

Association Advocates, Inc.

Helping Homeowners Protect Their Investment



NEW CONSTRUCTION & CONVERSIONS ... ELIMINATE LIABILITY & INCREASE YOUR SALES!

HERE ARE SOME HELPFUL QUESTIONS YOU SHOULD ASK WHEN REPRESENTING THE DEVELOPER... OR BUYER!

1. Will (or is) the developer paying the assessments on the unsold units from the date of the first closing?
2. Has the developer segregated all funds of the Association from his own funds at all times, creating individual association accounts?
3. Will buyers be moving into a construction site ... is there a move-in process in place? What maintenance protocol will be (or is) in place? Is there a management company hired?
4. Are all financial details, including income and expenses, documented so that the owners will be given accurate information at turnover?
5. What are the warranties related to construction, completion and common areas? What is the quality of the construction? Is this gut rehab, or is the buyer purchasing "as is" with no or limited warranties?
6. Are the Declaration and By-Laws complete, recorded and well written? Is the Property Report consistent with the sales materials?
7. When is the turnover anticipated? Is there a plan for the turnover meeting? How will it be handled? Does the developer know what documentation has to be turned over to the owners within 60 days of the meeting?
8. What is the reputation of the developer? What other projects have been done by this entity and how have they been received, completed? Are there any lawsuits pending to indicate future problems?

In legal matters, ignorance of the law is no excuse. You can still be held accountable...even if you didn't know the law. **Not understanding the developer's legal obligations and how it will affect you and/or your client can be damaging to your reputation and future income potential.** If you do your homework, ask the right questions and guide your clients to become more informed consumers, you will then provide added value and separate yourself from the competition. The end result... less liability, more satisfied customers, increased referrals and higher income!

PROPERTY CONSULTATION

Angela Falzone
310 Busse Hwy.
Suite 316
Park Ridge, IL
60068

847.685.0710
fax 847.685.0709

PROJECT MANAGEMENT

Shirley Feldmann
4114 N. Lincoln
Suite 312
Chicago, IL
60618

773.348.0742
fax 773.348.0799

HOW TO PROTECT THE BUYER AND ELIMINATE LIABILITY

When selling a new construction or rehabbed property to your buyer client, it is important that you understand the many aspects of what will happen next. By explaining the process, you are in a better position to make your client aware of the criteria for purchasing this property, which will lessen your liability as well as their future problems. And more importantly, educating your buyer will protect the value of the unit, create informed and happier consumers and will lead to higher-priced resales and more referrals for you!

---The developer is responsible to pay the assessment on the unsold units from the date of the first closing.

This builds up funds to run the Association. If this is not being done, your client may be faced with huge assessment increases down the road to make up for this shortfall!

---The developer is the first Board of Directors. Per the language of the law, he has the same obligations to manage the property as the homeowners will. Find out how this is being done. Researching the proposed budget may indicate available funds for future professional management. Is there professional management in place now? Does one person from the development entity manage the property? How do they schedule move-ins? Who does the buyer call for help? Could there potential security concerns living in a construction site?

---There are warranties inherent in the sales contract, property report and other documents. Your client's attorney should review these warranties and identify any future issues of concern. The home inspector should also review the property report to explore any missed details, specifically in a rehabbed property that might cause your buyer serious problems later. What will this developer's obligations be one year from now, three years, or more? Has construction been done well, are there defects apparent, will the developer address them in a reasonable, timely manner? Making your buyer aware of the responsibilities of each professional needed throughout the process will lessen your liability!

---The developer will, at a future point in time, turn over this property to be run by the homeowners. Per the law, he has obligations to fulfill when that time comes. These include turning over complete financial documentation of all funds collected and expensed during the period he managed the property. Your client's understanding of start up protocols of a new association, including board responsibilities, will protect their investment and increase their values. Owners and boards need to take responsibility in protecting their largest asset!

---The Declaration and By-Laws (and Rules & Regulations, if applicable) may have restrictions about living within this property. Review them, and/or encourage your client to do so, which will educate the buyer of the details they will need to adjust to later. Can they live with... no pets, no smoking, no rentals and many more? If not, this may not be the right new home for this buyer!

---The Declaration and the Illinois Condominium Property Act will dictate that the owner must purchase their own homeowners insurance to include not only their personal property, but also fixtures and liability. Many attorneys and mortgage lenders miss this point, leaving new owners vulnerable to serious damage loss and liability should something happen. **This is a flaw in the law. Remind your buyer to purchase this added coverage prior to closing.**

---The smaller association will no doubt be unable to hire professional management. Generally, buildings smaller than 15 units will have difficulty finding or affording management. That means the owners will have to manage themselves. Is this something your client can live with, be involved in and/or support? If not, they may want to consider a larger property.

These are just some of the considerations for you to help guide your buyer of a new or converted property prior to making their final purchase from a developer. Not intended to discourage, but to create a more informed consumer. Educating your client will help match your buyer to their perfect home, and show that you care well after the sale ... which will ensure future business and more referrals!