

A Comparison of the Cost of HOA Home Sale Transfer Fees Paid by Home Sellers to HOA Property Management Firms

vs.

Using Private Companies that Specialize in this Service or with the home owner/Realtor Completing the Task

Alternatives to Completing the Transfer Fee Can Save Home Owners Millions

HOA Home Sale Transfer Fee Cost Analysis when alternatives are present*

***This is the only fee/billing imposed on a consumer that doesn't require the business, upon demand for payment, to provide the payee with an invoice documenting what was done to earn the fee, when completed and line item charges. If not paid a home can't be sold. Even when not using the property management company (PMC) to complete documentation requirements (transfer fee) the home seller must still pay the PMC. Worse yet, the services related to the Transfer Fee have all been previously paid for with HOA dues i.e. double billing. Homeowners are unaware of options that enable them to avoid this costly fee.**

A comprehensive discussion on HOA Home Sale Transfer Fees is on the Colorado HOA Forum's web site.

Financial Analysis of HOA Home Sale Transfer Fee Options
Presented by: Colorado HOA Forum www.coloradohoaforum.com
Providing Homeowners Options in the Marketplace Save Millions in Fees

It's all about providing homeowners options in the market place. Property management companies (PMC) in HOAs have a de facto "lock" of HOA data and some services they provide to home owners. In particular, although HOA governing documents are owned by the HOA, upon hiring a management company a Board unofficially turns over management and control of these documents. Also included in the documentation repository of the PMC are homeowner billing statements, minutes of meetings, financial statements and [other documents required by home sellers upon sale of their home](#). A service that is completed upon the sale of a home is the HOA home sale transfer fee that is basically providing a home buyer and Title company with HOA documentation (cost to home seller \$300-500-1,000+). Home buyers are led to believe (and are almost always unaware of this fee until immediately prior to closing on a home) that the PMC is the only entity that can complete this service. HOA Boards allow the fee and never explain it to homeowners or challenge the fee. However, this service can be completed by private sector businesses for \$50-60 or a home owner can complete this for no cost by downloading the information from the HOA web site or by an email request to the PMC. Homeowners are led to believe the transfer fee is some very legal and complicated process but it is the opposite: simply printing or downloading the documentation and providing to those with a need to know. Worse yet, when alternatives to the PMC are used the PMC still demands payment and if not paid the home sale is stalled until payment. The presentation below presents the cost savings to homeowners using alternatives to the PMC. This is a costly HOA practice and requires reform.

The HOA Transfer Fee (TF) represents a subsidy to the multi-billion-dollar HOA Property Management (PM) industry in millions funded by HOA home sellers.⁵ Legislative action is required to rectify this abusive, unjustified and costly assessment levied on homeowners by (PM) property management. Such legislative action would not increase costs to homeowners, HOAs, real estate transactions or property management companies or require any new bureaucracy.

HOA Home Sales Transfer Fees (TF): a) visit the [Colorado HOA Forum's web site](http://www.coloradohoaforum.com), www.coloradohoaforum.com, click on Transfer Fees icon on home page for in-depth information on this fee b) this fee has become a de facto (not legally required) mandatory fee imposed by HOA PM companies and not questioned by HOA Boards, Realtors or Title companies all of which accept and enable unjustified economic reasons for charging the fee and/or have little understanding what the fee encompasses has already been paid for with HOA dues. Homeowners are not presented with any viable options to complete TF services: they are led to believe this is a legal requirement and only the HOA's PM can complete. 3) TF services can be provided through HOA Transfer Fee service providers in the private sector saving hundreds of dollars on each home sale 4) the State, through its' HOA registration process, could at no cost to HOAs create a State HOA data repository to provide homeowners a very low means to complete TF services: require download HOA documentation as part of registration 3) all transfer fee income is retained by the property management company and not the HOA with fees set by the PM company ranging from \$300 to 500 and over \$1000 for the same "supposed" work completed 8 and 4) this is the only fee charged by a business in Colorado that requires no explanation, documentation, invoice: it's charged because it can. TF are charged to provide home buyers with HOA governing documents and other information all of which already exists on the HOA web site and already paid for with HOA dues

TF related services involve providing home buyers with HOA documentation (defined on the State Division of Real Estate web site or on [the Forum's web site](#)) and a final billing to the home seller indicating the financial status of the home seller with the HOA. This information is at no cost to any homeowner at any other day of the year except when selling their home in which case this costs \$300-500-to over \$1000 8: a scam an income enhancement opportunity by PM. Worse yet, all this documentation has already been paid for with HOA dues representing a de facto duplicate billing scheme by property management companies that is enabled by Realtors, HOAs and Title companies that never challenge or explain or require documentation of the fee.

Simple legislation can resolve the fleecing of home owners at no cost to taxpayers, HOAs, homeowners, Realtors or businesses is below: 1) Require HOA property management companies to provide home sellers an invoice when demanding TF indicating what was completed to earn the fee, when completed and line item cost and a statement on the invoice indicating that all charges haven't been previously paid for with HOA dues. This would reveal that all charges have already been paid for with HOA dues and represent duplicate billing. All other businesses provide a final invoice at no charge with detailed information 2) developing a State HOA data repository that is populated as part of the HOA registration process to include all HOA governing documents and HOA information required to complete a home sale. Home owners or private companies could easily access such information and generate required documentation. Completing either or both items doesn't add costs to HOAs and doesn't add material labor costs to complete documentation requirements as all such documentation already exists and has been paid for via HOA dues.

The raw numbers on processes to complete the TF portray numerically how providing the homeowner an option to complete TF with a private company (not via the HOA management company) or by themselves can save millions in fees. Computations involve current process cost to homeowners and comparing with completing same TF via private TF service provider and completing TF by homeowners.

A State HOA Data Repository created as part of the State HOA Registration process that requires downloading HOA documentation to the State in addition to current required information would produce cost savings in the millions to HOA home owners. This can either be created legislatively or through DORA/State HOA Office expanding the registration process.

Note, when a homeowner uses a private company to complete TF tasks the management company still is allowed to charge the full price even though completing no work to earn the fee.

Note, HOA property management companies utilize the services of private companies specializing in completing TF home closing documentation tasks: they pay the company \$50 and then charge the homeowner the full fee of \$300-500++: thus the management company does nothing to earn the fee.

Example A: TF Assessments to Home Sellers from HOA Property Management Company

Number of HOA households in Colorado:	approximately	1,000,000	¹
Estimate 7% turnover/home sales		70,000	
Average HOA Home Sale Transfer Fee		300	^{2 9 10}
Average HOA transfer fee assessed by HOA to Title Company paid for by home seller		125	⁴
Total paid by home sellers per year in Transfer Fees to property management companies	(70,000 X 300)	21,000,000	
Total paid by home sellers per year in Transfer Fees to Title Company (that paid the property management company and collects at closing from home seller)	(70,000 X 125)	8,750,000	
Grand Total of transfer fee assessments 7% turnover paid by home sellers annually		29,750,000	

Example B: TF Assessments to Home Sellers from HOA Property Management Company

Number of HOA households in Colorado:	approximately	1,000,000	
Estimate 3% turnover/home sales		30,000	
Average HOA Home Sale Transfer Fee		300	^{9 10}
Average HOA transfer fee assessed by HOA to Title Company paid for by home seller		125	
Total paid by home sellers per year Transfer Fees to property management companies	(30,000X 300)	9,000,000	
Total paid by home sellers per year in Transfer Fees to Title Company (that paid the property management company and collects at closing from home seller)	(30,000 X 125)	3,750,000	
Grand Total of transfer fee assessments with 3% turnover		12,750,000	

Example C: HOA Home Sale TF completed through a private company specializing in transfer fees 6

Estimate 7% turnover/home sales	70,000	
Average charge to complete transfer fee services from private sector	50	
Total paid by home sellers per year using option of private sector companies (70,000 X 50)		3,500,000
Cost savings using private company vs using HOA management company (21,000,000 vs 3,500,000)		17,500,000
HOA transfer fee assessed to Title Company by private companies paid for by home seller at home closing	50 (often free or 20)	
Total TF assessed to Title Company by private company paid for by home seller at closing (70,000 X 50)		3,500,000
Cost Savings related to Title Company fee (8,750,000 vs 3,500,000)		5,250,000
Grand total TF assessments using private companies (3,500,000 + 3,500,000)		7,000,000
Total Cost Savings Using Private Company (17,500,000 + 5,250,000)		22,750,000 3

Example D: HOA Home Sale TF completed through a private company specializing in transfer fees 6

Estimate 3% turnover/home sales	30,000	
Average charge to complete transfer fee services from private sector	50	
Total paid by home sellers per year using option of private sector companies (30,000 X 50)		1,500,000
Cost savings to home owners using private company vs using HOA management company (9,000,000 vs 1,500,000)		7,500,000
TF assessed Title Company by private company	50 (often free or 20)	
Total TF assessment to Title Companies by private firms (30,000 X 50) (paid by home seller at closing)		1,500,000
Cost Savings related to Title Company fee (3,750,000 vs 1,500,000)		2,250,000
Grand Total of TF assessments using private firm with 3% turnover		3,000,000
Grand Total Savings Using Private Company (12,750,00 vs 3,000,000)		9,750,000 3

Option

Example E Homeowner completes utilizing a State HOA data repository that is populated and updated via the HOA registration process 3 7

Costs to homeowners using State data repository and completing the documentation for home closing themselves	\$0
Cost Savings "do-it-yourself" 7 3	\$ 20-30,000,000

1 Estimate based on HOA Registration data base. Since not all HOAs are registered this number is conservative estimate

2 Fees typically range from \$200 to over \$1,000. TF income is not deposited into HOA accounts but into property manager company records. TF are not supported by any detailed invoices to the payee. There is no standard verbiage for identifying TF on home closing documents for either home seller or Title Company. TF completed by private firms at the request of management companies and then bill homeowners 5-6-8 times the cost are not identified. It is nearly impossible to audit the income from TF with this scenario of no invoices or need to justify the TF. However, based on samples of closing documents the amount of the TF on average is supported and industry study documents support an average of \$350. The number of HOA homes sold yearly is not known thus two scenarios of 7% and 3% turnover are conservatively used. With a good number of the total HOA households being condominiums that normally have a higher turnover rate these percentage appear within reason. Fees have no benefit to the HOA.

3 HOA transfer fees are assessed home sellers automatically with options in the marketplace not disclosed to homeowners and even when options to complete the transfer fee documentation are completed via a private company or by the home owner the HOA property management company will still demand payment of the fee and if not paid a home won't be sold. A State data repository of HOA documentation and reform to preclude charging of transfer fees by management companies when such service is provided in the private sector would save home owners millions.

4 Note, HOA property management companies typically charge Title Companies transfer fee services of \$125-200 or more that can be completed by private firms for \$40-50. This mostly involves duplicating that which was done for the home seller. Homeowners not aware of or if services provided by private company or homeowners management company still charges the seller.

5 None of the money collected from HOA transfer fees is of benefit or deposited in HOA accounts. Rather the money is retained by the property management company, the fee is set by the property management company and goes unchallenged by HOA Boards, and all services of providing home sellers with documentation have already been paid for with HOA dues and are free for the asking except when a home is sold thus representing duplicate charging. Homeowners are unaware of private companies that can complete the transfer fee services for 80%+ less than using the management company or doing this work themselves at zero cost. Note, property management companies still bill the home seller even when all the work is completed by the home owner or via a private company. This "bill regardless of who does the work" practice is enabled because property management companies are the only business in Colorado that can demand payment for services without proving and documenting what work was completed to earn the fee, when work was completed and line item cost: if this was done it would show all work previously paid for with HOA dues.

6 Amounts verified with HOA transfer fee providers in private sector

7 Do-it-yourself process simply involves either 1) downloading files from a State data repository and recording on a CD for delivery to home buyer and Title Company or 2) requesting the HOA property management company complete item "1" and deliver to home seller who delivers to home buyer and Title Company or 3) downloading such information from HOA web site when available to complete item "1". HOA property management company in all three scenarios should not charge a transfer fee other than special delivery service charges as they did no work to earn the fee and in particular did not work not paid for previously by HOA dues.

8 HOA property management companies claim they incur unique and material costs to complete HOATF services is refuted by the very fact they hire private companies to complete the service for \$50 and then charge the homeowner \$300-500+ . Thus, the management company simply farms out the work and marks it to the home seller and incurs no additional costs to complete.

9 Additional savings to homeowner by avoiding "rush fee" (late ordering) using private companies and do it yourself: \$100+

10 Using private firms the homeowner is not charged again in the event of home closing cancellation or in providing to multiple prospective buyers as is the case with the HOA property management company