



CONDOMINIUM LAW REVISIONS – HIGHLIGHTS

1. **Condominium Addendum to the Real Estate Condition Report (RECR)**: Adds basic information about the condominium unit to the RECR, such as the unit address, seller contact information, association management and contact information, and condominium assessments and fees. A copy of the Executive Summary must be attached.
2. **Addendum to WB-4 Residential Condominium Listing Contract and WB-14 Residential Condominium Offer to Purchase**: The addition of the executive summary and the condominium addendum to the RECR, and the changes to procedures relating to a buyer's rescission rights based upon receipt of the condominium disclosure materials, triggers the need to update a few of the narrative portions of the WB-4 "Residential Condominium Listing Contract" and WB-14 "Residential Condominium Offer to Purchase." Until such time as the forms are updated, the WRA has developed an addendum to supplement these transactional forms with pertinent information
3. **Executive Summary**: Gives buyers a user-friendly summary or index to the important information contained within the disclosure documents. REALTORS® will have the opportunity to use the Executive Summary as a condominium disclosure tool that may be used with a prospect to overview some of the highlights of a condominium and focus on the information that may be most important to the buyer. The Executive Summary is placed in the condominium disclosure materials directly following the index, and a copy must be attached to the Condominium Addendum to the RECR. The Executive Summary is not a substitute for the buyer's and the buyer's attorney's review of the condominium declaration, bylaws and other condominium disclosure materials.

Key Point: Preparation Responsibility The declarant or the association (whichever is in control) is responsible for preparing the Executive Summary and revising it when a change in the underlying disclosure materials necessitates a corresponding revision to the Executive Summary.

 **Practice Tips for REALTORS®** Associations that do not have an Executive Summary prepared may delay the sales process. The Executive Summary form on the WRA Web site (www.wra.org/condolaw) may be used by association directors, officers or attorneys, but under no circumstances should a REALTOR® or seller attempt to prepare the Executive Summary—that is the association's responsibility.


 **Practice Tips for REALTORS®** Agents should be careful whenever they are working with a small condominium with 12 or fewer units because the declaration may authorize the use of streamlined disclosure materials which need not include an Executive Summary.

4. **New Procedure for Missing Disclosure Materials**: Before, if the buyer did not receive all of the required information, the buyer's 5-business-day time period for rescission never began to run, leaving the buyer with a way to back out of the transaction right up until closing. Beginning with transactions closing on or after November 1, 2004, if the buyer receives condominium disclosure materials that include the cover sheet but are missing one or more documents, the buyer has 5 business days to either rescind the offer or to request that the seller deliver the missing documents. If the buyer neither rescinds nor requests missing documents within the 5 business days, then the buyer has no further right to rescind based upon those materials. The seller has 5 business days following receipt of the buyer's request to deliver the missing documents. The buyer may rescind the sale within 5 business days of the buyer's receipt of the requested missing documents, or within 5 business days of the seller's deadline for delivering the documents, whichever is earlier.
5. **Statutory Reserve Accounts**: A declarant or association of a residential condominium must establish a statutory reserve account (SRA) to fully or partially fund repairs and replacements of the common

elements, other than routine maintenance, unless the declarant or association elects not to establish an SRA. New and existing condominiums are forced to consider whether or not they should set up SRA to pay for the repair and replacement of roofs, siding and other common elements. SRAs may be established or discontinued (opt-in or opt-out) upon the written consent of a majority of the unit votes. Existing reserve accounts may remain in place or may be altered to comply with the SRA requirements. A statutory reserve account statement must be executed and recorded whenever the declarant or association decides to not establish a SRA and whenever a SRA is otherwise established or terminated by the declarant or by the association.

6. **Rental Provisions:** A tenant who enters into a rental agreement or periodic tenancy for a residential condominium unit agrees, as a condition of his or her tenancy, to comply with the Wisconsin Condominium Ownership Act, the rules and bylaws of the association, and the provisions of the declaration. A tenant who violates any of these will automatically be considered in breach of the rental agreement. A unit owner must provide a copy of the declaration and association bylaws and rules before the tenant occupies the unit or put this information in the unit before the tenant moves in. The unit owner must provide a copy of any written condominium rental agreement to the association within 5 business days and the association must keep it on file while it is in effect.

7. **Small Condominiums:** A “small residential condominium” with no more than four residential units is revised effective November 1, 2004 to a “small condominium” no more than 12 residential or nonresidential condominium units. A small condominium may substitute an agreement for the bylaws, but the agreement must provide that all duties of the association rest with the directors, that meeting notice may be given in the manner best calculated to give actual notice to all unit owners, the board will be composed of one representative from each unit, and all actions taken by the board must be approved by the vote or written consent of at least 75% of the board.

 **Practice Tips for REALTORS®** Existing or new condominiums with no more than 12 units may amend or draft their declarations to take advantage of the streamlined operational and disclosure provisions for small condominiums.

Condominium Law Mandatory Effective Dates	
November 1, 2004 is the overall effective date for the 2003 Wis. Act 283 revisions, but some forms and procedures had different dates of initial applicability:	
Form/Provision	Effective Date/Deadline
Executive Summary	<ul style="list-style-type: none"> ◆ May 1, 2005, for condominiums created on or after May 1, 2005 ◆ For condominiums created before May 1, 2005, the Executive Summary must be used in transactions scheduled to close on or after June 1, 2006
Statutory Reserve Account Statement	Nov. 1, 2004 for new condominiums created on or after Nov. 1, 2004; condominiums in existence Nov. 1, 2004 have until May 1, 2006

See *Legal Update 04.06*, “Condominium Law Revisions,” at www.wra.org/LU0406, and the WRA Condo Law resource page at www.wra.org/condolaw for comprehensive coverage of the changes to Wisconsin condominium law.