

MARKUP #1 ->

MARKUP #1 · FAIR HOUSING ACT (FHA) LIABILITY RISK

BOARD & COUNSEL REVIEW

(4) The procedures for amendments set forth in this subsection (b) cannot be used if such an amendment would materially or adversely affect property rights of the unit owners unless the affected unit owners consent in writing. This Section does not restrict the powers of the association to otherwise amend the declaration, bylaws, or other condominium instruments, but authorizes a simple process of amendment requiring a lesser vote for the purpose of correcting defects, errors, or omissions when the property rights of the unit owners are not materially or adversely affected.

(5) If there is an omission or error in the declaration, bylaws, or other condominium instruments, which may not be corrected by an amendment procedure set forth in paragraphs (1) and (2) of this subsection (b) in the declaration then the Circuit Court in the County in which the condominium is located shall have jurisdiction to hear a petition of one or more of the unit owners thereon or of the association, to correct the error or omission, and the action may be a class action. The court may require that one or more methods of correcting the error or omission be submitted to the unit owners to determine the most acceptable correction. All unit owners in the association must be joined as parties to the action. Service of process on owners may be by publication, but the plaintiff shall furnish all unit owners not personally served with process with copies of the petition and final judgment of the court by certified mail return receipt requested, at their last known address.

(6) Nothing contained in this Section shall be construed to invalidate any provision of a condominium instrument authorizing the developer to amend a condominium instrument prior to the latest date on which the initial membership meeting of the unit owners must be held, whether or not it has actually been held, to bring the instrument into compliance with the legal requirements of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the United States Veterans Administration or their respective successors and assigns.

Sec. 28 (Blank)

Sec. 29. Alterations within Units.

A unit owner owning 2 or more units shall have the right, subject to such reasonable limitations as the condominium instruments may impose, to remove or otherwise alter any intervening partition, so long as the action does not weaken, impair or endanger any common element or unit. The unit owner shall notify the board of managers of the nature of the removal or alteration at least 10 days prior to commencing work.

Sec. 30. Conversion condominiums; notice; recording.

(a)

(1) No real estate may be submitted to the provisions of the Act as a conversion condominium unless

(i) a notice of intent to submit the real estate to this Act (notice of intent) has been given to all persons who were tenants of the building located on the real estate on the date the notice is given. Such notice shall be given at least 30 days, and not more than 1 year prior to the recording of the declaration which submits the real estate to this Act; and (ii) the developer executes and acknowledges a certificate which shall be attached to and made a part of the declaration and which provides that the developer, prior to the execution by him or his agent of any agreement for the sale of a unit, has given a copy of the notice of intent to all persons who were tenants of the building located on the real estate on the date the notice of intent was given.

Sec. 30. (p. 59): Right of First Refusal (ROFR) clause lacks mandatory exemptions for foreclosure, deeds in lieu of foreclosure, and FHA/GSE-insured mortgages.

Statutory / Legal Reference: Fannie Mae Selling Guide B4-2.1-03, Freddie Mac Guide Ch. 5701, & 24 C.F.R. § 203.43b (FHA / Agency Lending Guidelines)

Statutory Comparison: Under federal HUD/FHA regulations (24 C.F.R. §§ 203.41, 203.43b), VA regulations (38 C.F.R. § 36.4354), and Fannie Mae / Freddie Mac project eligibility standards, any Right of First Refusal in the governing documents renders the entire community non-warrantable for federal and conventional secondary-market mortgages unless it expressly exempts foreclosures, deeds-in-lieu of foreclosure, and mortgagee transfers, and complies with anti-discrimination mandates.

CURRENT WORDING IN DOCUMENT:

persons who were tenants of the building located on the real estate on the date the notice is given. Such notice shall be given at least 30 days, and not more than 1 year prior to the recording of the

SAMPLE DISCUSSION WORDING (FOR HOA ATTORNEY REVIEW):

Any Right of First Refusal reserved herein shall not apply to or impair the rights of any institutional First Mortgagee, nor shall it apply to any transfer or conveyance by foreclosure, deed in lieu of foreclosure, or subsequent sale by a First Mortgagee, Fannie Mae, Freddie Mac, FHA/HUD, or VA, in compliance with 24 C.F.R. §§ 203.41, 203.43b, 38 C.F.R. § 36.4354, and Fannie Mae Selling Guide B4-2.1-03.

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