

HOA Transfer Fees

set the record straight on this scam with the below “dirty dozen”

Consider these facts as to the legitimacy of HOA Home Sale Transfer Fees: ***

- 1) HOA home sale transfer fees do not benefit the HOA, are **not required by law, aren't mandated by HOAs** (some do not allow this fee) and the amount of the fee is not determined by the HOA but by the property management company (PMC). This is an on-demand fee, can't be challenged by the home owner, no evidence/documentation of what was done to earn the fee.
- 2) The transfer fee is only to be charged for unique, extraordinary, and material costs incurred by the HOA's PMC due to the sale of a home. PMC contended services provided in regards to the sale of a home have already been paid for via HOA dues. If the PMC incurs a cost required under the law and not already paid for via HOA dues they should be able to recover such expenses at a reasonable cost and documented on a detailed invoice to the home seller.
- 3) **Home sale closing procedures include explanations and documentation** of legally required costs to the home buyer/seller for taxes and escrow, home insurance, home appraisal, Title insurance, etc. and identification of existing liens and other encumbrances legally filed against the property by government and other entities. The Transfer Fee is not explained nor documented: it is shown as a one-liner on a closing statement not indicating what was completed to earn the fee not already paid for via HOA dues, when completed and line item cost. If the PMC can readily charge the fee they most certainly can provide a detailed invoice to the consumer.

The Title company will charge the home seller/buyer to recover any expenses incurred and charges received from the PMC. Note, the PMC is thus charging both the seller of the home and the Title company for the same services and services already paid for via HOA dues. The Title company will rarely identify charges on home closing documents as coming from the PMC but rather label them as some type of administrative charge supporting the duplicate billing.

Also note, identifying liens and officially filed encumbrances against a property is not the responsibility of the PMC but the Title company: this would be duplicate billing of the consumer. Apprising the Title company of delinquent fees, fines, and assessments on the property is nothing more than providing the Title company with a home seller final billing and providing such a document is free of charge at any time of the year other than when the home is sold. Again, the home seller is charged three times for this service at home closing: HOA dues, Transfer Fee to home seller, and Title company.

Documentation supporting a final billing through a detailed invoice is in no way a unique demand upon business. Reference final billings you receive upon moving for cable tv, utilities, Internet providers, and water and sewage services (that are not part of the closing process and thus this fee should not be included in the closing process as it is a transaction little to do with home closing) and you will find detail and with no extra charge to generate the bill.

- 4) There should be a requirement in that HOAs inform home owners of the fee. Currently they only become aware at time of closing with no explanation/documentation.
- 5) HOAs are mostly managed by PMCs. Boards default most decisions concerning contracting, financial management, and the operations of HOAs to the PMC. HOA Boards generally have no experience in contract management, managing an HOAs affairs, nor do most challenge anything the PMC demands/requests. Thus, HOA PMCs easily convince Boards that the fee is standard and required to gain reimbursement for incurred, unique, material, and extraordinary costs related to the sale of a home. PMC contracts with HOAs should include:
 - a. An “explicit clause” stating that the fee can only be charged for unique, material, and extraordinary work not paid for via HOA dues (to preclude duplicate billing); what work is required and completed to earn the fee and what work is charged to home seller that is optional and imposed on the home seller; what work is legally required; what work requires hiring a lawyer to complete upon the sale of a home and why and who requires it; state that the home owner will be apprised of the work completed to earn the fee via a hard copy/electronic detailed invoice providing line item cost for each unique service and when completed.
- 6) PMCs determine the amount of the fee, retain the fee, never provide home sellers with a receipt for payment indicating what services were performed by line item and when performed: no other business can demand payment without any proof of services performed. The fee charged can’t be challenged by the home seller, the services performed can’t be shopped for in the market place (although there are companies that provide Transfer Fee services the home owner doesn’t have access or knowledge of such services that would cost approximately \$45-50 and not the PMC average of \$350), and if not paid the home won’t be sold. The fee ranges from \$100 to over a \$1,000 and there is no relationship between contended services performed and invoice amount. Some HOAs preclude PMCs from charging the fee as they have determined that all REQUIRED services are paid for with HOA dues and don’t warrant any special fee for a home sale other than a minor administrative charge for preparation of a CD or electronic file for the buyer or Title Company. No increased costs will be incurred by the HOA with the elimination/limit in amount of transfer fee to \$50 or less.
- 7) A Title Company often charges home sellers for costs they are assessed from the PMC that involve replicating what they billed the home seller: why charge both? This often is listed on home closing documents as a Title Company “administrative” charge that includes PMC charges. Specifically, the Title Company is sent a CD or file containing governing documents and a copy of the home seller’s final billing statement (aka Status Letter) all produced in minutes via a computer application, is considered part of the PMCs standard operations and contract with the HOA with no extraordinary work or material cost incurred, no legal certification is required on these documents from the PMC, and such effort requires no research or confirmation if the PMC records are up to date, organized and accurate. Note, when a home owner applies for a home loan refinancing, car loan, etc. the PMC provides the home owner at no separate charge their latest billing statement (Status Letter) or forwards to the loan company for no or low cost (\$10 or less). Why charge when home is sold?
- 8) There is no legal requirement of a need to have any HOA governing documents or final billing to home owner (Status Letter) certified by a lawyer indicating their financial status with the HOA is accurate (is it inaccurate at other times?): this is padding the bill. The PMC records should

always be assumed to be up-to-date, accurate, and reflect all financial information based on their contract responsibilities with the HOA. Thus, a certification adds nothing to the process.

- 9) PMC transfer fee billings should never include: a) items paid for with HOA dues b) items identified and included in the PMC contract with the HOA c) items that are not unique or extraordinary with the sale of a home. For example, changing names in a directory (kids move in-out, residents have new children, divorce requires name and resident changes, deaths, etc.); covenant violation and enforcement as this is an ongoing task; billing address and name changes; updates to bank accounts for paying dues and other debt; issuing a current billing statement showing all obligations of the home owner including special assessments and payment schedules for miscellaneous obligations to the HOA; billings and collection costs for delinquent accounts; re-issuing card keys and other security measures for the new home owner; issuing parking passes; providing a copy of a financial statement, reserve study or governing documents all of which are normally accessible on the HOA web site free or no charge upon request else a copying charge may be assessed; identification of special assessments in affect (shown on the final billing to the home seller); pending legal actions/settlement (normally requested by the Title Company with any PMC charges passed on to the home seller); identification of liens as this is the responsibility of the Title Company not the PMC; and any other routine work completed by and expected of the PMC by the HOA home owners.
- 10) PMCs utilize the opportunity to charge a home sale transfer fee to enhance income knowing that neither the HOA Board, Title Company or the home seller's/buyer's Realtor will challenge the fee: it is charged simply because it can be and has become institutionalized by Realtors and Title Companies who without any question or knowledge of the fee simply get their clients to pay it. Most professionals involved in home closing don't understand the fee and think it is legally required, it benefits the HOA, the HOA determines the amount and retains it and that there are significant costs to the PMC to transfer ownership of a home: all not true and thus they blindly endorse the fee. Finally, since there is no explanation and no receipt of who is billing and receiving the fee these professionals remain ignorant as to why their client is being assessed the transfer fee. This is detrimental enablement and approval and shows no concern or respect for the seller's finances.
- 11) PMCs should be able to recover and bill for any material, unique, and extraordinary expenses incurred due to the sale of a homes
- 12) An HOAs contract cost with the PMC will not be affected when an HOA precludes the charging of a home sale transfer fee. Bids submitted to HOAs by management companies should not be computed and rely upon "anticipated transfer fee" income. A PMC lowering their bid based on anticipated revenue from the transfer fee can place the HOA in jeopardy if such revenue is relied upon to deliver services. Low-balling a contract bid by the amount of anticipated transfer fee income places large, well-funded PMCs in a position that small PMCs can't afford with their small profit margins and tight financial resources. Thus smaller PMC contracts may be higher and less competitive because they don't bid anticipating transfer fee income.

Legislation is the only means to contain this abusive fee. In particular, require that home sellers be provided a detailed receipt when paying transfer fees; require HOA contracts with PMCs to explicitly indicate what services will be charged to the home seller that are unique, extraordinary, and material related to the sale of a home by line item cost and certifying that all such expenses/work incurred by the PMC are not otherwise or at anytime provided to home owners as part of their contract with the HOA;

indicated on the transfer fee billing/invoice that all work is required and not optional in the sale of a home in an HOA and which charges have been individually ordered by the HOA and required to sell the home and that none of the line items on the billing have also been charged to other entities such as a Title Company.

***The HOA Transfer Fee is not a buy-in fee or pre-payment of HOA dues. The fee has no benefit, the money is not used to fund HOA reserves, pay for any type of membership, a cost of transferring a title, or lien search.