

Condo Insights

#57 – Resale transaction package

A resale transaction package, also known as a resale closing package or simply a resale package, is a collection of documents that provide information about a specific condominium unit or residence within a community, condominium or homeowner's association at the time of a change in unit ownership. The resale package is typically requested by the settlement or closing agent shortly before closing and is prepared and provided by the association or its authorized agent.

The resale package is important because it includes legally required documents ensuring that buyers have full disclosure before purchasing in the association; it provides transparency about the community; discloses whether the sellers are current on their financial obligations to the association; reduces the buyer's liability if the seller hasn't made all association payments; discloses mandatory membership requirements and minimizes financial risk and liability for the association.

The community or condominium association is responsible for preparing the resale package and providing it to the settlement or closing agent. This responsibility frequently is delegated to the property manager, management company or person responsible for the association bookkeeping, whoever has easy access to all pertinent information. Management companies tend to be well-versed when it comes to preparing resale packages, minimizing the chance of errors or inaccuracies and lowering the risk of liability on the association.

The resale package includes specific instructions to the settlement officer as to how much to collect from the Buyer, how much to collect from the Seller and the purpose for the fees. Typically, the disclosure involves the condo fees for the unit, what the fees include; if there is a working capital contribution and/or membership fees, and if there are any current or pending assessments or liens. The resale document should identify which party has financial responsibility for which fees or payments.

A resale package may also include important information about the association including: the governing documents; current association rules, regulations, policies and procedures; current year budget and most recent annual financial statements; recent meeting minutes; current capital reserve studies and pending or planned major capital projects; new restrictions and/or mandatory unit improvements; pending or current litigation, and other relevant and important information and disclosures. A stipulation in the resale package may require the buyer to participate in an orientation with the association manager to orient the buyer to their residence and to familiarize the buyer with the association, the building, its features and amenities.

Many associations charge a fee for the resale package reflecting the time spent throughout the resale process and preparing the resale package. Although there may be some cost involved, this process gives peace of mind and transparency to all parties involved. The resale package and documents ensure the seller's obligations are taken care of, buyers learn the expectations of the community they are joining and are protected from hidden fees while also guaranteeing that the association will receive the money that they are owed.

If authorized in the association Master Deed or By-Laws, the buyer may also pay a fee to the association as a working capital contribution and/or a membership fee. The working capital contribution is usually equal to several months' worth of condo or HOA fees for the unit being purchased.

While not specifically part of the resale transaction package, the buyer's lender may require the association to complete a condominium questionnaire as part of the mortgage approval process to assess the association's eligibility for financing. A condo questionnaire is a form that provides information about the association to help lenders determine if a condo is eligible for a loan. Lenders use condo questionnaires to assess the risk of lending money on a condo. An association representative typically fills out the condo questionnaire. Some associations have fees for preparing condo questionnaires, in which case the seller is not responsible for this cost. Some associations include the cost for completing the condo questionnaire in the resale package fee.

The resale package provides important information to all parties so there is complete transparency regarding the rules, expectations, and obligations that the buyer will be expected to fulfill and abide by upon closing, and identifies what items (keys, codes, fobs, parking passes, etc.) the buyer should receive from the seller at the time of change in ownership. It is the last chance for the buyer to become aware of any rules or regulations that might hamper or hinder the use or enjoyment of their condominium residence such as restrictions on pets or limits on the number of vehicles permitted on association property. It is also one more chance for the buyer to learn about the association, the adequacy of its long-term reserves, financial and physical condition of the association and its assets.

The resale document details the seller's financial standing within the association, ensuring that the association will be paid all outstanding monies, whether by the buyer or the seller, in a timely manner. Without a resale document, the buyer will be responsible for any debts owed to the association by the seller.

The resale package protects both the buyer and the seller and at the same time minimizes the financial risk for the association.

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