

What Is an Estoppel Letter From a Homeowners Association?

You're buying a property governed by a homeowner's association and are aware that dues are paid monthly. During escrow, an estoppel letter from the HOA is requested by the seller. This legal document outlines information regarding the current owner's financial standing in regards to the HOA, what is due and what has not been paid. It also indicates any assessments that are in progress or projected. Negotiations often result between sellers and buyers once an estoppel letter is revealed.

The Law

Most states have laws stating that an estoppel letter from the homeowners' association must be put into the escrow documents when a property transfers title. While the law varies by state, the basic concept is the same. The estoppel letter is legally binding and inaccuracies can result in civil lawsuits.

Requesting an Estoppel Letter

An owner, or his title company acting on his behalf, requests the estoppel letter or certificate from the HOA. The board has 10 days from the date of receipt of the request to respond. A fee may be charged by the HOA. The letter is then placed in the escrow documents.

Estoppel Certificate

Within 30 days of receipt of the estoppel request, the HOA records a legal certificate outlining any remediation that has occurred as a result of the estoppel letter, or stating the amount outstanding if no action has taken place. This becomes an official record and is legally binding.

Before closing escrow, the title company will require that the findings of the estoppel letter be settled, if any money is due the association. This is a negotiation point between the seller and buyer, especially if the seller is a lending institution selling a foreclosed or short sale property. Some lenders refuse to pay the outstanding balance while Fannie Mae and Freddie Mac properties are required to pay the HOA until the property is sold. California civil law requires the legal owner to pay the current association dues; however, they are not responsible for dues owed prior to their assuming title.

REQUESTS FOR AN ESTOPPEL LETTER should be forwarded to:
Matt Shapiro: email: hillcrestmanorpres@gmail.com