

Wethersfield Commons

Condominium Association, Inc.

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Chairperson and Members of the Committee,

Thank you for this opportunity to testify. As a property manager, I respectfully oppose the proposed legislation HB7411 to cap the fee for an updated resale certificate at \$25 in its current form. However, I would be supportive of a narrowly tailored amendment that sets a reasonable lesser fee for an update that is both limited in timeframe and to situations where the only update required is the amount of the outstanding condominium fee due at closing and/or the amount in the reserve account at the time of issuance, and there are no changes to any other provisions or documents issued as part of the resale certificate package.

While the intent to reduce costs for homeowners is understandable, this proposal does not reflect the actual time and liability involved in preparing an updated resale certificate. Proposed legislation HB7411, in its current form, is ambiguous as to what an update would entail and the timeframe for when a resale certificate can be updated. If a resale certificate is issued for a unit sale and the current unit owner then decides to sell the unit one year, two year, or five years later to another party – if the Owner provides the resale certificate that they previously received and ask for it to be updated, according to the way the proposed legislation HB 7411 is written that request could be capped at a fee of \$25.

A resale certificate is not a simple form but rather a document drafted specifically for that unit, for the specific seller & purchaser, with disclosures drafted based upon what is known as of the date of issuance with several exhibits including documents issued specifically for that unit, for the specific purchaser, and specific lender. The average resale certificate package that I issue is a total of 15-20 pages.

In many cases, an “updated” resale certificate involves far more than a simple adjustment to the amount of the condominium fee due at closing. “Update” could refer to a change in lender or change in purchaser (whether it be an entirely different purchaser or a change in how title is held such as an entity or added individual). Even when there are no changes in the parties or lender and the “update” is needed because the closing was rescheduled to a subsequent month, each of the financial items and required disclosures would at a minimum need to be verified to confirm there have been no changes and several may need to be revised or possibly additional disclosures added. Most times, updating a resale certificate is well beyond simply changing the amount due at closing.

In order to comply with the statute, preparing a resale certificate involves verification of current assessments & special assessments, obtaining an account ledger for the unit, confirmation of any planned assessments, detailing current/ongoing capital expenditures and planned capital expenditures for the following two fiscal years, obtaining payoff amount for applicable loan assessments, verification of the amount in the reserves, obtaining the most recent balance sheet and income & expense statement for the Association, obtaining the current operating budget, drafting a statement regarding unsatisfied judgments, communications with the Association’s attorney and drafting a statement regarding pending lawsuits in which the Association is a defendant, drafting a statement regarding the Association’s insurance coverage, obtaining lender’s mortgagee information and ordering an insurance certificate for the specific sales transaction, a comprehensive review of the unit’s file and the City/Town’s land evidence records to draft a statement regarding any alterations or improvements made to the unit since it was first constructed, and confirmation of violations or compliance issues and drafting a statement with respect to such.

Within days or weeks of a resale certificate being issued you can have special assessments approved by the Board, new capital projects approved or planned, the current insurance policy can expire, changes to the

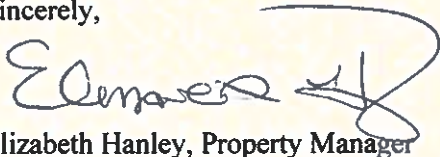
condominium documents (e.g. hot water tank age may now exceed what is allowed in the Rules, seller may have installed something without permission, etc.), alterations to the unit could have been made, and the list goes on. This is in addition to updates to the amount due at closing, loan assessment payoff amounts, the reserve fund balance, and the most recent financial statements for the Association. Updating a resale certificate involves time for verification of each of these items (and possibly even costs incurred if the Association's attorney needs to be contacted) even if it is determined that no changes are needed. The administrative burden is even greater when revisions to disclosures or additional disclosures need to be drafted for the updated resale certificate.

Furthermore, updating a resale certificate carries just as much liability for the property manager and Association as issuing an initial resale certificate. This disclosure document has legal significance as it is relied upon by the purchasers and errors & omissions in resale certificates are often the basis of legal actions. The proposed legislation does not account for the liability risk involved. Limiting the fee for updating a certificate could result in property managers and Associations reducing the time spent on such safeguards as verifying all required items, increasing the risk of inaccuracies which would negatively impact condominium purchasers.

A more balanced approach would be to allow a reasonable, market-based reduced fee for an updated resale certificate when the timeframe between the issuance of the original resale certificate and the updated resale certificate is limited and the verification process determines that the only change would be to the amount due at closing and/or the amount in the reserve account at the time of issuance. This would balance fairness to the condominium unit owner with respect to cost and the Association/property manager for the time and risk involved with issuing the documents.

For these reasons, I support the intent of this legislation but urge the Committee to consider revisions to address the concerns noted above. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Hanley", with a large, stylized flourish extending from the end of the signature.

Elizabeth Hanley, Property Manager