



Is the TREC HOA Addendum costing Sellers more?

The new TREC Addendum for Property Subject to Mandatory Membership in a Property Owners Association combines two paragraphs in the previous version which can potentially cost the Seller more money at closing.

1. Before April 1, 2021, Paragraph D of the Addendum required the BUYER to pay deposits for reserves/working capital required by the Association.
2. The revised Addendum, however, removes that paragraph entirely, and combines it with Paragraph C.
3. Since the Buyer's responsibility is now capped at the amount entered in Paragraph C, we are seeing Sellers being responsible for payments of reserves/working capital which can be substantial.
4. Since the contract always governs, we cannot collect the reserves/working capital even when the Resale Certificate specifically says that.
5. **Practice point:** At the listing appointment, agents should ask Sellers to contact their HOA right away to obtain the costs associated with a transfer, including the amount of reserves and working capital. That way they will know if the amount entered in Paragraph C will be sufficient when an offer is presented.
6. **Beware of this Addendum snare.**

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