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HOUSE BILL NO. 2446

House Amendments in [] - February 7, 2005

A *BILL to amend and reenact §§ 55-79.97 and 55-512 of the Code of Virginia, relating to the Condominium and Property Owners' Association Acts; charges for disclosure packets.*

Patron Prior to Engrossment—Delegate Suit

Referred to Committee on General Laws

Be it enacted by the General Assembly of Virginia:**1. That §§ 55-79.97 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, (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 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 delivered with the consent of the purchaser by electronic means and a receipt obtained; 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 or his agent. Such cancellation shall be without penalty, and the unit owner shall cause any deposit to be returned promptly to the purchaser. The unit owners' association may also send the resale certificate by electronic means with the consent of the seller and 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. The current reserve study report or a summary thereof, 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

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59 unit owners' association and the amendments thereto;

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

62 12. A copy of the notice given to the unit owner by the unit owners' association of any current or
63 pending rule or architectural violation;

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

67 14. A statement of any limitation on the number of persons who may occupy a unit as a dwelling.

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

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

74 D. The purchaser may submit a copy of the contract to the unit owners' association with a request
75 for assurance that statements previously furnished pursuant to subsection C remain materially unchanged,
76 or, if there have been material changes, a statement specifying such changes. The purchaser shall be
77 provided with such assurances or such statement within ten days of the receipt of such request by the
78 unit owners' association. The purchaser may be required to pay the same fee charged a unit owner for
79 the resale certificate, if any. Any fee shall reflect the actual cost incurred by the unit owners' association
80 in providing the assurances, but shall not exceed ~~ten cents~~ \$0.10 per page in copying costs or a total of
81 ~~fifty dollars~~ \$50 for all costs incurred in updating the resale certificate. The unit owners' association may
82 also collect from the purchaser the actual costs incurred of any mailing or delivery requested by the
83 purchaser pursuant to this subsection. *In no event, however, shall the unit owners' association require*
84 *reimbursement of any costs not expressly authorized in this subsection. Nor shall the unit owners'*
85 *association charge any other fee [for the preparation or issuance of such resale certificate or making*
86 *such certificate available by electronic means] except as expressly provided in this subsection.*

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

90 F. The unit owners' association shall furnish the resale certificate upon the written request of any unit
91 owner within ~~fourteen~~ 14 days of the receipt of such request. Payment of the actual costs of preparing
92 the resale certificate may be required of the unit owner requesting it as a prerequisite to its issuance, but
93 the total fee shall not exceed ~~ten cents~~ \$0.10 per page in copying costs or a total of \$100, including and
94 not in addition to, any fee charged pursuant to subsection H of § 55-79.84 and § 55-79.85, for all costs
95 incurred in preparing the resale certificate, except that the unit owners' association, upon mutual
96 agreement with the seller, may collect for actual costs incurred, in addition to any fee charged pursuant
97 to this subsection (i) a rush fee, not to exceed ~~twenty-five dollars~~ \$25, for furnishing the resale
98 certificate within three business days from the actual receipt of the request; (ii) the actual cost of any
99 mailing or delivery requested by the seller pursuant to this subsection; and (iii) any actual cost incurred
100 at the request and with the consent of the purchaser. Neither the unit owners' association nor its
101 management agent, if any, shall require cash or certified funds unless the unit owner is delinquent in
102 any payments due to the unit owners' association in excess of ~~thirty~~ 30 days or if a check of the unit
103 owner made payable to the unit owners' association was returned for insufficient funds within the last
104 six months. *In no event, however, shall the unit owners' association require reimbursement of any costs*
105 *not expressly authorized in this subsection. Nor shall the unit owners' association charge any other fee [*
106 *for the preparation or issuance of such resale certificate or making such certificate available by*
107 *electronic means] except as expressly provided in this subsection.*

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

113 H. If the unit owners' association has been requested to furnish the resale certificate required by this
114 section and has been paid the appropriate fee, its failure to provide the resale certificate in substantially
115 the form provided herein within fourteen days from the actual receipt of the request by an officer,
116 director or agent of the unit owners' association shall be deemed a waiver of any claim for delinquent
117 assessments or of any violation of the condominium instruments, rules and regulations, or architectural
118 guidelines existing as of the date of the request with respect to the subject unit. The unit owners'
119 association shall be liable to the seller in an amount equal to the actual damages sustained by the seller
120 in an amount not to exceed \$500. The purchaser shall nevertheless be obligated to abide by the

condominium instruments, rules and regulations, and architectural guidelines of the unit owners' association as to all matters arising after the date of the settlement of the sale. The settlement agent, as defined in § 6.1-2.20, when transmitting funds to a unit owners' association or otherwise upon request, shall provide the unit owners' association with (i) the name of the seller, (ii) the name and address of the purchaser, (iii) the address of the subject property, (iv) the date of settlement, and (v) a brief explanation of the application of any funds transmitted. Providing a copy of the HUD-1 settlement statement, unless otherwise prohibited, shall satisfy these requirements.

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

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

1. A disposition of a unit by gift;
2. A disposition of a unit pursuant to court order if the court so directs; or
3. A disposition of a unit by foreclosure or deed in lieu of foreclosure.

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

§ 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~~ 14 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 on the association disclosure packet. If hand or electronically 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. The current reserve study report or summary thereof, 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 be secured by each individual lot owner;

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

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

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

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

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

182 14. A copy of the fully completed one-page cover sheet developed by the Real Estate Board pursuant
183 to § 54.1-2105.1; and

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

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

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

193 B. The purchaser may submit a copy of the contract to the association with a request for assurance
194 that the information required by this section previously furnished remains materially unchanged, or, if
195 there have been material changes, a statement specifying such changes. The purchaser shall be provided
196 with such assurances or such statement within ~~ten~~ 10 days of the receipt of such request by the
197 association. The purchaser may be required to pay a fee for the preparation and issuance of the
198 requested assurances. The fee shall reflect the actual cost incurred by the association in providing such
199 assurances but shall not exceed ~~ten cents~~ \$0.10 per page of copying costs or a total of ~~fifty dollars~~ \$50
200 for all costs incurred in updating the association disclosure packet. The association may also collect
201 from the purchaser the actual costs incurred of any mailing or delivery requested by the purchaser
202 pursuant to this subsection. *In no event, however, shall the association require reimbursement of any*
203 *costs not expressly authorized in this subsection. Nor shall the association charge any other fee [for the*
204 *preparation or issuance of such association disclosure packet or making such packet available by*
205 *electronic means] except as expressly provided in this subsection.*

206 C. The association may charge a fee for the preparation and issuance of the disclosure packet
207 required by this section. Any fee shall reflect the actual cost of the preparation of the packet, but shall
208 not exceed ~~ten cents~~ \$0.10 per page of copying costs or a total of \$100 for all costs incurred in
209 preparing the association disclosure packet, except that the association, upon mutual agreement with the
210 seller, may collect for actual costs incurred, in addition to any fee charged pursuant to this subsection (i)
211 a rush fee, not to exceed ~~twenty-five dollars~~ \$25, for furnishing the resale certificate within three
212 business days from the actual receipt of the request, (ii) the actual cost of any mailing or delivery
213 requested by the seller pursuant to this subsection, and (iii) any actual cost incurred at the request and
214 with the consent of the purchaser. Neither the association nor its management agent, if any, shall require
215 cash or certified funds unless the lot owner is delinquent in any payments due to the association in
216 excess of ~~thirty~~ 30 days or if a check of the lot owner made payable to the association was returned for
217 insufficient funds within the last six months. *In no event, however, shall the association require*
218 *reimbursement of any costs not expressly authorized in this subsection. Nor shall the association charge*
219 *any other fee [for the preparation or issuance of such association disclosure packet or making such*
220 *packet available by electronic means] except as expressly provided in this subsection.*

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~~ 14 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. The settlement agent, as defined in § 6.1-2.20, when transmitting funds to the association or
236 otherwise upon request, shall provide the association with (i) the name of the seller, (ii) the name and
237 address of the purchaser, (iii) the address of the subject property, (iv) the date of settlement, and (v) a
238 brief explanation of the application of any funds transmitted. Providing a copy of the HUD-1 settlement
239 statement, unless otherwise prohibited, shall satisfy these requirements.

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

- 242 1. A disposition of a lot by gift;
243 2. A disposition of a lot pursuant to court order if the court so directs;

- 244 3. A disposition of a lot by foreclosure or deed in lieu of foreclosure;
245 4. A disposition of a lot that is zoned for or otherwise restricted to nonresidential use; or
246 5. A disposition of a lot to a person or entity who is not acquiring the lot for his own residence or
247 for the construction thereon of a dwelling unit to be occupied as his own residence, unless requested by
248 such person or entity. If such disclosures are not requested, a statement in the contract of sale that the
249 purchaser is not acquiring the lot for such purpose shall be conclusive and may be relied upon by the
250 seller of the lot. The person or entity acquiring the lot shall nevertheless be obligated to abide by the
251 declaration, bylaws, rules and regulations, and architectural guidelines of the association as to all
252 matters.
253 G. In any transaction in which a disclosure packet is required and a trustee acts as the seller in the
254 sale or resale of a lot, the trustee shall obtain the disclosure packet from the association and provide the
255 packet to the purchaser.

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