

A MARYLAND CONSUMER GUIDE

UNDERSTANDING CONDOMINIUM LIVING

Another Way to Meet Your Housing Needs



OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION

BRIAN E. FROSH
MARYLAND ATTORNEY GENERAL

Dear Fellow Marylander,

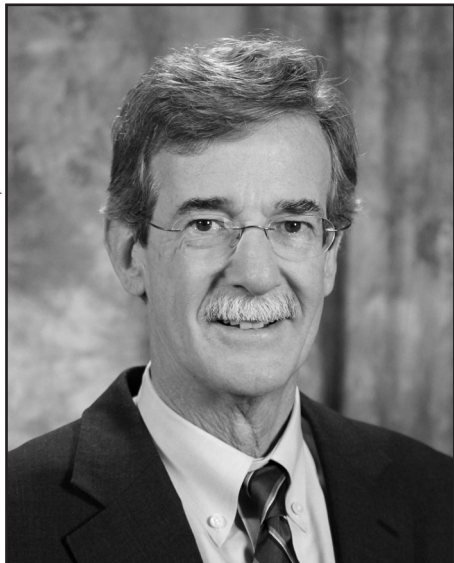
This booklet outlines the special needs and concerns related to purchasing and living in a condominium. I hope the information is helpful to Maryland consumers who are interested in learning about their legal rights and obligations as condominium owners.

My Consumer Protection Division, along with the Office of the Secretary of State, is happy to work with you regarding condominium issues and questions. Please do not hesitate to contact either office about this unique housing alternative.

Sincerely,



Brian E. Frosh
Attorney General



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Housing Needs*



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CONSUMER PROTECTION DIVISION

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ATTORNEY GENERAL

CONTENTS

1.	CONDOMINIUM OWNERSHIP Is it Right for You?	1
2.	BEFORE YOU BUY Get Information and Protect Yourself.....	3
3.	TO BUY OR NOT TO BUY Disclosures and Sales Contracts	5
4.	YOU'RE BUYING MORE THAN A HOME Public Offering Statements, Ownership and Community Planning	8
5.	THE HIGH COST OF LIVING Assessments and Fees	11
6.	PROTECT THIS HOUSE Warranties and Repairs	13
7.	LOVE THY NEIGHBOR Bylaws and Restrictions	16
8.	HOME RULE Voting and Developer Control	18

CONTENTS

9.	THE FOLKS IN CHARGE Board of Directors, Closed Meetings, Rules and Liens	20
10.	THE NUTS AND BOLTS Maintenance, Budget and Insurance	22
11.	YOUR VOTE COUNTS Meetings, Quorums and Amendments	25
12.	WE'RE ON YOUR SIDE Government Agencies and Civic Groups	27
13.	FREQUENTLY ASKED QUESTIONS	28
14.	RESOURCES	31





1

CONDOMINIUM OWNERSHIP

Is it Right for You?

Condominiums are a housing alternative for those who want to own a home, but don't wish to be responsible for lawn care or find that a single-family home is beyond their budget.

Condominiums come in all shapes and sizes. However, whether you buy a unit in a high-rise building, a garden-type structure, or a townhouse, you will be combining elements of both private and joint ownership. You purchase the right to live in and maintain your individual unit, but share the responsibility for decisions about the maintenance and regulations for the communal elements.

All unit owners in the condominium are members of the Council of Unit Owners, which is a legal entity that conducts business for the condominium, such as entering into contracts, enforcing the Association's documents and performing common element maintenance. A Board of Directors is elected by the Council of Unit Owners to make the day-to-day business decisions regarding the administration of the condominium. The number of directors and terms are set forth in the condominium bylaws, rules and regula-



tions. Sometimes, there will be one or more umbrella organizations; these organizations can be either homeowners' associations or other condominium associations. These umbrella organizations often control such elements as clubhouses, stormwater ponds or a common community entrance. All the land, trees, shrubs, etc., belong to everyone who owns a unit in the complex. Generally, a paid professional management company oversees the physical building maintenance. Unless you are already living in a condominium or co-op, owning this kind of home will be a new experience. You may no longer have a lawn to mow or a furnace to maintain, but you have other important responsibilities.

Owning a condominium has advantages and disadvantages - it is not for everyone. Therefore, before making a final decision you should carefully consider the limitations and benefits of condominium living. There is a wealth of written material available to a prospective condominium buyer. This booklet tells you where to find it and how to effectively use it.



Don't hesitate to ask questions. Don't be reluctant or apologetic. The seller should be responsive to your inquiries and willing to answer all questions. You should inspect all of the common elements as well as your own individual unit. If possible, visit condominium areas during busy times. Observe the comings and goings of condominium dwellers to assure safety. You might want to consider hiring an engineer to review available engineering reports or retain a professional home inspector. Talk with residents in the condominium to find out about their experiences with the developer and/or management company. Don't forget to ask about reserve funds and assessments.

Get written confirmation of all assurances you have received from the seller. Verbal statements will be of no use should there be a conflict between what you were told and what appears in the contract or disclosure documents. Insist that the date for completion of your unit and the common elements are written into your contract. Failure to complete construction of the common elements on time means that you may have overpaid for your unit. You may also be disappointed if the amenities promised in the Public Offering Statement never materialize. If it is known that certain common elements will not be built before you settle on your unit, the contract should provide that a portion of your payment be put in an escrow account to ensure that your payment is used for its intended purpose.

In a few instances, condominiums are not sold with the land on which they stand, requiring you to lease the land from the landowner. Generally you will pay a lower price, but you will also be paying rent for the land in addition to your condominium charges until the lease expires. As long as you own your unit under this kind of arrangement, your ownership rights and interests will be affected. The

land on which your unit sits will automatically revert to the person who owns the land once the lease expires.

Do not sign a leasehold contract until you understand the terms of the lease.

Consider seeking legal advice to make sure that you understand all the terms presented to you. These terms will control your rights and obligations as a condominium owner.



3

TO BUY OR NOT TO BUY

Disclosures and Sales Contracts

Maryland law requires condominium developers to disclose all material facts. A material fact consists of information that influences your decision to purchase the unit. You must be given all relevant facts about the condominium property so you can make an informed decision.

New Condominiums, Public Offering Statements and Disclosures

If a condominium was created after July 1, 1981, comprehensive information can be found in a series of documents called the **Public Offering Statement**, which condominium developers must file with the Maryland Secretary of State. The Public Offering Statement fulfills the legal requirements of Maryland condominium law and includes detailed and important information about the property being offered for sale. The developer is liable for any untrue statements or omissions of material fact in the Public Offering Statement for one year after the facts have been, or should have been, discovered.

For the initial sale, the Public Offering Statement must be presented to you with your sales contract. After receiving this information, you have 15 days to cancel the contract and receive a full refund of your down payment. If any material amendments are made to the Public Offering Statement, they must also be sent to you. You may then cancel your contract within five days after receiving the amendments. The law requires developers to place all down payments in an escrow account, or post a bond, to ensure that funds will be available if a down payment has to be refunded.

Likewise for a resale, the Association's documents must be provided to you within 15 days of closing, along with disclosures about the operation of the condominium that are similar to those in the Public Offering Statement. Make sure you take advantage of this 15-day "cooling-off" period. When you buy a condominium in Maryland, the law gives you this period of time to reconsider your decision. Condominium documents are complicated, but they provide you with important information. Read everything before you sign the sales contract. The contract will contain a clause stating, over your signature, that you have received and read specific documents.

Consider asking the seller for a copy of the condominium's Public Offering Statement *before* deciding whether to buy it. This will allow you to have more than the legally-required cooling-off period to review this material.

Changing Hands: Resale, Disclosure and Down Payments

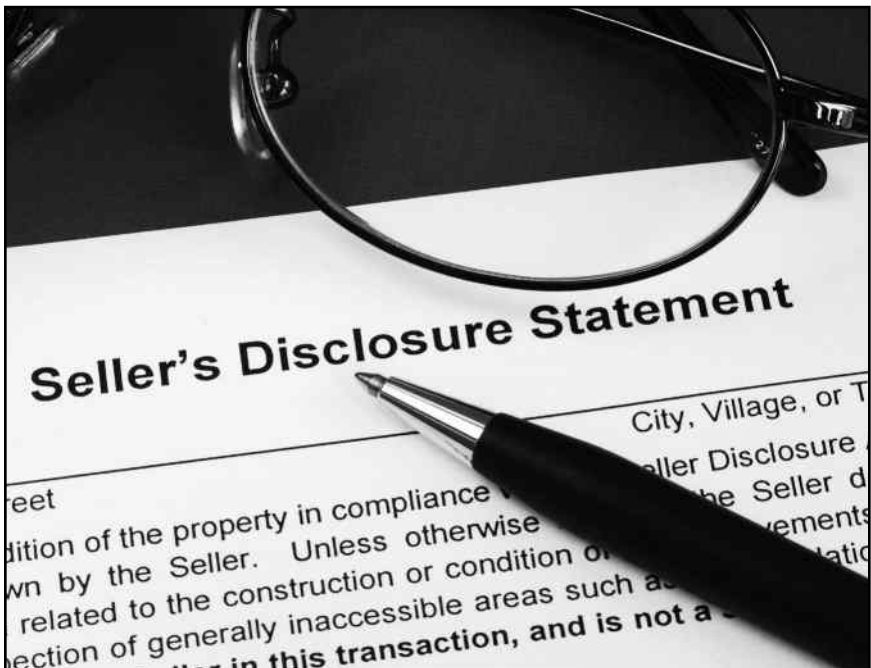
If you are buying a condominium from an individual owner, you must receive a resale certificate package containing the declaration, bylaws, rules and regulations, and other important information required by law at least 15 days prior to closing. Any seller who makes an untrue statement of a material fact, or omits a material fact, is liable to the buyer for the resulting damages.

Look for the current condominium financial statements, which should include a balance sheet, income/expense statements and an operating budget. The owner can get this information from the council within 21 days of a written request and payment of a reasonable fee, including minimal copying costs. You may cancel your sales contract and get a full refund of your down payment up to seven days after receiving the resale package, or until settlement, whichever occurs first. Be sure that you are not required to settle less than seven days after you receive the resale package. The owner of a resale condominium is not required to set up an escrow account for

your down payment; therefore, you might want to make your own escrow arrangements to ensure that your money is protected.

Another consideration when buying a previously-owned condominium is whether the current owners received the necessary authorization for alterations to the unit. Get written confirmation from the seller that all alterations were approved. Otherwise, you might be required to make unexpected changes. Remember that a unit owner is liable to the buyer for damages resulting from any untrue statement or omission of a material fact.

If you are buying a unit in an older condominium, it might be exempt from sections of the Maryland Condominium Act and you will not have the benefit of disclosures required by condominium law. Under these circumstances, it's best to talk to the condominium's current residents, examine its history, and find out any other pertinent information about living there.



4

YOU'RE BUYING MORE THAN A HOME

Public Offering Statements, Ownership and Community Planning

Both the Public Offering Statement and the resale certificate package contain material disclosures that can help you make an informed decision about your purchase. The disclosures in both are similar and include the declaration describing your condominium development and the individual units, bylaws, rules and regulations, operating budget, management agreements and other vital information. Read each document carefully. They contain provisions that will affect the habitability of your condominium, its ultimate economic value, and your arrangements for daily living. The Public Offering Statement is used for new condominium sales to the public, while resale certificate packages are used for condominium units that are being sold by the current owner of the unit. Therefore, disclosures in a resale package are usually based upon the past experience and operations of the condominium, while the Public Offering Statement will include disclosures based upon projections since past experience either does not exist or may change as new units are added.

In the Public Offering Statement and/or resale package, you will find a description of the condominium property, explaining the common elements and the individual units. All unit owners are entitled to use the general common elements, but there may also be limited common elements. These may include areas such as patios, balconies and storage rooms that are reserved for the exclusive use of specific unit owners, although all share ownership.

Some units include ownership of such features as a yard area, roof, interior, or exterior siding. Find out exactly what you will be buying when you purchase your unit, and what repairs and maintenance you will be responsible for. The Public Offering Statement and resale package should contain any agreement that the condomini-

um has with a management firm and should provide specific details about the responsibility for the upkeep of the common elements.

Shared ownership gives you an undivided percentage interest in the common elements. The percentage of ownership will be set out in the declaration and may be assigned equally to all units or it might vary according to the size or monetary value of each unit. The information concerning the shares of ownership should also be disclosed in documents included in the Public Offering Statement or resale package.

Plans for future development will also be included in the Public Offering Statement and/or resale package. Keep in mind that if the developer plans to add more land or additional units to the condominium, your percentage of ownership interest may change. You should also be aware that if there will be a large number of units per acre, this high density could affect your living conditions, creating an undesirable level of noise and confusion. Be sure that the developer plans to maintain a balance between individual units and shared facilities so that these amenities will comfortably accommodate all residents.

The Public Offering Statement and resale package will specify whether the condominium is incorporated, which may protect you from personal liability for any action taken against the condominium. Any pending lawsuits or judgments involving the condominium should also be disclosed in both the Public Offering Statement and resale package. Some types of litigation are routine, such as assessments against unit owners or lawsuits regarding covenant violations and fines associated with the violations. However, if there are many lawsuits, or one or more major lawsuits, you should consider whether it may negatively affect the operating budget of the condominium or your ability to sell the unit.

Finally, if the condominium contains any buildings that are more than five years old, the Public Offering Statement must include a description of the facility's condition and estimated repair costs for its structural, mechanical, electrical, and plumbing components.

This information should give you a good idea of the present state of the condominium, a description of its features, and where future problems might occur. Check out air conditioning, smoke detectors, and soundproofing. Find out how old the furnace is and whether there have been any leaks in the plumbing. Pay special attention to roofs and top floors of the buildings. Consider how soon costly replacements or major repairs might be needed as this could affect the payments you may need to make.



The condominium's operating budget is disclosed in the Public Offering Statement. In the case of a subsequent sale of a unit, this information must be included in the resale package. Check to see that there are reasonable reserves for maintenance and repairs. Determine if the items listed for maintenance realistically compare with the kinds of maintenance costs you anticipate: grounds, swimming pool, clubhouse, building exterior, common interior areas, roads, sidewalks, and the sewer system. You can ask your mortgage lender to help you evaluate the reserves as well as the financial well-being of the property.

You will have monthly, quarterly, or annual assessments to cover your proportionate share of maintenance and related expenses of the condominium. A two-bedroom unit may have a higher assessment than a one-bedroom unit. Be sure to assess the value of the proposed services as they relate to your charges. Although the developer is required to make a good-faith estimate of these costs, increases are likely as maintenance costs and salaries rise.

Watch out for underestimates followed by increased assessments. Compare proposed assessments with actual assessments in other nearby condominiums that have been in operation for several years. There can also be special assessments for major repairs or improvements with no specified dollar limit if reserves are inadequate. Because the budget may not show whether a special assessment is planned for the next year or two, you should ask about any actual or proposed special assessments. In addition, you should request a copy of the board meeting minutes for the past three months as these could help you determine the financial health of the condominium association.

Be aware that unpaid assessments could result in a lien being filed against your property. If this occurs, you may also be responsible for the attorney's fees incurred by the association to file and process the lien. In addition, any failure to satisfy the lien could result in foreclosure and loss of your unit.

Even though you may build equity by owning a condominium, you should be aware of the costs that accompany this investment. In addition to your assessment fees, you might have other regular expenses, such as utility charges if units are metered separately, charges for the use of recreational facilities if the developer has retained ownership of these common elements, and the usual expenses of home ownership, such as maintenance and repair in your own unit, real estate taxes, insurance expenses, and mortgage payments.

It is important that you find out if you have to pay for construction of water, and sewer mains because this cost will be on top of your assessment fees.



A few decades ago, there were few protections for buyers of new homes, and the phrase “buyer beware” was often used to describe home purchases. However, in more recent years, Maryland law has evolved to include certain protections and warranties now afforded to new home buyers, including purchasers of new condominiums.

Express Warranties

An express warranty is any written description or oral statement made by the developer about the condominium. Unless a longer period is specified, a unit owner is protected by an express warranty for one year for nonstructural defects and two years for structural defects. Plans and specifications constitute an express warranty, as does the display of a sample or model representing the condominium. The warranty period begins upon the taking of possession by the original purchaser, or the delivery of the deed, whichever occurs first. However, if you take possession of your unit before it is completed and the deed has been delivered, the warranty period will begin when you take possession. You must give notice of a defect within the express warranty period and if you are dissatisfied and want to sue, you have to file a lawsuit within two years after the defect is discovered or should have been discovered, or within two years following the date the warranty expired, whichever occurs first.

Implied Warranties

An implied warranty is the buyer’s assumption that condominiums are reasonably free of defects. State law provides two types of implied warranties to protect a buyer. The first type is available to purchasers of any newly-built home and guarantees that the condo-

minium is constructed according to sound engineering standards, in a thorough and workmanlike manner, free from defective materials and fit to live in. These types of implied warranties last for one year for nonstructural defects and two years for structural defects, beginning once the deed is delivered, or if the deed is delivered before completion of your unit, beginning after your unit is completed. However, if you take possession of your unit before it is completed and the deed has been delivered, the warranty period will start when you take possession.

The second type of implied warranty *only* applies to newly-constructed and converted condominiums. It covers specific defects in individual units such as walls, ceilings, and floors. The warranty guarantees that the heating and air conditioning systems are installed according to industry standards so that the heating system maintains 70 degrees and the air conditioning system maintains 78 degrees. This implied warranty is for a one-year period after the deed to your unit has been transferred.

There is also a similar implied warranty on the common elements such as the roof, foundation walls, electrical systems, plumbing systems and other structural components. The implied warranties on the general and limited common elements are only enforceable by the Council of Unit Owners and are effective for three years from transfer of the deed to the first unit owner in the condominium, or completion of the common elements, or two years from the date unit owners first elect a controlling majority of the members of the board of directors, whichever occurs last.

Any notification of defects under these implied warranties must be made within the warranty period. The deadline for a lawsuit is one year from the end of the warranty period.

If you discover defects in your unit (or the common elements) that are covered by any of these implied warranties, you should immediately notify your developer. The law requires that you give notice during the one- or three-year implied warranty period.

If the developer fails to respond, you should take action to enforce your warranty rights by contacting the Consumer Protection Division, or if you live in Montgomery County, its consumer affairs office [See *We're On Your Side*, p. 27]. You may also want to consult an attorney. You must file a lawsuit within one year after the end of the warranty period for all implied warranty claims. Therefore, if you are contemplating legal action, contact a lawyer promptly so that you do not lose your right to sue.

Your warranty might not cover smaller problems. One way to protect yourself is to register complaints with the developer during a walk-through just before settlement. Make a list of all defects during this inspection of your property, and get a written agreement that they will be repaired either before settlement or shortly afterwards. If you don't inform your developer about these problems, it could imply that you have accepted the condition of your property and thereby waived your right to insist on corrections.

Home Builder Guaranty Fund

If your condominium is new construction and you entered into your contract after January 1, 2009, you may be able to recover from the Home Builder Guaranty Fund for defects that are not repaired by your builder. If you have tried to resolve the issue with your builder but have not been successful, you should file a complaint with the Consumer Protection Division to begin the claim process.



7

LOVE THY NEIGHBOR

Bylaws and Restrictions

When purchasing a condominium unit, you will receive a copy of the bylaws from the seller as part of the Public Offering Statement or the resale package. Bylaws are very important because they deal with routine and administrative matters and give authority to the Council of Unit Owners to govern the condominium. The bylaws give broad powers to the council to take any action that is not inconsistent with Maryland law. When you buy a condominium unit, you agree that you will comply with the bylaws.

The bylaws affect all owners and impose another layer of governance in your life. You have a right to assert your position, but you may not always prevail. Bylaws may be amended by a vote of the owners, but individual owners must accept their neighbors' collective decisions about aesthetic, financial, and social matters. Although each unit owner is entitled to a vote, sometimes condominium associations do not seem to operate like the democratic system they are intended to be.

Bylaws can be beneficial. For example, they could control the objectionable behavior of your high-strung neighbors. On the other hand, if the bylaws are too restrictive, they might interfere with your freedom to make personal decisions. They may dictate conditions such as the use of recreational facilities, whether children or pets are allowed, the color of the carpeting in the shared hallway, and major decisions concerning exterior renovations that could affect the value of your property.

There might also be restrictions on parking and the types of vehicles allowed on the property. Some condominiums limit your right to rent your unit or may place restrictions on reselling, such as

requiring you to give the board the right of first refusal to purchase your unit or the right to approve a buyer. Consequently, you may not be able to sell to whomever you choose.

Just as some standardization is imposed on daily activity, condominium bylaws also require certain uniformity in the appearance of your unit. Generally, owners may not change the exterior appearance of their units without the permission of the council. For instance, you will probably not be allowed to add a balcony to your unit. You might not even be allowed to place geranium pots on your windowsill and window treatments may be restricted in size and color. In addition, if major changes are made within your unit, you will assume liability for any alteration that could impair the condominium's structural or mechanical components.



The Council of Unit Owners must meet at least once a year and usually elects a governing board. The meetings must be open to all unit owners and every owner has the right to vote. Some bylaws limit the voting right of owners if they have recorded a statement or lien against the unit owner for not paying assessments.

Special meetings can be held to address specific issues or, if permitted by the bylaws or other governing documents, to rescind decisions made by the board. The bylaws specify how elections and special meetings are held, what constitutes a majority of owners and a quorum for conducting business, the methods of voting, use of proxies and the manner by which bylaws can be amended.

These are the mechanisms that enable you to participate in condominium governance. You should attend these meetings and vote on issues concerning your community. The success of your condominium depends on the active interest displayed by you and your fellow owners.

As previously noted, the number of votes each unit owner has is stated within the declaration and included in the Public Offering Statement. Voting rights in the condominium are apportioned by unit. However, the developer represents the unsold units and has the majority vote until 50 percent of the interest in the condominium has been transferred to unit owners. At the 50 percent selling mark, the developer must transfer control of the condominium to the unit owners, and the Council of Unit Owners must meet to elect a board of directors within 60 days. However, the bylaws can specify that the developer has to transfer control even if fewer than 50 percent of the

units have been sold. The developer must deliver certain documents, funds and property to the officers or board of directors for the Council of Unit Owners upon transfer of control.

If you are thinking about buying a unit in a newly-created condominium, talk to the developer about plans for renting unsold units. If it appears that a substantial number of units might be rented by the developer, consider how this would affect your condominium ownership. Talk to other unit owners, a lawyer, or your real estate agent. If you are buying a unit in an established condominium, find out about the balance between owned and rented units and how ownership interests are affected.



9

THE FOLKS IN CHARGE

Board of Directors, Closed Meetings, Rules and Liens

The board of directors administers the internal affairs of the condominium in accordance with the bylaws, rules and regulations and can make operational and management decisions without approval of the unit owners. The board has the responsibility to respond to your concerns, and the bylaws should provide a procedure for removing a board member who fails to serve the interests of a certain percentage of unit owners.

The board relies on various committees of unit owners for guidance, assistance and information. In a well-organized, smoothly-operating condominium community, the board of directors and the committees work closely together. The board assigns the committees specific research tasks, and the committees complete those tasks, reporting their findings and recommendations to the board. Thus, the board is able to make informed decisions on community issues and the unit owners who serve on the committees help to protect and enhance their investment.

Closed meetings are allowed if the purpose of the meeting is to consult with legal counsel on legal matters or to consult with staff, personnel, board members or other persons on pending or potential litigation or other legal matters. Meetings may also be closed for consideration of the terms or conditions of a business transaction being negotiated if disclosure could adversely affect the economic interest of the Council of Unit Owners. Closed meetings are also permissible to discuss individual owner assessment accounts, investigative proceedings concerning possible or actual criminal misconduct, discussion of matters pertaining to employees and personnel, and for the protection of the privacy or reputation of individuals in matters not related to the Council of Unit Owners' business.

All other meetings must be open to association members without exception. During the next meeting after a closed meeting takes place, the board must note in the minutes that a closed meeting was held, and information about the purpose and authority for the meeting must be recorded. To make certain that all unit owners have a voice in the operation of the condominium, the law requires that all unit owners have access to the condominium's books and records as well as the minutes of all meetings.

Bylaws may only be amended by the Council of Unit Owners, but the board may adopt rules to meet special needs of the condominium without the consent of the council. However, the law provides a specific procedure to be followed by the board and any new rule can be rejected by the unit owners. This can be done at the annual meeting or by petitioning for a special meeting in accordance with the bylaws, as long as quorum requirements are met. If a unit owner violates a rule, and does not correct that violation upon notification, a hearing may be held that can result in a penalty. It should be noted that a unit owner, or the tenant of a unit owner, who violates the condominium bylaws or Maryland law, can be sued by any other unit owner, or the council, with attorney's fees potentially available to the prevailing party.

The board also has the authority to assess and collect money to maintain the financial stability of the condominium. It has the legal right to attach a lien to an individual unit for unpaid charges for repairs to the owner's unit, or for unpaid charges for authorized fees, repairs to the common elements or failure to pay assessments. A lien must be in compliance with the Maryland Contract Lien Act. Under this Act, a lien cannot be filed until the unit owner is given 30 days' written notice, stating the exact amount of money due and the owner's right to request a court hearing.



10

THE NUTS AND BOLTS

Maintenance, Budget and Insurance



Maintenance

The condominium's board has the basic duty to maintain the common elements. Documents necessary for maintenance and repair, if they exist, must be turned over by the developer when control of the condominium is transferred. There may be a contract with a management firm for maintenance and repair of common elements. Owners must depend on the firm's staff, whose competent performance is essential for a well-run condominium. The board

of directors should hire and oversee the responsibilities of the management firm. This ensures that there will be accountability for the company's services.

It is the responsibility of each condominium's board of directors to determine the amount of money to be kept in reserves for the replacement or repair of the common elements. It is necessary for a board to be aware of all items covered by the reserves. This can be done by a reserve study, which involves taking an inventory of common elements, including the quantity of each item, and record-

ing the number and square feet of items such as the roof, pavement, carpeting, wall surface, water tanks, air conditioning units, septic tanks, elevators and even trees. Once these assets have been identified, the remaining life of each item and replacement cost must be determined. These expenditures do not include regular maintenance or operating costs.

Prospective buyers should contact the board of directors to review data relating to reserve funds. Find out what kind of funding is in the reserves and whether any of this money has been used. Consider the age of the building, its present condition, and whether reserves have been going up or down over the past several years.

If a management firm runs the condominium, you will most likely have access to accurate and detailed reports. In a self-managed condominium, you may have to depend on the diligence and reliability of the board members to compile this information.

Budget

The board prepares an annual budget, which should carefully consider the needs of the community. Final approval of the budget rests with the board of directors, or the Council of Unit Owners, depending upon who is given this authority in the bylaws. Typical items found in the budget are administrative and management fees, maintenance costs, insurance premiums, taxes, and transfers to reserves for major expenditures. The budget must be adopted at an open meeting, and every effort should be made by the board to keep unit owners informed of the sources and distribution of funds on a line-by-line item basis. A special meeting of the Council of Unit Owners must approve expenditures that would result in assessments in excess of 15 percent of budgeted amounts, other than those for emergency conditions.

Audits, Books and Records

The board is required to keep books in accordance with good accounting practices. Once a year, 5 percent of the unit owners may

require the council to obtain an audit by an independent certified public accountant. Meeting minutes and financial statements from the past three years must be made available during regular business hours within 21 days after receipt of a written request, for examination or copying by unit owners. Alternately, the records must be mailed, e-mailed or delivered to the requesting party within the 21-day period. For requested meeting minutes and financial statements that are older than three years, the time period is extended to 45 days to provide the records or make them available. All other records must be made available within a reasonable time frame. The charge for copying and mailing records may not exceed the limits authorized under Title 7, Subtitle 2 of the Courts Article. Effective Oct. 1, 2009, the cost of copies was limited under this Article to 50¢ per page. As of Jan. 1, 2017, this same limitation applies.

Insurance

The board enters into contracts and maintains hazard and liability insurance for the condominium units and common elements. The Council of Unit Owners is responsible for promptly repairing or replacing insured property that has been damaged or destroyed. Owners will need private insurance for any installations such as appliances or furnishings, or improvements and betterments other than those installed by the developer. Send a copy of your association's master policy to your private insurance agent so you will be given the necessary supplemental coverage. If any damage or destruction originates in a unit, the owner of that unit is responsible for paying the insurance deductible under the master policy, up to the first \$5,000.

The condominium association must also purchase fidelity insurance, covering all persons who control or disburse funds, as soon as the first unit or lot is sold by the developer. Fidelity insurance protects the association and association members if a director or officer of the association causes a loss as a result of criminal, fraudulent or dishonest actions in dealing with the condominium association's money.

Meetings, Quorums and Amendments

Condominium elections are largely set forth in the bylaws. Here are some examples of how condominium government works:

- Unless your bylaws state otherwise, the Council of Unit Owners must hold its first meeting within 60 days after 50 percent of the units have been sold. Unit owners are entitled to at least 10 days written notification of the meeting provided they are listed in the roster kept by the council.
- Unless your bylaws state otherwise, a vote on condominium issues at a council meeting cannot be taken unless there is a quorum present, in person or by proxy, representing 25 percent of the total number of votes belonging to the Council of Unit Owners. However, unless the bylaws state otherwise, the bylaws can only be amended with a vote of $66\frac{2}{3}$ percent or more of the votes of unit owners. Effective October 1, 2017, this statute has been amended to permit bylaws to be amended with a vote of 60% or more of the vote of unit owners in good standing, unless a lower percentage is stated in the bylaws.
- Unless your bylaws state otherwise, rules may be disapproved if within 15 days after the board votes to adopt the rule, a petition calling for a special meeting is submitted to the board, signed by 15 percent of the unit owners. Fifty percent of the unit owners at the meeting must cast a vote to reject the proposed rule, and the vote must be more than 33 percent of the total vote allocated to all unit owners in order to be disapproved.
- Unless your bylaws state otherwise, special meetings on a specific issue can be held if proper notice is given and a quorum is present. Decisions are usually made by a majority of those present and voting.

Remember that once a vote is counted, you must abide by the outcome. For example, if the bylaws are amended to ban residents from having animals, it could mean that you may have to find another home for your pet, or give up your condominium. On the other hand, you might be one of the residents who do not want to be disturbed by barking dogs. The will of the majority determines these decisions about condominium life.

In addition, if a bylaw change is being considered, unit owners should carefully review the new wording to ensure it is consistent with existing wording in other bylaws, and that any changes are carefully explained.



The Maryland Condominium Act is under the jurisdiction of the Offices of the Secretary of State and the Attorney General. The Secretary of State is responsible for monitoring registration of condominiums created after July 1, 1981, and ensuring that developers include all information in the Public Offering Statement that is required by the Condominium Act. Call the Secretary of State's Office if you have any questions about registration of a condominium or if you would like a copy of the Condominium Act. You can also call this office to find out if local condominium laws have been enacted in your area.

The Consumer Protection Division of the Attorney General's Office has the authority to mediate and investigate complaints about alleged violations of the Condominium Act that affect consumers. However, problems related to the delivery of goods and services by the council or board are most effectively resolved by the unit owners themselves in the course of asserting their rights as voters in condominium affairs.

The Division sponsors a binding arbitration program. You may wish to consider persuading your council or board to participate in the program so that a free, swift and impartial forum will be available to resolve disputes that might otherwise fester and detract from neighborly life in the condominium. More information on arbitration is available from the Division.

The Montgomery County Office of Consumer Affairs also has a mediation and arbitration program designed to handle condominium disputes in that county.

1. What is a condominium association?

A condominium association is a governing group of unit owners who implement association bylaws and collect monthly fees to maintain and repair common grounds. The association will meet and vote on bylaws; it would be in your interest to attend these meetings to make sure your voice is heard. These bylaws affect your lifestyle because they must be adhered to by all residents. If you do not like the decisions being made, ask about joining the board. For more information on bylaws and meetings, please read Chapter 11.

2. My leasing company sent me notice that my apartment building will be converted into condominiums. What does this mean?

Conversion is the process of turning apartments for rent into condominiums for ownership. In Maryland, tenants have 15 days to turn down buying their respective units before the management company opens the units up for sale to the public.

3. What factors should I consider when searching for a condominium?

The most important factor is environment: Is it in a convenient location? Do you have access to public transportation and highways? Do you feel safe? You should visit local businesses and walk around the neighborhood to get a feel for the area. Remember to ask the condominium board for its meeting minutes and the rules and regulations of the association. Also, research the finances of owning a condominium, including the average property tax and monthly condominium fee. This will give you a clear idea of what to expect as a resident.

4. How do I resolve an issue with my neighbor?

If the issue cannot be resolved between you and your neighbor, alert the condominium association to the problem. Usually, the association is able to mediate a solution. Alternately, your only option may be to file a lawsuit.

5. When is the turnover for new condominiums?

Once a developer of a new condominium has conveyed units representing 50 percent of the votes, a meeting must be held within 60 days to elect the officers or a board of directors for the unit owners in accordance with the declarations or bylaws.

6. What records am I entitled to see when considering the purchase of a condominium?

You are entitled to see the Public Offering Statement or resale certificate package, which includes bylaws, rules and regulations, an operating budget, management agreements and a declaration describing your condominium development. Make sure to read Chapter 4 on the details of a Public Offering Statement.

7. Does the condominium association cover all my insurance needs?

Unfortunately, your monthly association fees only cover property and liability insurance for common elements. Owners should acquire separate insurance to cover any loss due to fire, theft or other unexpected property or liability loss within their own unit, as well as coverage for the first \$5,000 of loss that occurs in the event damage to any part of the common elements or other units originates in the owner's unit.

8. What can the Consumer Protection Division do for me?

The Division has the authority to mediate and investigate complaints about alleged violations of the Condominium Act that affect consumers. However, problems related to the delivery of goods and services by the council or board are most effectively resolved by the unit owners themselves in the course of asserting their rights as voters in condominium affairs.



14 | RESOURCES

Office of the Attorney General Consumer Offices

Baltimore

200 St. Paul Place, 16th Floor
Baltimore, MD 21202
410-528-8662
1-888-743-0023

Eastern Shore

201 Baptist Street
Salisbury, MD 21801
410-713-3620

Western Maryland

44 N. Potomac Street, Suite 104
Hagerstown, MD 21740
301-791-4780

Prince George's County

9200 Basil Court, Suite 301,
Largo, MD 20774
301-386-6200

Telephone Assistance

Cumberland

301-722-2000
9 a.m. – 12 p.m., 3rd Tuesday
of each month

Frederick

301-600-1071
9 a.m. – 1 p.m., 2nd and 4th
Tuesday of each month

Hughesville

301-274-4620

Office of the Secretary of State Condominium Division

16 Francis Street
Annapolis, MD 21401
410-974-5521
1-888-874-0013

Montgomery County Office of Consumer Protection

100 Maryland Avenue, Suite 330

Rockville, MD 20850

240-777-3636 (Phone)

240-777-3768 (Fax)

consumerprotection@montgomerycountymd.gov

Prince Georges County Office of Community Relations

Common Ownership Communities Program

14741 Governor Oden Bowie Drive

Upper Marlboro, MD 20772

301-952-4729

coc@co.pg.md.us

Condominium unit owners might want to join the Maryland Homeowners' Association (MHA), a statewide organization offering educational and counseling services on all phases of condominium ownership. The organization also urges county councils and the state legislature to pass condominium laws that protect your ownership rights and interests. You can find out more about MHA by writing to:

Maryland Homeowners' Association

P.O. Box 721

APG, MD 21005

301-654-9242 (Phone)

mail@marylandhomeownersassociation.info

www.marylandhomeownersassociation.info



OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION

BRIAN E. FROSH
ATTORNEY GENERAL