Buying a Home in an HOA?
You may end up paying seller's delinquencies and unpaid bills

If you buy a home in an HOA you will want to know if the seller is delinquent on HOA dues, owes for special assessments or has outstanding fines for violations. This service (referred to as a home sale Transfer Fee that includes a "Status Letter" to confirm the seller's financial obligations to the HOA) is supposedly completed by the HOA's property management company (PMC) and costs the home seller on average $350. However, there is nothing in the law or in closing procedures on a home sale in an HOA that requires the buyer be apprised of a seller's HOA debt obligations in writing or verbally (even though the seller was invoiced for this service). A buyer or seller can request a copy of the Status Letter but can be refused. The result is that a buyer may end up with a post-home-closing levy requesting payment of the seller's unpaid debt/obligations.

Home buyers rarely receive, prior to home closing, written confirmation about the seller's financial status with the HOA. PMCs refer to this service (paid for by the home seller) as producing a "Status Letter" that is nothing more than a print out of the home owner's monthly billing already paid for via HOA dues and can be obtained for free at any time except upon home closing. This service is not legally required and not requested by the home seller or buyer (but should be). PMCs can charge hundreds of dollars for the Status Letter and are not required to provide the seller or buyer with any written report of their findings: it's pay it or the home sale transaction can terminate. Worse yet, home sellers are first made aware of this fee at home closing when they observe a one-line entry on closing documents without explanation or documentation.

The Colorado Department of Regulatory Agencies (DORA) that regulates/licenses PMCs has endorsed the practice of PMCs billing home owners without requiring any receipt or explanation of fee for services. DORA has refused to require PMCs to provide a copy of the Status Letter to the home seller/buyer to confirm completion of this fee for service and critical information in the home sale transaction. No other business in the State can demand payment without providing a receipt of services provided. Further, DORA doesn't require a Realtor, HOA, or Title Company to reveal or document the financial status of the home seller to the buyer at closing. This practice makes the home buyer vulnerable to financial obligations/complication of the seller post-sale. DORA's mission statement indicates they provide consumer protections but defines full transparency and disclosure as billing consumers without requiring any evidence of services performed or documentation.

PMC's are required by law to include mention of all fees to be assessed home owners in their contract with the HOA.   However, they are not required to include any explanation of what is done to earn the fee nor are they required (like all other businesses) to provide the payee with an invoice detailing work performed to earn the fee. In the case a Status Letter billing to the home seller, the purpose is to apprise the buyer of the financial status of the seller with the HOA but if they are not required to document the findings to the buyer or seller the fee is a hoax and phantom billing at best and simply a means to extort money from a home seller simply "because they can". Thus the home buyer can end up with unknown financial obligations of the seller that

can lead to liens on the property, legal costs to the buyer to fight the unknown delinquencies, and future costs to address fines related to HOA violations.

Buyer beware when moving into an HOA. All buyers should demand a certification, in writing, from the PMC concerning the financial status of the seller with the HOA. All sellers should demand evidence in the form of a final billing from the PMC that indicates their financial obligations with the HOA. Realtors and Title Companies should also support their clients in these demands.