statement of any judgments against the condominium and
10 the existence of any pending suits to which the council of unit owners is a party;

11 (viii) A statement generally describing any insurance policies
12 provided for the benefit of unit owners, a notice that copies of the policies are available
13 for inspection, stating the location at which the copies are available, and a notice that
14 the terms of the policy prevail over the description;

15 (ix) A statement as to whether the council of unit owners has
16 knowledge that any alteration or improvement to the unit or to the limited common
17 elements assigned to the unit violates any provision of the declaration, bylaws, or
18 rules or regulations;

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

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

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

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

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

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

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

5 (b) A contract for the resale by a unit owner other than a developer of a unit
6 in a condominium containing [less] **FEWER** than 7 units is not enforceable unless the
7 contract of sale contains in conspicuous type a notice in the form specified in
8 subsection (g)(2) of this section, and the unit owner furnishes to the purchaser not
9 later than [15 days prior to closing] **20 DAYS AFTER ENTERING INTO THE**
10 **CONTRACT:**

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

12 (2) The bylaws;

13 (3) The rules and regulations of the condominium; and

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

16 (c) (1) The council of unit owners, within [20] **15** days after a written
17 request by a unit owner and receipt of a reasonable fee therefor, not to exceed the cost
18 to the council of unit owners, if any, shall furnish a certificate containing the
19 information necessary to enable the unit owner to comply with subsection (a) of this
20 section. A unit owner providing a certificate under subsection (a) of this section is not
21 liable to the purchaser for any erroneous information provided by the council of unit
22 owners and included in the certificate.

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

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

28 1. An untrue statement about a material fact; and

1 (iv) A certificate containing:

2 1. A statement disclosing the effect on the proposed
3 conveyance of any right of first refusal or other restraint on the free alienability of the
4 unit, other than any restraint created by the unit owner;

5 2. A statement of the amount of the monthly common
6 expense assessment and any unpaid common expense or special assessment currently
7 due and payable from the selling unit owner;

8 3. A statement of any other fees payable by the unit
9 owners to the council of unit owners;

10 4. A statement of any capital expenditures approved by
11 the council of unit owners or its authorized designee planned at the time of the
12 conveyance which are not reflected in the current operating budget included in the
13 certificate;

14 5. The most recently prepared balance sheet and income
15 and expense statement, if any, of the condominium;

16 6. The current operating budget of the condominium,
17 including details concerning the amount of the reserve fund for repair and
18 replacement and its intended use, or a statement that there is no reserve fund;

19 7. A statement of any judgments against the
20 condominium and the existence of any pending suits to which the council of unit
21 owners is a party;

22 8. A statement generally describing any insurance
23 policies provided for the benefit of the unit owners, a notice that the policies are
24 available for inspection stating the location at which they are available, and a notice
25 that the terms of the policy prevail over the general description;

26 9. A statement as to whether the council of unit owners
27 has knowledge that any alteration or improvement to the unit or to the limited
28 common elements assigned to the unit violates any provision of the declaration,
29 bylaws, or rules or regulations;

30 10. A statement as to whether the council of unit owners
31 has knowledge of any violation of the health or building codes with respect to the unit,
32 the limited common elements assigned to the unit, or any other portion of the
33 condominium;

1 11. A statement of the remaining term of any leasehold
2 estate affecting the condominium and the provisions governing any extension or
3 renewal of it; and

4 12. A description of any recreational or other facilities
5 which are to be used by the unit owners or maintained by them or the council of unit
6 owners, and a statement as to whether or not they are to be a part of the common
7 elements; and

8 (v) A statement by the unit owner as to whether the unit owner
9 has knowledge:

10 1. That any alteration to the unit or to the limited
11 common elements assigned to the unit violates any provision of the declaration,
12 bylaws, or rules and regulations.

13 2. Of any violation of the health or building codes with
14 respect to the unit or the limited common elements assigned to the unit.

15 3. That the unit is subject to an extended lease under §
16 11–137 of this title or under local law, and if so, a copy of the lease must be provided.

17 You will have the right to cancel this contract without penalty, at any time
18 within [7] **15** days following delivery to you of all of this information. However, once
19 the sale is closed, your right to cancel the contract is terminated.”

20 (2) A notice given as required by subsection (b) of this section shall be
21 sufficient for the purposes of this section if it is in substantially the following form:

22 “NOTICE

23 The seller is required by law to furnish to you not later than [15 days prior to
24 closing] **20 DAYS AFTER ENTERING INTO THE CONTRACT** certain information
25 concerning the condominium which is described in § 11–135 of the Maryland
26 Condominium Act. This information must include at least the following:

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

28 (2) A copy of the bylaws;

29 (3) A copy of the rules and regulations of the condominium; and

1 (4) A statement by the seller of his expenses relating to the common
2 elements during the preceding 12 months.

3 You will have the right to cancel this contract without penalty, at any time
4 within [7] **15** days following delivery to you of all of this information. However, once
5 the sale is closed, your right to cancel the contract is terminated.”

6 (h) Upon any sale of a condominium unit, the purchaser or his agent shall
7 provide to the council of unit owners to the extent available, the name and forwarding
8 address of the prior unit owner, the name and address of the purchaser, the name and
9 address of any mortgagee, the date of settlement, and the proportionate amounts of
10 any outstanding condominium fees or assessments assumed by each of the parties to
11 the transaction.

12 (i) This section does not apply to the sale of any unit which is to be used and
13 occupied for nonresidential purposes.

14 (j) Subsections (a), (b), (c), (d), (e), (f), and (g) of this section do not apply to a
15 sale of a unit in an action to foreclose a mortgage or deed of trust.

16 11B-105.

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

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

23 (2) The purchaser is given notice of any changes in mandatory fees
24 and payments exceeding [10] **5** percent of the amount previously stated to exist or any
25 other substantial and material amendment to the disclosures after the same becomes
26 known to the vendor; and

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

30 “This sale is subject to the requirements of the Maryland Homeowners
31 Association Act (the “Act”). The Act requires that the seller disclose to you at or before

1 the time the contract is entered into, or within 7 calendar days of entering into the
2 contract, certain information concerning the development in which the lot you are
3 purchasing is located. The content of the information to be disclosed is set forth in §
4 11B–105(b) of the Act (the “MHAA information”) as follows:

5 (The notice shall include at this point the text of § 11B–105(b) in its entirety).

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

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

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

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

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

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

5 (ii) If the vendor is a corporation or partnership, the names and
6 addresses of the principal officers of the corporation, or general partners of the
7 partnership;

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

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

11 (3) A description of:

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

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

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

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

24 (6) A copy of:

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

30 (ii) The bylaws and rules of the primary development and of
31 other related developments to the extent reasonably available, to which the purchaser

1 shall become obligated on becoming an owner of the lot, including a statement that
2 these obligations are enforceable against an owner and the owner's tenants, if
3 applicable;

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

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

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

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

18 (ii) A written disclosure of where the information is available for
19 inspection;

20 (11) A statement regarding:

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

23 (ii) The procedure for increasing or decreasing such fees or
24 assessments;

25 (iii) How fees or assessments and delinquent charges will be
26 collected;

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

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

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

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

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

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

11 (i) The right to conduct construction activities within the
12 development;

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

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

18 **(14) A STATEMENT OF ANY UNSATISFIED JUDGMENTS AGAINST**
19 **THE HOMEOWNERS ASSOCIATION AND THE EXISTENCE OF ANY PENDING**
20 **LAWSUITS TO WHICH THE HOMEOWNERS ASSOCIATION IS A PARTY.**

21 (c) Except as provided in subsection (d) of this section, the requirements of
22 subsection (b) of this section shall be deemed to have been fulfilled if the information
23 required to be disclosed is provided to the purchaser in writing in a clear and concise
24 manner. The disclosure may be summarized or produced in a collection of documents,
25 including plats, the declaration, or the organizational documents of the homeowners
26 association, provided those documents effectively convey the required information to
27 the purchaser.

28 (d) (1) (i) Subject to the provisions of subparagraph (ii) of this
29 paragraph, if any of the information required to be disclosed by subsection (b) of this
30 section concerns property that is subjected to a declaration by a person who is not
31 affiliated with the vendor, within [20] **15** calendar days after receipt of a written
32 request from the vendor of such property, and receipt of a reasonable fee therefor not
33 to exceed the cost, if any, of reproduction, an unaffiliated declarant shall notify the

1 vendor in writing of the information that is contained in the depository, and furnish
2 the information necessary to enable the vendor to comply with subsection (b) of this
3 section; and

4 (ii) An unaffiliated declarant may not be required to furnish
5 information regarding a homeowners association over which the unaffiliated declarant
6 has no control, or with respect to any declaration which the unaffiliated declarant did
7 not file.

8 (2) A vendor is not liable to the purchaser for any erroneous
9 information provided by an unaffiliated declarant, so long as the vendor provides the
10 purchaser with a certificate stating the name of the person who provided the
11 information along with an address and telephone number for contacting such person.

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

15 (2) In satisfying a vendor's request for any information described
16 under subsection (b) of this section, a homeowners association:

17 (i) Shall be entitled to direct the vendor to obtain such
18 information from the depository for all disclosures contained in the depository after
19 June 30, 1989; and

20 (ii) May not be required to supply a vendor with any
21 information which is contained in the depository.

22 (f) The provisions of this section do not apply to a sale of a lot in an action to
23 foreclose a mortgage or deed of trust.

24 11B-106.

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

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

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

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

8 “This sale is subject to the requirements of the Maryland Homeowners
9 Association Act (the “Act”). The Act requires that the seller disclose to you at or before
10 the time the contract is entered into, or within 20 calendar days of entering into the
11 contract, certain information concerning the development in which the lot you are
12 purchasing is located. The content of the information to be disclosed is set forth in §
13 11B–106(b) of the Act (the “MHAA information”) as follows:

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

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

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

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

33 (2) Occupancy density;

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

- 1 (4) Renting, leasing, mortgaging, or conveying property;
- 2 (5) Commercial activity; or
- 3 (6) Other matters.

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

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

- 8 (1) A statement as to whether the lot is located within a development;
- 9 (2) (i) The current monthly fees or assessments imposed by the
10 homeowners association upon the lot;
- 11 (ii) The total amount of fees, assessments, and other charges
12 imposed by the homeowners association upon the lot during the prior fiscal year of the
13 homeowners association; and
- 14 (iii) A statement of whether any of the fees, assessments, or
15 other charges against the lot are delinquent;

16 **(3) THE CURRENT OPERATING BUDGET OF THE HOMEOWNERS**
17 **ASSOCIATION INCLUDING DETAILS CONCERNING THE RESERVE FUND FOR**
18 **REPAIR AND REPLACEMENT AND ITS INTENDED USE, OR A STATEMENT THAT**
19 **THERE IS NO RESERVE FUND;**

20 [(3)](4) The name, address, and telephone number of the
21 management agent of the homeowners association, or other officer or agent authorized
22 by the homeowners association to provide to members of the public, information
23 regarding the homeowners association and the development, or a statement that no
24 agent or officer is presently so authorized by the homeowners association;

25 [(4)](5) A statement as to whether the owner has actual knowledge
26 of:

- 27 (i) The existence of any unsatisfied judgments [or pending
28 lawsuits] against the homeowners association **OR LAWSUITS TO WHICH THE**
29 **HOMEOWNERS ASSOCIATION IS A PARTY;** and

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

3 [(5)](6) A copy of:

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

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

14 (c) (1) Within 30 calendar days of any resale transfer of a lot within a
15 development, the transferor shall notify the homeowners association for the primary
16 development of the transfer.

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

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

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

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

33 11B-108.

1 (a) A person who enters into a contract as a purchaser but who has not
2 received all of the disclosures required by § 11B-105, § 11B-106, or § 11B-107 of this
3 title, as applicable, shall, prior to settlement, be entitled to cancel the contract and to
4 the immediate return of deposits made on account of the contract.

5 (b) (1) Any purchaser who has not received all of the disclosures required
6 under § 11B-105 or § 11B-106 of this title, as applicable, 5 calendar days or more
7 before the contract was entered into, within [5] **15** calendar days following receipt by
8 the purchaser of the disclosures required by § 11B-105(a) and (b) or § 11B-106(a) and
9 (b) of this title, as applicable, may cancel in writing the contract without stating a
10 reason and without liability on the part of the purchaser.

11 (2) The purchaser shall be entitled to the return of any deposits made
12 on account of the contract, except that the vendor shall be entitled to retain the cost of
13 reproducing the information specified in § 11B-105(b), § 11B-106(b), or § 11B-107(b)
14 of this title, as applicable, or \$100, whichever amount is less, if the disclosures are not
15 returned to the vendor at the time the contract is cancelled.

16 (c) Any purchaser may within [3] **5** calendar days following receipt by the
17 purchaser of a change in mandatory fees and payments exceeding [10] **5** percent of the
18 amount previously stated to exist or any other substantial and material amendment to
19 the disclosures required by § 11B-105 or § 11B-106 of this title, as applicable, which
20 adversely affects the purchaser, cancel in writing the contract without stating a reason
21 and without liability on the part of the purchaser, and the purchaser shall be entitled
22 to the return of deposits made on account of the contract.

23 (d) The rights of a purchaser under this section may not be waived in the
24 contract and any attempted waiver is void. However, if any purchaser proceeds to
25 settlement, the purchaser's right to cancel under this section is terminated.

26 (e) In satisfying the requirements of subsection (b) of this section, the vendor
27 shall be entitled to rely upon the disclosures contained in the depository after June 30,
28 1989.

29 (f) The provisions of this section do not apply to a sale of a lot in an action to
30 foreclose a mortgage or deed of trust.

31 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
32 October 1, 2007.