



## What is Maryland Law HB107?

The bill itself, came into play during the Maryland General Assembly 2022 Session. In general terms, Maryland law now requires all residential condo associations (and HOA's that share common areas that exceed a value of \$10,000) to conduct a reserve study every 5 years. The law itself directs associations to show a recent study by October 1, 2023 and if the study shows a reserve shortage, the association must fully fund the reserve within 3 years (2026). **As a Condo Owner (or active condo buyer) here's what you should know:**

- Any person holding an office of authority** in an association is bound by the law and has a fiduciary duty to be sure the law is followed.
- Every owner** is entitled to a copy of the recent reserve study.
- If you plan to sell**, be prepared to answer the questions (1) "Has the condo association had a reserve study done in the last 5 years". (2) "What actions has the association taken if the reserve study shows a shortage"? (is there an increase in condo fees or special assessment associated with the study requirements).
- The reserve study can be costly** so associations may want to ask for a "sample" from the vendor of what they will be getting and confirm the individual is qualified to perform such a study. (Current law states the individual must have preformed at least 30 reserve studies in the prior 3 years. Hold a license from the State Board of Architects or the State Board for Professional Engineers OR is CURRENTLY designated as a reserve specialist by the Community Association Institute or designated a professional reserve analyst by the Association of Professional Reserve analysts.
- 25 Year study is recommended**, however, the minimum is a 20 year study.
- The governing board should ask for a "draft" of the study before it becomes "final".
- There are 3 types of reserve studies:** (1) Full study (2) Update w/ a site visit (3) Update w/o a site visit.
- Associations should provide the analyst a list of any recent repairs/replacements to the building.
- Associations should also clarify what the association is responsible for and what individual owners are responsible for.
- The requirement to fund the reserve account** supersedes any condo fee limitations of the condo by-laws.
- There does NOT have to be a vote to increase condo fees** to fund the reserves. The board members have a fiduciary responsibility to follow the law and the recommendations of the reserve study.

My final thoughts...

As a REALTOR, I'm in the trenches with both sellers and buyers. The HB107 law has thrown a little "wrench" in today's real estate transactions. If you are already an owner, I encourage you to stay up-to-date on where your association is with their reserve study, be proactive with your association and share this information! As a buyer, don't let the new law bog you down, just be a proactive buyer by making sure you are informed and are asking all the right questions. And of course, on both ends of the transaction, arm yourself with an experienced REALTOR!

