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Writer's Direct Dial No.

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To: The Honorable William C. Smith, Jr.
Chair, Judicial Proceedings Committee

From: Karen S. Straughn
Consumer Protection Division

Re: Senate Bill 471 – Condominiums – Disclosures to Unit Owners and Prohibited Provisions in Instruments by Developers (SUPPORT WITH AMENDMENTS)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of Senate Bill 471 submitted by Senator Katie Fry Hester. This bill, with amendments proposed by the Division, would require the board of directors of a condominium association to disclose agreements, other than agreements related to personnel matters, to unit owners and prospective unit owners, and to prevent the governing body from entering into agreements that prohibit the disclosure of any terms of the agreement to settle a disputed claim.

A condominium purchaser is not only responsible for the maintenance of their own unit, but is financially committed to the maintenance of the common elements of the condominium as well. To make a reasoned decision, it is important that the purchaser be made aware of any lawsuits or settlements that could impact their ownership interest. To ensure that the purchase of a condominium unit is fair and that relevant information is disclosed, governing documents and other relevant documents are statutorily required to be provided to the purchaser by the seller. The board of directors should not be permitted to enter into agreements that withhold important information which could materially alter this information without the knowledge of the owner of the property. This bill ensures that the board of directors is required to disclose to unit owners relevant information contained in a settlement agreement or an order of a court which may impact their ownership interest.

The amendments to the bill require disclosure to prospective unit owners as well as current unit owners and thereby mandates transparency to all those affected by the agreement or order. In addition, due to the potential harm that could result from disclosure of personal information regarding an employee, the proposed amendments would exempt agreements related to a personnel matter from those that must be disclosed.

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For these reasons, we ask that the Judicial Proceedings Committee return a favorable report on this bill with the amendments suggested.

cc: The Honorable Katie Fry Hester
Members, Judicial Proceedings Committee