

## When Will Legislators Address the Issue of Excessive HOA Transfer Fees?

I have written before about the excessive fees charged by HOA management companies upon the sale of an HOA member's home. The fees really add up. Here are some of them:

**Status letter fee:** The management company charges this fee to provide what is essentially a final bill to title company which is handling the transaction. It says whether the seller is current on his HOA dues and whether he/she has any outstanding fines or other financial obligations. I've seen \$75 charged for this letter.

**Documents fee:** State law has for several years required a seller to provide a variety of documents to the buyer, including the most recent six months of HOA board meeting minutes, the most recent annual membership meeting minutes; financial statements, including a reserve study; and a current budget. In my experience, the fee for this service has varied from \$75 to \$150.

**Covenant compliance inspection:** This newer fee covers the cost of visually determining whether the current owner is violating any covenants, such as landscaping, painting, etc. I've seen \$75 charged for this service.

**Record change fee:** This fee is for changing the name of the owner on the management company's records. It is typically in the \$100's, but can be as high as \$1,000.

Recently, I received a disappointing report from Stan Hrinkevich, founder of Colorado HOA Forum, LLC, a grassroots organization representing the interests of HOA members. Excessive transfer fees is one of the signature issues of this organization.

In his email, Stan reported on his visit to eight different state legislators, hoping to interest them in regulating transfer fees, which are clearly getting out of hand.

Stan wrote that these legislators "still believe the HOA determines the amount of the fee and retains it. Some believe transfer fees are a tool used by HOAs to keep HOA dues lower. No one understands why the fee is charged. They also continue to believe that the Community Association Institute (CAI), the trade organization for Community Association Managers, represents homeowners. Then there was discussion of requiring managers to provide a detailed invoice to the homeowner for transfer fees.

One legislator asked why would we want them to do that."

Here are the facts of which these legislators are obviously unaware:

1) The management company hired by the HOA determines all such fees and retains them in their entirety.

2) Because the HOA does not receive any of these fees, the fees do not help keep HOA fees lower.

3) The Community Association Institute is a lobbying group for the management companies. This organization does *not* represent HOAs and certainly doesn't represent HOA members.

4) CAI lobbies the legislators to prevent regulation of transfer fees. No one (other than Stan) lobbies on behalf of homeowners.

### REAL ESTATE TODAY



By JIM SMITH, Realtor®

## FHA Reduces Monthly MIP

The Federal Housing Administration has lowered its monthly mortgage insurance premium (MIP) by 0.25% on closings that occur after Jan. 27, 2017.

On FHA loans, which allow a down payment as low as 3.5%, there is an upfront MIP of 1.7% added to the initial loan amount, and thereafter 0.85% of the remaining principal is charged each month. That **monthly** MIP fee was just reduced to 0.6%. This reduction is projected to save FHA-insured homeowners an average of \$500 annually.

FHA no doubt made this change due to a loss of market share, but it was made possible because FHA's fund for covering loan defaults is back above its congressionally mandated level. In the past, only FHA loans allowed buyers to have such a low down payments, but now many conventional lenders are offering down payments as low as one percent. When conventional lenders charge mortgage insurance on low-down payment loans, it could be an upfront fee at closing or a monthly fee (not both), and it goes away when the borrower reaches 20% equity (verified by an appraisal). The MIP on FHA loans lasts for the life of the loan, which remains a serious competitive disadvantage for FHA loans.

## Arvada Home Offers Both City & Mountain Views



This home at 17874 W 77<sup>th</sup> Lane is a winner! It's got views of downtown Denver to the southeast and beautiful mountains to the west. The Spring Mesa subdivision is located on 300 acres with 160 acres of open space, parks and trails. This is a stunning 2-story home with an unfinished walk-out basement. The gourmet kitchen opens to the deck (see picture) and has stainless steel appliances, slab granite counter tops, travertine tile backsplash, double ovens and 42" custom cherry cabinets. The large 21' x 29' master suite has those great views and a 5-piece bath. The extra spacious loft can be used as a TV room, office, sitting room, library, kids play room or a hobby area. The expansive deck is a great spot to entertain and leads down to a flagstone patio that has a wonderful water feature, a fire pit and a professionally landscaped yard. Take a narrated video tour at [www.SpringMesaHome.info](http://www.SpringMesaHome.info), then call David at 303-908-4835 or come to his open house **Sunday, January 22nd, from 1 to 4 p.m.**

As a result, nothing changes on this common rip-off of HOA members when they wish to sell their homes.

My hope is that exposing the truth will lead to enlightened discussions and eventual legislative action to limit these fees. Forward this article to your legislators!

## Colorado Enacts the First-Time Homebuyers Savings Account Act

Last year's General Assembly passed a law which allows Coloradans to deposit up to \$50,000 of after-tax dollars into a First-Time Homebuyers Savings Account where it can grow tax-free up to \$150,000 for use by the depositor or other family member/friend as a down payment on a home purchase.

Several other states have passed similar legislation, and in June, 2016, Rep. Mike Coffman introduced legislation to create the same law at a federal level. The state law only exempts deposits from paying state tax on interest and capital gains, but those gains are still taxable at the federal level.

**Come to Tonight's Free Informational Session About '8 Weeks to Wellness'**

I have written before about this program which Rita and I took last January and February. We each lost over 20 lbs. and have kept it off. More importantly, we are healthier and have gained muscle mass. Free info session is **Jan. 19th, 6:30 pm at 755 Heritage Road, Golden.** Call 303-215-0390 to reserve your seat(s).

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