

HOA & CONDO CLOSING PACKAGES

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When a property subject to a mandatory association is being sold or refinanced, the mortgage company requires certain documentation regarding assessments and other types of disclosures. In addition, some states mandate the information be provided to the purchaser. This documentation or 'closing package' is typically provided by the management company, but if the association is self-managed it is often supplied by the board's treasurer. When the account is in legal collections, the closing package is prepared by the association's law firm.

A closing package goes by many names, such as; 'resale package', 'estoppel letter', 'closing letter', 'clearance letter', 'certificate of assessments', and 'payoff statement'. No matter what it is called, it typically includes the following items:

- Association contact information.
- Governing documents for purchaser review.
- Notice of any covenant violations on the property.
- Notice of any leasing restrictions.
- Frequency of assessment (monthly, quarterly, semi-annual, or yearly).
- Due date for assessments.
- Notice of next due date for assessments.
- The current amount charged for regular assessments, along with any amounts due for: delinquent assessments, including special assessments; delinquent fines; late fees; interest pro-rated to current date; initiation fees; management transfer fees; and lot maintenance done by the association.
- If the closing involves a condominium, the package will also contain a copy of the annual budget; amount of the reserve account; amount of any outstanding loans; delinquency rate; certificates of insurance; and information regarding association litigation outside of collections.

The closing package is tailored to each owner. It's not just a matter of hitting a keystroke and popping out a completed form. The information has to be compiled by staff members, who then supply it to the closing attorney or mortgage company. Furthermore, the data is constantly changing. Items such as covenant violations, and current figures for assessments, late charges, and interest are not static in nature.

Not only does a lot of work go into providing a closing package, but the association also guarantees the information is accurate. For these reasons there is a fee charged for the service. Some states put a cap on the amount that can be charged for the closing package, which typically range from \$125.00 to \$175.00. In addition to the closing package fee, there may be ancillary costs, such as rush fees, courier expenses, W-9 tax form fee, and updated charges on expired closing packages. So just as a mortgage company would charge for providing a payoff statement, an association charges for the work that goes into a closing package.

The seller usually pays for the cost of a closing package, but like any other closing costs, payment or reimbursement may be negotiated between the seller and the purchaser. Some people suggest the association should bear the cost of the closing package. (These are usually those involved in the sale.) It is important to remember that the national average for annual turnover of homes is less than twenty percent. So it wouldn't really be fair for all the owners in the subdivision to pay for a particular sale through their assessments.

More and more management companies, law firms and boards of self-managed associations are turning to third party services in order to streamline the process. This usually appears as a link for ordering the closing package on the association or law firm website. This speeds up the process by allowing 24 hour access for requests, and upfront payment via credit card or e-check.