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# RON TUSLER

STATE REPRESENTATIVE • 3<sup>rd</sup> ASSEMBLY DISTRICT

**Testimony Before the  
Assembly Committee on Housing & Real Estate  
and  
Senate Committee on Insurance, Housing & Trade  
on  
Assembly Bill 518 & Senate Bill 432  
October 17, 2017**

Chairman Jagler and Chairman Lasee, members of the committee, thank you for the opportunity for a hearing on Assembly Bill 518 and Senate Bill 432. This bill makes a number of straight-forward, consumer-friendly changes to condominium transaction disclosures and requirements.

Currently when a condo owner wants to sell their condo they are required to provide a number of documents (disclosure materials) to a potential buyer. Under the bill a condo association would not be able to charge more than \$30 or the actual cost of providing the documents—whichever is less. This \$30 cap corresponds to the maximum chargeable amount for recording fees.<sup>1</sup> This will prevent runaway costs for these disclosure documents, which can often get lengthy. I have heard horror stories of anywhere from \$150-\$350 being charged for these documents which are a necessity for a condominium transaction.

Because the disclosure materials include a variety and large amount of information, in some instances hundreds of pages, current law requires an executive summary that specifies certain information or where it can be found in the disclosure materials.<sup>2</sup> Most importantly we require the disclosure of the amount of any reserve balance a condo association has so buyers can better assess the health and viability of the community they are potentially buying into. Other major information the bill requires be included in the executive summary is whether there fee, and if so how much, when transferring ownership and whether the condo association has a first right of purchase.

Additionally, the bill codifies practices related to what is commonly known in the real estate industry as a “payoff statement.” A payoff amount is any balance a unit owner owes a condo association. An owner can request a copy of this “payoff statement” to know and show that the owner is in good standing with the condo association. While this is common practice, codifying what is in the payoff statement and providing timelines for when it must be provided will prevent unnecessary closing delays. Finally we permit email as an acceptable means for delivery of disclosure materials.

Thank you for your time and I urge you to support this consumer-friendly bill.

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<sup>1</sup> See Wis. Stat. 59.43(2)(ag)1.

<sup>2</sup> See Wis. Stat. 703.33(1)(h)1.-12.



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# **DEVIN LEMAHIEU**

## **STATE SENATOR**

**Senate Committee on Insurance, Housing and Trade  
and  
Assembly Committee on Housing and Real Estate  
Testimony on Senate Bill 432 and Assembly Bill 518  
Tuesday, October 17, 2017**

Chairman Lasee, Chairman Jagler, and Members,

I'm sorry that I could not be with you all today, but thank you for taking the time to hear testimony on Senate Bill 432 and Assembly Bill 518. This bipartisan, consumer-friendly legislation makes a number of changes to condominium disclosure materials and payoff statements in an effort to make the process of buying or selling a condo easier and more transparent.

Under current law, a condo association has the ability to delay the sale of a condo by charging unnecessarily high rates to produce needed materials or by failing to produce these materials in a reasonable time frame. This bill would require an association to take no more than 10 days to produce a condominium payoff statement to an owner, and sets a \$25 cap for any potential fees associated with providing the document.

SB 432 and AB 518 would also require the executive summary of a condominium to include certain crucial information. An executive summary provides a potential buyer with basic information about the property. This bill would require an executive summary to include all of the following:

- If the condo association maintains a reserve fund for repairs, and if so the amount of those reserves
- Whether the condo association maintains the right of first refusal to purchase the unit
- Whether the association levies a fee in connection with the sale or transfer of the unit, and if so the amount of that fee

This common sense piece of legislation will ensure that the potential buyer and seller of a condominium have all the information they need to close a deal in a timely fashion, without having to pay exorbitant fees for necessary documents. Thank you for your consideration.



Wisconsin REALTORS' Association

**To:** Senate Committee on Insurance, Housing and Trade  
Assembly Committee on Housing and Real Estate

**From:** Cori Lamont, Director of Corporate and Regulatory Affairs  
Tom Larson, Senior Vice President of Legal and Public Affairs

**Date:** October 17, 2017

**RE:** SB432/AB518 – relating to: condominium disclosure materials and payoff statements

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The Wisconsin REALTORS® Association (WRA) supports SB432/AB518. The objective of this bill is to provide certainty in the fees condominium associations and/or their management companies may charge to produce condominium disclosure documents and payoff statements. Further, this bill offers clarity relating to information pertaining to the condominium and recognizes a modern process of electronic delivery by allowing condominium disclosure documents to be delivered electronically.

#### **Fees Charged for Condominium Documents and Payoff Statements**

Sellers of condominiums are required to provide condominium disclosure materials (condominium bylaws, rules, etc.) to a buyer in a transaction. Some condominium associations and/or their management companies are charging substantial fees to provide these to the owner. Statutorily limiting the cost of providing these documents to the owner to \$30 and any update to \$15 reduces the potential financial burden on an owner and possible increased cost of a Wisconsin condominium transaction.

When executing a closing of a condominium unit, there is a payoff statement needed from the condominium association stating what, if any, unpaid assessments or other fees are owed by the unit owner. Some associations and/or their management companies have started to charge a large fee for this payoff statement to be provided. Additionally, closings are delayed because the association and/or management company fail to provide the statement after repeated requests. Providing structure to these condominium payoff statements similar to mortgage payoff statements creates guidance to the process, allows penalties for failure to meet deadlines set forth in the statute and creates limitation on the amount that may be charged for the payoff statement.

#### **Executive Summary**

The executive summary is a user-friendly index that helps to provide a summary of some of the most important pieces of information relating to condominiums such as rules for pets, rental, parking, etc. To provide purchasers with a full appreciation for the financial health and policies of the condominium they are purchasing, the bill requires the executive summary to include: (a) a date on which it was prepared or revised, (b) state the amount of the reserve balance, (c) disclose whether the condominium association has a first right to purchase the condominium unit and (d) disclose any fee charged and amount in connection to the transfer of the unit's ownership.