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HOUSE BILL NO. 1807

Offered January 9, 2013

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A BILL to amend and reenact §§ 55-79.97 and 55-509.5 of the Code of Virginia, relating to the Condominium and Property Owners' Association Acts; disclosure of qualification for federal financing.

Patron—Miller

Referred to Committee on General Laws

Be it enacted by the General Assembly of Virginia:

1. That §§ 55-79.97 and 55-509.5 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 F 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 or being notified that the resale certificate will not be available, (iv) if the purchaser has received the resale certificate, the purchaser has a right to request a resale certificate update or financial update in accordance with § 55-79.97:1, as appropriate, and (v) the right to receive the resale certificate and the right to cancel the contract are waived conclusively if not exercised before settlement.

For purposes of clause (iii), the resale certificate shall be deemed not to be available if (a) a current annual report has not been filed by the unit owners' association with either the State Corporation Commission pursuant to § 13.1-936 or the Common Interest Community Board pursuant to § 55-79.93:1, (b) the seller has made a written request to the unit owners' association that the resale certificate be provided and no such resale certificate has been received within 14 days in accordance with subsection C, or (c) written notice has been provided by the unit owners' association that a resale certificate is not available.

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. A resale certificate update or a financial update may be requested as provided in § 55-79.97:1, as appropriate. 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 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 provided to the unit owner or his agent by one of the following methods:

- a. Hand delivery;
b. United States mail, postage prepaid, provided the sender retains sufficient proof of mailing, which may be either a United States postal certificate of mailing or a certificate of service prepared by the sender confirming such mailing;
c. Electronic means provided the sender retains sufficient proof of the electronic delivery, which may be an electronic receipt of delivery, a confirmation that the notice was sent by facsimile, or a certificate of service prepared by the sender confirming the electronic delivery; or
d. Overnight delivery using a commercial service or the United States Postal Service.

In the event of a dispute, the sender shall have the burden to demonstrate delivery of the notice of cancellation. 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, together with any known post-closing fee charged by the

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59 common interest community manager, if any, and associated with the purchase, disposition and  
60 maintenance of the condominium unit and the use of the common elements, and the status of the  
61 account;

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

64 5. The current reserve study report or a summary thereof, a statement of the status and amount of  
65 any reserve or replacement fund and any portion of the fund designated for any specified project by the  
66 executive organ;

67 6. A copy of the unit owners' association's current budget or a summary thereof prepared by the unit  
68 owners' association and a copy of the statement of its financial position (balance sheet) for the last fiscal  
69 year for which a statement is available, including a statement of the balance due of any outstanding  
70 loans of the unit owners' association;

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

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

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

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

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

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

85 13. A copy of any approved minutes of the executive organ and unit owners' association meetings for  
86 the six calendar months preceding the request for the resale certificate;

87 14. Certification that the unit owners' association has filed with the Common Interest Community  
88 Board the annual report required by § 55-79.93:1; which certification shall indicate the filing number  
89 assigned by the Common Interest Community Board and the expiration date of such filing;

90 15. A statement of any limitation on the number of persons who may occupy a unit as a dwelling;  
91 and

92 16. A statement setting forth any restrictions, limitation or prohibition on the right of a unit owner to  
93 display the flag of the United States, including, but not limited to reasonable restrictions as to the size,  
94 time, place, and manner of placement or display of such flag; and

95 17. *A statement setting forth whether the project as of the effective date of the resale certificate is*  
96 *intended to comply with the underwriting guidelines of the secondary mortgage market agencies,*  
97 *including the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation,*  
98 *and the Virginia Housing Development Authority.*

99 Failure to receive a resale certificate shall not excuse any failure to comply with the provisions of  
100 the condominium instruments, articles of incorporation, or rules or regulations.

101 The resale certificate shall be delivered in accordance with the written request and instructions of the  
102 seller or his authorized agent, including whether the resale certificate shall be delivered electronically or  
103 in hard copy, and shall specify the complete contact information for the parties to whom the resale  
104 certificate shall be delivered. The resale certificate shall be delivered within 14 days of receipt of such  
105 request. The resale certificate shall not, in and of itself, be deemed a security within the meaning of  
106 § 13.1-501.

107 D. The seller or his authorized agent may request that the resale certificate be provided in hard copy  
108 or in electronic form. A unit owners' association or common interest community manager may provide  
109 the resale certificate electronically; however, the seller or his authorized agent shall have the right to  
110 request that the resale certificate be provided in hard copy. The seller or his authorized agent shall  
111 continue to have the right to request a hard copy of the resale certificate in person at the principal place  
112 of business of the unit owners' association. If the seller or his authorized agent requests that the resale  
113 certificate be provided in electronic format, neither the unit owners' association nor its common interest  
114 community manager may require the seller or his authorized agent to pay any fees to use the provider's  
115 electronic network or system. If the seller or his authorized agent asks that the resale certificate be  
116 provided in electronic format, the seller or his authorized agent may designate no more than two  
117 additional recipients to receive the resale certificate in electronic format at no additional charge.

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

121 F. The resale certificate required by this section need not be provided in the case of:  
 122 1. A disposition of a unit by gift;  
 123 2. A disposition of a unit pursuant to court order if the court so directs;  
 124 3. A disposition of a unit by foreclosure or deed in lieu of foreclosure; or  
 125 4. A disposition of a unit by a sale at auction, when the resale certificate was made available as part  
 126 of the auction package for prospective purchasers prior to the auction.

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

130 **§ 55-509.5. Contents of association disclosure packet; delivery of packet.**

131 A. The association shall deliver, within 14 days after receipt of a written request and instructions by  
 132 a seller or his authorized agent, an association disclosure packet as directed in the written request. The  
 133 information contained in the association disclosure packet shall be current as of a date specified on the  
 134 association disclosure packet. If hand or electronically delivered, the written request is deemed received  
 135 on the date of delivery. If sent by United States mail, the request is deemed received six days after the  
 136 postmark date. An association disclosure packet shall contain the following:

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

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

142 3. A statement, including the amount of all assessments and any other mandatory fees or charges  
 143 currently imposed by the association, together with any post-closing fee charged by the common interest  
 144 community manager, if any, and associated with the purchase, disposition, and maintenance of the lot  
 145 and to the right of use of common areas, and the status of the account;

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

148 5. The current reserve study report or summary thereof, a statement of the status and amount of any  
 149 reserve or replacement fund, and any portion of the fund allocated by the board of directors for a  
 150 specified project;

151 6. A copy of the association's current budget or a summary thereof prepared by the association, and a  
 152 copy of its statement of income and expenses or statement of its financial position (balance sheet) for  
 153 the last fiscal year for which such statement is available, including a statement of the balance due of any  
 154 outstanding loans of the association;

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

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

161 9. A statement that any improvement or alteration made to the lot, or uses made of the lot or  
 162 common area assigned thereto are or are not in violation of the declaration, bylaws, rules and  
 163 regulations, architectural guidelines and articles of incorporation, if any, of the association;

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

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

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

172 13. A copy of any approved minutes of the board of directors and association meetings for the six  
 173 calendar months preceding the request for the disclosure packet;

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

176 15. A copy of the fully completed one-page cover sheet developed by the Common Interest  
 177 Community Board pursuant to § 54.1-2350; ~~and~~

178 16. Certification that the association has filed with the Common Interest Community Board the  
 179 annual report required by § 55-516.1, which certification shall indicate the filing number assigned by the  
 180 Common Interest Community Board, and the expiration date of such filing; *and*

181 17. *A statement setting forth whether the project as of the effective date of the disclosure packet is*

182 *intended to comply with the underwriting guidelines of the secondary mortgage market agencies,*  
183 *including the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation,*  
184 *and the Virginia Housing Development Authority.*

185 B. Failure to receive copies of an association disclosure packet shall not excuse any failure to  
186 comply with the provisions of the declaration, articles of incorporation, bylaws, or rules or regulations.

187 C. The disclosure packet shall be delivered in accordance with the written request and instructions of  
188 the seller or his authorized agent, including whether the disclosure packet shall be delivered  
189 electronically or in hard copy and shall specify the complete contact information for the parties to whom  
190 the disclosure packet shall be delivered. The disclosure packet required by this section, shall not, in and  
191 of itself, be deemed a security within the meaning of § 13.1-501.

192 D. The seller or his authorized agent may request that the disclosure packet be provided in hard copy  
193 or in electronic form. An association or common interest community manager may provide the  
194 disclosure packet electronically; however, the seller or his authorized agent shall have the right to  
195 request that the association disclosure packet be provided in hard copy. The seller or his authorized  
196 agent shall continue to have the right to request a hard copy of the disclosure packet in person at the  
197 principal place of business of the association. If the seller or his authorized agent requests that the  
198 disclosure packet be provided in electronic format, neither the association nor its common interest  
199 community manager may require the seller or his authorized agent to pay any fees to use the provider's  
200 electronic network or system. If the seller or his authorized agent asks that the disclosure packet be  
201 provided in electronic format, the seller or his authorized agent may designate no more than two  
202 additional recipients to receive the disclosure packet in electronic format at no additional charge.