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HOUSE BILL NO. 2515

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on General Laws
on January 29, 2001)

(Patron Prior to Substitute—Delegate Reid)

A BILL to amend and reenact §§ 55-79.97, 55-511, and 55-512 of the Code of Virginia, relating to delivery of association disclosure packets in condominium and property owners' associations.

Be it enacted by the General Assembly of Virginia:**1. That §§ 55-79.97, 55-511, and 55-512 of the Code of Virginia are amended and reenacted as follows:**

§ 55-79.97. Resale by purchaser.

A. In the event of any resale of a condominium unit by a unit owner other than the declarant, and subject to the provisions of subsection J and § 55-79.87 A, the unit owner shall disclose in the contract that (i) the unit is located within a development which is subject to the Condominium Act, (ii) the Act requires the seller to obtain from the unit owners' association a resale certificate and provide it to the purchaser, (iii) the purchaser may cancel the contract within three days after receiving the resale certificate, ~~and~~ (iv) *the purchaser has a right to request an update of the resale certificate in accordance with subsection D, and* (v) the right to receive the resale certificate and the right to cancel the contract are waived conclusively if not exercised before settlement.

B. If the contract does not contain the disclosure required by subsection A, the purchaser's sole remedy is to cancel the contract prior to settlement.

C. The information contained in the resale certificate shall be current as of a *date specified date within thirty days of the date of the contract on the resale certificate*. The purchaser may cancel the contract (i) within three days after the date of the contract, if the purchaser receives the resale certificate on or before the date that the purchaser signs the contract; (ii) within three days after receiving the resale certificate if the resale certificate is hand delivered; or (iii) within six days after the postmark date if the resale certificate is sent to the purchaser by United States mail. Notice of cancellation shall be hand delivered or sent by United States mail, return receipt requested, to the unit owner selling the unit. Such cancellation shall be without penalty, and the unit owner shall cause any deposit to be returned promptly to the purchaser.

A resale certificate shall include the following:

1. An appropriate statement pursuant to subsection H of § 55-79.84 which need not be notarized and, if applicable, an appropriate statement pursuant to § 55-79.85;

2. A statement of any expenditure of funds approved by the unit owners' association or the executive organ which shall require an assessment in addition to the regular assessment during the current or the immediately succeeding fiscal year;

3. A statement, including the amount, of all assessments and any other fees or charges currently imposed by the unit owners' association and associated with the purchase, disposition and maintenance of the condominium unit and the use of the common elements, and the status of the account;

4. A statement whether there is any other entity or facility to which the unit owner may be liable for fees or other charges;

5. A statement of the status and amount of any reserve or replacement fund and any portion of the fund designated for any specified project by the executive organ;

6. A copy of the unit owners' association's current budget or a summary thereof prepared by the unit owners' association and a copy of the statement of its financial condition for the last fiscal year for which a statement is available;

7. A statement of the nature and status of any pending suits or unpaid judgments to which the unit owners' association is a party which either could or would have a material impact on the association or the unit owners or which relates to the unit being purchased;

8. A statement setting forth what insurance coverage is provided for all unit owners by the unit owners' association, including any fidelity bond maintained by the unit owners' association, and what additional insurance coverage would normally be secured by each individual unit owner;

9. A statement that any improvements or alterations made to the unit, or the limited common elements assigned thereto, by the prior unit owner are not in violation of the condominium instruments;

10. A copy of the current bylaws, rules and regulations and architectural guidelines adopted by the unit owners' association and the amendments thereto;

11. A statement of whether the condominium or any portion thereof is located within a development subject to the Property Owners' Association Act (§ 55-508 et seq.) of Chapter 26 of this title;

12. *A copy of the notice given to the unit owner by the unit owners' association of any current or*

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60 *pending rule or architectural violation;*

61 13. Certification, if applicable, that the association has filed with the Real Estate Board the annual
62 report required by § 55-516.1; which certification shall indicate the filing number assigned by the Real
63 Estate Board and the expiration date of such filing; and

64 ~~13-14.~~ A statement of any limitation on the number of persons who may occupy a unit as a dwelling.
65 Failure to receive copies of such documents shall not excuse any failure to comply with the
66 provisions thereof.

67 The resale certificate, once received by the owner from the unit owners' association, shall be
68 delivered by the owner to the purchaser. The unit owners' association shall have no obligation to deliver
69 the resale certificate to the purchaser of the unit. The resale certificate shall not, in and of itself, be
70 deemed a security within the meaning of § 13.1-501.

71 D. If more than six months have elapsed between the purchase contract date and the date of
72 settlement, ~~the~~ The purchaser may submit a copy of the contract to the unit owners' association with a
73 request for assurance that statements previously furnished pursuant to subsection C remain materially
74 unchanged, or, if there have been material changes, a statement specifying such changes. The purchaser
75 shall be provided with such assurances or such statement within ten days of the receipt of such request
76 by the unit owners' association. The purchaser may be required to pay the same fee charged a unit
77 owner for the resale certificate, if any. *Any fee shall reflect the actual cost incurred by the unit owners'*
78 *association in providing the assurances, but shall not exceed ten cents per page in copying costs or a*
79 *total of fifty dollars for all costs incurred in updating the resale certificate.*

80 E. In the absence of a written agreement to the contrary, the failure of the unit owners' association to
81 provide the statement required by subsection D or the disclosure by such statement that there have been
82 one or more material changes shall render the purchase contract void at the option of the purchaser.

83 F. The unit owners' association shall furnish the resale certificate upon the written request of any unit
84 owner within fourteen days of the receipt of such request. Payment of the ~~reasonable~~ actual costs of
85 preparing the resale certificate may be required of the unit owner requesting it as a prerequisite to its
86 issuance, but the total fee shall not exceed *ten cents per page in copying costs or a total of \$100,*
87 including and not in addition to, any fee charged pursuant to subsection H of § 55-79.84 and § 55-79.85,
88 *for all costs incurred in preparing the resale certificate.*

89 G. When a resale certificate has been issued as required by this section, the unit owners' association
90 shall, as to the purchaser, be bound by the statements set forth therein as to the status of the assessment
91 account and the status of the unit with respect to any violation of the condominium instruments as of
92 the date of the ~~statement~~ resale certificate unless the purchaser had actual knowledge that the contents
93 of the resale certificate were in error.

94 H. If the unit owners' association has been requested to furnish the resale certificate required by this
95 section and has been paid the appropriate fee, its failure to provide the resale certificate in substantially
96 the form provided herein within fourteen days from the actual receipt of the request by an officer,
97 director or agent of the unit owners' association shall be deemed a waiver of any claim for delinquent
98 assessments or of any violation of the condominium instruments, rules and regulations, or architectural
99 guidelines existing as of the date of the request with respect to the subject unit. The unit owners'
100 association shall be liable to the seller in an amount equal to the actual damages sustained by the seller
101 in an amount not to exceed \$500. The purchaser shall nevertheless be obligated to abide by the
102 condominium instruments, rules and regulations, and architectural guidelines of the unit owners'
103 association as to all matters arising after the date of the settlement of the sale.

104 I. Subject to the provisions of § 55-79.87, but notwithstanding any other provisions of this chapter,
105 the provisions and requirements of this section shall apply to any such resale of a condominium unit
106 created under the provisions of the Horizontal Property Act (§ 55-79.1 et seq.).

107 J. The resale certificate required by this section need not be provided in the case of:

- 108 1. A disposition of a unit by gift;
109 2. A disposition of a unit pursuant to court order if the court so directs; *or*
110 3. A disposition of a unit by foreclosure or deed in lieu of foreclosure; ~~or~~
111 4. A disposition of a unit to a person or entity who is not acquiring the unit for his own residence ~~or~~
112 ~~for the construction thereon of a dwelling unit to be occupied as his own residence, unless requested by~~
113 ~~such person or entity. If such disclosures are not requested, a statement in the contract of sale that the~~
114 ~~purchaser is not acquiring the unit for such purpose shall be conclusive and may be relied upon by the~~
115 ~~seller of the unit. The person or entity acquiring the unit shall nevertheless be obligated to abide by the~~
116 ~~condominium instruments, rules and regulations, and architectural guidelines of the unit owners'~~
117 ~~association as to all matters.~~

118 K. In any transaction in which a resale certificate is required and a trustee acts as the seller in the
119 sale or resale of a unit, the trustee shall obtain the resale certificate from the unit owners' association
120 and provide the resale certificate to the purchaser.

121 § 55-511. Contract disclosure statement; right of cancellation.

A. Subject to the provisions of subsection F of § 55-512, a person selling a lot shall disclose in the contract that (i) the lot is located within a development which is subject to the Virginia Property Owners' Association Act; (ii) the Act requires the seller to obtain from the property owners' association an association disclosure packet and provide it to the purchaser; (iii) the purchaser may cancel the contract within three days after receiving the association disclosure packet or being notified that the association disclosure packet will not be available; ~~and~~ ; (iv) *if the purchaser has received the association disclosure packet, the purchaser has a right to request an update of such disclosure packet in accordance with § 55-512; and* (v) the right to receive the association disclosure packet and the right to cancel the contract are waived conclusively if not exercised before settlement.

B. If the contract does not contain the disclosure required by subsection A, the purchaser's sole remedy is to cancel the contract prior to settlement.

C. The information contained in the association disclosure packet shall be current as of a ~~date specified date within thirty days of the date of the contract on the association disclosure packet~~. The purchaser may cancel the contract: (i) within three days after the date of the contract, if on or before the date that the purchaser signs the contract, the purchaser receives the association disclosure packet or is notified that the association disclosure packet will not be available; (ii) within three days after receiving the association disclosure packet if the association disclosure packet or notice that the association disclosure packet will not be available is hand delivered; or (iii) within six days after the postmark date if the association disclosure packet or notice that the association disclosure packet will not be available is sent to the purchaser by United States mail. The purchaser may also cancel the contract at any time prior to settlement if the purchaser has not been notified that the association disclosure packet will not be available and the association disclosure packet is not delivered to the purchaser. Notice of cancellation shall be hand delivered or sent by United States mail, return receipt requested, to the owner. Such cancellation shall be without penalty, and the seller shall cause any deposit to be returned promptly to the purchaser.

D. Whenever any contract is canceled based on a failure to comply with subsection A or C or pursuant to subsection B, any deposit or escrowed funds shall be returned within thirty days of the cancellation, unless the parties to the contract agreed upon a shorter period.

E. Any rights of the purchaser to cancel the contract provided by this chapter are waived conclusively if not exercised prior to settlement.

F. Except as expressly provided in this chapter, the provisions of this section and § 55-512 may not be varied by agreement, and the rights conferred by this section and § 55-512 may not be waived.

§ 55-512. Contents of association disclosure packet; other requirements.

A. Subject to the provisions of subsections C and F, the association shall make available to an owner or his authorized agent within fourteen days after receipt of a written request therefor and receipt of the appropriate fee, an association disclosure packet, which, upon receipt, the seller shall deliver to the purchaser. The information contained in the association disclosure packet shall be current as of a ~~date specified date within thirty days of the date of the contract on the association disclosure packet~~. If hand delivered, the written request and fee are deemed received on the date of delivery. If sent by United States mail, the request and fee are deemed received six days after the postmark date. An association disclosure packet shall contain the following:

1. The name of the association and, if incorporated, the state in which the association is incorporated and the name and address of its registered agent in Virginia;

2. A statement of any expenditure of funds approved by the association or the board of directors which shall require an assessment in addition to the regular assessment during the current year or the immediately succeeding fiscal year;

3. A statement, including the amount of all assessments and any other mandatory fees or charges currently imposed by the association and associated with the purchase, disposition and maintenance of the lot and to the right of use of common areas, and the status of the account;

4. A statement whether there is any other entity or facility to which the lot owner may be liable for fees or other charges;

5. A statement of the status and amount of any reserve or replacement fund and any portion of the fund allocated by the board of directors for a specified project;

6. A copy of the association's current budget or a summary thereof prepared by the association, and a copy of its statement of income and expenses or statement of its financial condition for the last fiscal year for which such statement is available;

7. A statement of the nature and status of any pending suit or unpaid judgment to which the association is a party which either could or would have a material impact on the association or its members or which relates to the lot being purchased;

8. A statement setting forth what insurance coverage is provided for all lot owners by the association, including any fidelity bond maintained by the association, and what additional insurance would normally

183 be secured by each individual lot owner;

184 9. A statement that any improvement or alteration made to the lot, or uses made of the lot or
185 common area assigned thereto by the prior lot owner, are not in violation of any of the instruments
186 referred to in subdivision 12 of this subsection;

187 10. A statement setting forth any restriction, limitation, or prohibition on the right of a lot owner to
188 place a sign on the owner's lot advertising the lot for sale;

189 11. A statement setting forth any restriction, limitation, or prohibition on the right of a lot owner to
190 display any flag on the owner's lot including, but not limited to reasonable restrictions as to the size,
191 place and manner of placement or display of such flag and the installation of any flagpole or similar
192 structure necessary to display such flag;

193 12. A copy of the current declaration, the association's articles of incorporation and bylaws, and any
194 rules and regulations or architectural guidelines adopted by the association; and

195 13. *A copy of the notice given to the lot owner by the association of any current or pending rule or*
196 *architectural violation; and*

197 14. Certification, if applicable, that the association has filed with the Real Estate Board the annual
198 report required by § 55-516.1; which certification shall indicate the filing number assigned by the Real
199 Estate Board and the expiration date of such filing.

200 Failure to receive copies of such documents shall not excuse any failure to comply with the
201 provisions thereof.

202 The disclosure packet, once received by the seller from the association, shall be delivered by the
203 seller to the purchaser. The association shall have no obligation to deliver the disclosure packet to the
204 purchaser of the lot. The disclosure packet required by this section, shall not, in and of itself, be deemed
205 a security within the meaning of § 13.1-501.

206 B. ~~If more than six months have elapsed between the purchase contract date and the date of~~
207 ~~settlement, the~~ The purchaser may submit a copy of the contract to the association with a request for
208 assurance that the information required by this section previously furnished remains materially
209 unchanged, or, if there have been material changes, a statement specifying such changes. The purchaser
210 shall be provided with such assurances or such statement within ten days of the receipt of such request
211 by the association. The purchaser may be required to pay a fee for the preparation and issuance of the
212 requested assurances. The fee shall reflect the actual cost incurred by the association in providing such
213 assurances but shall not exceed *ten cents per page of copying costs or a total of fifty dollars for all*
214 *costs incurred in updating the association disclosure packet. If settlement has not occurred and the*
215 *purchaser has not cancelled the contract in accordance with § 55-511, the purchaser may renew requests*
216 *for assurances as provided herein every six months.*

217 C. The association may charge a fee for the preparation and issuance of the disclosure packet
218 required by this section. ~~The~~ Any fee shall reflect the actual cost of the preparation of the packet, but
219 shall not exceed *ten cents per page of copying costs or a total of \$100 for all costs incurred in*
220 *preparing the association disclosure packet.*

221 D. When a disclosure packet has been issued as required by this section, the association shall, as to
222 the purchaser, be bound by the statements set forth therein as to the status of the assessment account
223 and the status of the lot with respect to any violation of any of the instruments referred to in subdivision
224 12 of subsection A as of the date of the statement unless the purchaser had actual knowledge that the
225 contents of the disclosure packet were in error.

226 E. If the association has been requested to furnish the disclosure packet required by this section and
227 has been paid the appropriate fee, its failure to provide the disclosure packet in substantially the form
228 provided herein within fourteen days from the actual receipt of the request by an officer, director or
229 agent of the association shall be deemed a waiver of any claim for delinquent assessments or of any
230 violation of the declaration, bylaws, rules and regulations, or architectural guidelines existing as of the
231 date of the request with respect to the subject lot. The association shall be liable to the seller in an
232 amount equal to the actual damages sustained by the seller in an amount not to exceed \$500. The
233 purchaser shall nevertheless be obligated to abide by the declaration, bylaws, rules and regulations, and
234 architectural guidelines of the association as to all matters arising after the date of the settlement of the
235 sale.

236 F. The contract disclosures required by § 55-511 and the disclosure packet required by this section
237 need not be provided in the case of:

238 1. A disposition of a lot by gift;

239 2. A disposition of a lot pursuant to court order if the court so directs;

240 3. A disposition of a lot by foreclosure or deed in lieu of foreclosure;

241 4. A disposition of a lot that is zoned for or otherwise restricted to nonresidential use; or

242 5. A disposition of a lot to a person or entity who is not acquiring the lot for his own residence or
243 for the construction thereon of a dwelling unit to be occupied as his own residence, unless requested by
244 such person or entity. If such disclosures are not requested, a statement in the contract of sale that the

245 purchaser is not acquiring the lot for such purpose shall be conclusive and may be relied upon by the
246 seller of the lot. The person or entity acquiring the lot shall nevertheless be obligated to abide by the
247 declaration, bylaws, rules and regulations, and architectural guidelines of the association as to all
248 matters.

249 G. In any transaction in which a disclosure packet is required and a trustee acts as the seller in the
250 sale or resale of a lot, the trustee shall obtain the disclosure packet from the association and provide the
251 packet to the purchaser.