

Reserves; Lending and HOA properties; and the BLACKLIST

Presented by Kelly G. Richardson, Esq.

Richardson Ober LLP 4-9-25

1

Disclaimer

- This is a presentation of suggested best practices for responding to and minimizing exposure to liability.
- Nothing in this presentation is meant to convey any promise that the concepts in the presentation will prevent liability or claims.
- If a claim arises, seek guidance from experienced and qualified legal counsel immediately.

2

Lending and the condominium property



Project approval, not individual or spot approval

Requirements –

- No one owner of more than 10%,
- at least 35%-50% owner occupancy,
- delinquencies limited to 15%
- 10% minimum going into reserves
- Sufficient insurance to rebuild the buildings

3

Balcony inspections

Your client should be asking about it if it's a condo more than one story high

4



“BLACKLISTED”

Over 500 complexes in SoCal are “blacklisted”

Due to –

- Lawsuits by or against HOA
- Inadequate property insurance
- Inadequate reserves
- Unfunded critical repairs

5

Since 2021 – lender certifications re: property condition

- Fear of making warranties
- The unknown
- Manager and lawyer vague responses
- Smart HOAs are disclosing what they know but disclaiming warranties as to condition

6

Balcony Inspections – Civil Code 5551

- Why your buyer wants to see that report
- How to get them
- What the law says about the report
- Pending legislation

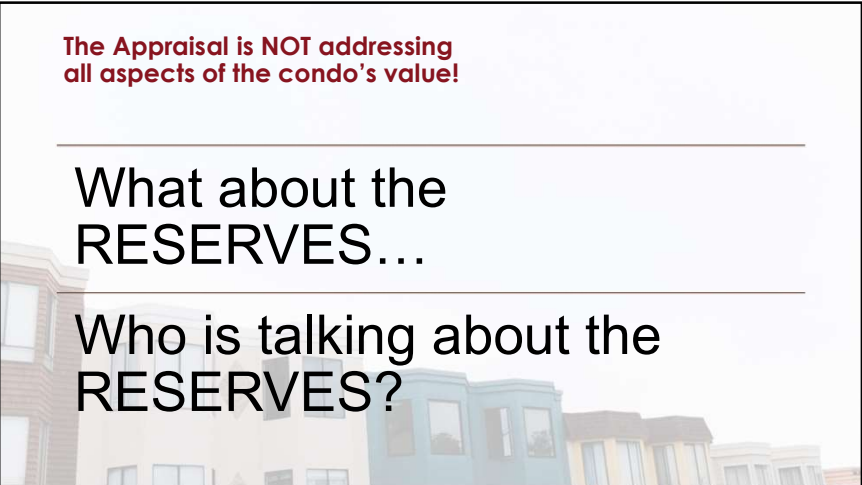


7

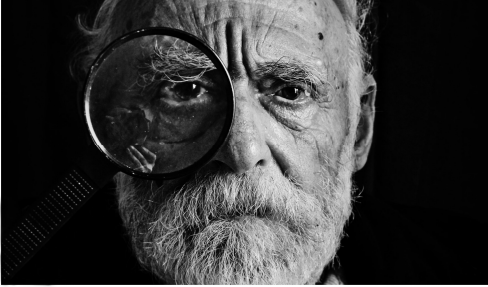
The Appraisal is NOT addressing all aspects of the condo’s value!

What about the RESERVES...

Who is talking about the RESERVES?



8




- *The Reserve Fund*
- *BRE warning - Sept. 2012*
- *FHA/FNMA requirements*
-10% of budget annually
- *Reserve health not*
considered in appraisal
- *CAR disclosures*

**What is that property REALLY worth-
[What the Appraiser doesn't know] -
Reserves**


9

Questions?



Kelly G. Richardson
626-449-5577
Kelly@roattorneys.com
www.roattorneys.com

10



R|O RICHARDSON|OBER
1 (877) 446-2529
www.roattorneys.com
PASADENA | IRVINE | RIVERSIDE

THANK YOU ARCADIA AOR

Presented by Kelly G. Richardson, Esq.
kelly@roattorneys.com

11