



January 26, 2016

HOUSE BILL No. 1222

DIGEST OF HB 1222 (Updated January 26, 2016 12:09 pm - DI 87)

Citations Affected: IC 32-25; IC 32-25.5.

Synopsis: Condominiums and homeowners associations. Makes the following amendments to the statutes concerning condominiums and homeowners associations: (1) Provides that notice of a proposed amendment of a condominium declaration or the governing documents of a homeowners association is required only with respect to first mortgage holders that provide an address to the secretary of the board of directors of the condominium association or homeowners association, as applicable. (2) Provides that a condominium co-owner or a homeowners association member is entitled to attend any meeting of the condominium's or homeowners association board, including an annual meeting. Provides that the board of directors may meet in private to discuss delinquent assessments or litigation matters. (3) Repeals provisions requiring condominium instruments and the governing documents of homeowners associations to include grievance resolution procedures. (4) Makes technical changes. Makes the following amendments to the statute concerning homeowners associations: (1) Specifies that certain provisions of the homeowners association statute apply to a homeowners association established before July 1, 2009, regardless of whether the members of the homeowners association have elected to be governed by the statute. (2) Provides that a homeowners association is not required to disclose communications that: (A) are initiated by the association or by a member of the association; and (B) concern suspected criminal activity by another member of the association. (3) Provides that in an enforcement action by the attorney general under the statute, the court may impose a civil penalty not exceeding \$500 on an individual determined by the court to have exercised a proxy in violation of the statute.

Effective: Upon passage; July 1, 2016.

Burton, Moseley, Truitt

January 11, 2016, read first time and referred to Committee on Government and Regulatory Reform.
January 26, 2016, amended, reported — Do Pass.

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January 26, 2016

Second Regular Session of the 119th General Assembly (2016)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2015 Regular Session of the General Assembly.

HOUSE BILL No. 1222

A BILL FOR AN ACT to amend the Indiana Code concerning property.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 32-25-7-7, AS ADDED BY P.L.141-2015,
2 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2016]: Sec. 7. The declaration must contain a provision
4 allowing the co-owners to amend the declaration at any time, from time
5 to time, subject to the following:
6 (1) The declarant's consent to an amendment may be required if:
7 (A) the declarant owns one (1) or more units within the
8 condominium; and
9 (B) not more than seven (7) years have passed since the
10 original ~~governing documents were~~ **declaration was** first
11 recorded.
12 (2) The consent of the co-owners to the amendment has been
13 obtained as evidenced by either of the following:
14 (A) The vote of the co-owners at a meeting called for the
15 purpose of considering the amendment.
16 (B) A written instrument signed by the co-owners.
17 The declaration may not require that the consent of more than

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1 seventy-five percent (75%) of the co-owners is required for
2 consent under this subdivision.

3 **(3) If the consent of the eligible first mortgage holders as defined**
4 **in the governing documents is required, only first mortgage**
5 **holders that provide an address to the secretary of the board**
6 **must be notified.** The consent of ~~an eligible a~~ first mortgage
7 holder must be indicated in a written instrument signed by the
8 mortgage holder. However, a mortgage holder is considered to
9 have consented to a proposed amendment if the mortgage holder
10 does not respond to a written request for consent within thirty (30)
11 days after the mortgage holder receives the request. The
12 governing documents may not require that the consent of more
13 than seventy-five percent (75%) of ~~the eligible first~~ mortgage
14 holders **eligible to receive notice** is required for consent under
15 this subdivision.

16 (4) Notwithstanding subdivisions (1) through (3), the declaration
17 may require the approval of at least ninety-five percent (95%) of
18 the co-owners to convey common areas or to dissolve the
19 condominium.

20 SECTION 2. IC 32-25-8-2.5, AS ADDED BY P.L.141-2015,
21 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
22 JULY 1, 2016]: Sec. 2.5. **(a) A co-owner of the condominium is**
23 **entitled to attend any meeting of the board of directors of the**
24 **condominium, including the annual meeting. However, the board**
25 **of directors may meet in private to discuss delinquent assessments.**
26 **The board of directors may also meet in private with legal counsel**
27 **to discuss the initiation of litigation, or to discuss litigation that**
28 **either is pending or has been threatened specifically in writing. As**
29 **used in this subsection, "litigation" includes any judicial action or**
30 **administrative law proceeding under state or federal law.**

31 **(b)** The minutes of meetings of the board of directors of a
32 condominium, including the annual meeting, must be made available
33 to a co-owner of the condominium for inspection upon request. The
34 requesting co-owner may make a request to inspect the minutes:

- 35 (1) in person;
- 36 (2) in writing; or
- 37 (3) by electronic mail.

38 The association of co-owners may charge the requesting co-owner a
39 reasonable copying fee if the co-owner requests a written copy of the
40 minutes.

41 SECTION 3. IC 32-25-8.5-9 IS REPEALED [EFFECTIVE JULY
42 1, 2016]. Sec. 9: The condominium instruments must include grievance



1 resolution procedures that apply to all members of the association of
2 co-owners and the board:

3 SECTION 4. IC 32-25.5-1-1, AS AMENDED BY P.L.148-2015,
4 SECTION 17, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
5 UPON PASSAGE]: Sec. 1. (a) **Subject to subsection (b)**, this article
6 applies to the following:

7 (1) A homeowners association established after June 30, 2009,
8 that is authorized to impose mandatory dues on the homeowners
9 association's members.

10 (2) A homeowners association established before July 1, 2009:

11 (A) if a majority of the members of the homeowners
12 association elect to be governed by this article; or

13 (B) if the number of members required by the homeowners
14 association's governing documents elect to be governed by this
15 article if a different number of members other than the number
16 established in clause (A) is required by the governing
17 documents.

18 (b) The following apply to all homeowners associations, **including**
19 **a homeowners association described in subsection (a)(2), regardless**
20 **of whether the members of the homeowners association have**
21 **elected under subsection (a)(2)(A) or (a)(2)(B) to be governed by**
22 **this article:**

23 (1) IC 32-25.5-3-3(g) through IC 32-25.5-3-3(m).

24 (2) IC 32-25.5-3-9.

25 (3) IC 32-25.5-3-10.

26 (4) IC 32-25.5-4.

27 (5) IC 32-25.5-5.

28 SECTION 5. IC 32-25.5-3-3, AS AMENDED BY P.L.141-2015,
29 SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
30 JULY 1, 2016]: Sec. 3. (a) A homeowners association shall prepare an
31 annual budget.

32 (b) The annual budget must reflect:

33 (1) the estimated revenues and expenses for the budget year; and

34 (2) the estimated surplus or deficit as of the end of the current
35 budget year.

36 (c) The homeowners association shall provide each member of the
37 homeowners association with:

38 (1) a:

39 (A) copy of the proposed annual budget; or

40 (B) written notice that a copy of the proposed annual budget
41 is available upon request at no charge to the member; and

42 (2) a written notice of the amount of any increase or decrease in



- 1 a regular annual assessment paid by the members that would
2 occur if the proposed annual budget is approved;
3 before the homeowners association meeting held under subsection (d).
- 4 (d) Subject to subsection (f), a homeowners association budget must
5 be approved at a meeting of the homeowners association members by
6 a majority of the members of the homeowners association in attendance
7 at a meeting called and conducted in accordance with the requirements
8 of the homeowners association's governing documents.
- 9 (e) For purposes of this section, a member of a homeowners
10 association is considered to be in attendance at a meeting if the
11 member attends:
- 12 (1) in person;
13 (2) by proxy; or
14 (3) by any other means allowed under:
- 15 (A) state law; or
16 (B) the governing documents of the homeowners association.
- 17 (f) If the number of members of the homeowners association in
18 attendance at a meeting held under subsection (d) does not constitute
19 a quorum as defined in the governing documents of the homeowners
20 association, the board may adopt an annual budget for the homeowners
21 association for the ensuing year in an amount that does not exceed one
22 hundred percent (100%) of the amount of the last approved
23 homeowners association annual budget. However, the board may adopt
24 an annual budget for the homeowners association for the ensuing year
25 in an amount that does not exceed one hundred ten percent (110%) of
26 the amount of the last approved homeowners association annual budget
27 if the governing documents of the homeowners association allow the
28 board to adopt an annual budget under this subsection for the ensuing
29 year in an amount that does not exceed one hundred ten percent
30 (110%) of the amount of the last approved homeowners association
31 annual budget.
- 32 (g) Subject to subsection (k):
- 33 (1) the financial records, including all contracts, invoices, bills,
34 receipts, and bank records, of a homeowners association must be
35 available for inspection by each member of the homeowners
36 association upon written request; and
37 (2) the minutes of meetings of the homeowners association board,
38 including the annual meeting, must be available to a member of
39 the homeowners association for inspection upon the homeowners
40 association member's request, which may be submitted:
- 41 (A) in person;
42 (B) in writing; or



- 1 (C) by electronic mail.
- 2 **In addition to the right to inspect the meeting minutes of the**
- 3 **homeowners association board, a member of a homeowners**
- 4 **association has the right to attend any meeting of the**
- 5 **homeowners association board, including an annual meeting**
- 6 **of the board. However, the board of directors may meet in**
- 7 **private to discuss delinquent assessments. The board of**
- 8 **directors may also meet in private with legal counsel to**
- 9 **discuss the initiation of litigation, or to discuss litigation that**
- 10 **either is pending or has been threatened specifically in**
- 11 **writing. As used in this subsection, "litigation" includes any**
- 12 **judicial action or administrative law proceeding under state**
- 13 **or federal law.**
- 14 A written request for inspection must identify with reasonable
- 15 particularity the information being requested. A member's ability to
- 16 inspect records under this section shall not be unreasonably denied or
- 17 conditioned upon provision of an appropriate purpose for the request.
- 18 The homeowners association may charge a reasonable fee for the
- 19 copying of a record requested under this subsection if the homeowners
- 20 association member requests a written copy of the record.
- 21 (h) Subject to subsections (j) and (k), if there is a dispute between
- 22 a homeowner and a homeowners association, the officers of the
- 23 homeowners association must make all communications concerning the
- 24 dispute available to the homeowner.
- 25 (i) Subject to subsections (j) and (k), the following apply:
- 26 (1) A homeowners association shall make all communications and
- 27 information concerning a lot available to the owner of the lot or
- 28 a home on the lot.
- 29 (2) If a homeowners association initiates communication with any
- 30 member about another member's lot, the homeowners association
- 31 must give a copy of that communication to the other member
- 32 whose lot is the subject of the communication. **However, this**
- 33 **subdivision does not apply if the communication concerns**
- 34 **suspected criminal activity, or activity that is the subject of a**
- 35 **law enforcement investigation, involving the member whose**
- 36 **lot is the subject of the communication.**
- 37 (j) A homeowners association is not required to make:
- 38 (1) communications between the homeowners association and the
- 39 legal counsel of the homeowners association; and
- 40 (2) other communications or attorney work product prepared in
- 41 anticipation of litigation;
- 42 available to the owner of a lot or home.



1 (k) A homeowners association is not required to make available to
2 a member for inspection any of the following:

- 3 (1) Unexecuted contracts.
4 (2) Records regarding contract negotiations.
5 (3) Information regarding an individual member's association
6 account to a person who is not a named party on the account.
7 (4) Any information that is prohibited from release under state or
8 federal law.
9 (5) Any records that were created more than two (2) years before
10 the request.

11 **(6) Information that:**

12 **(A) is provided by a member of the homeowners**
13 **association about another member of the homeowners**
14 **association; and**

15 **(B) concerns suspected criminal activity involving the**
16 **other member.**

17 Except as otherwise provided in this article (including subsection (j)
18 and this subsection), other applicable law, or the governing documents
19 of the homeowners association, a homeowners association is not
20 required to retain a record of a written or electronic communication for
21 any specific period of time. However, a homeowners association or a
22 member of the board of a homeowners association shall retain for at
23 least two (2) years after receipt, and during that period shall make
24 available to a member of the homeowners association at the member's
25 request, any written or electronic communication received by the
26 homeowners association or board member that relates to a financial
27 transaction of the homeowners association and that is not otherwise
28 excepted from disclosure under this article or other applicable law.

29 (l) Nothing in this chapter:

- 30 (1) abrogates or eliminates provisions in homeowners association
31 agreements that permit or require additional disclosure or
32 inspection rights not required by this chapter; or
33 (2) prevents a homeowners association from agreeing to make
34 disclosures or to provide inspection rights not required by this
35 chapter.

36 (m) A homeowners association may not charge a fee for the first
37 hour required to search for a record in response to a written request
38 submitted under this chapter. A homeowners association may charge
39 a search fee for any time that exceeds one (1) hour. The following
40 provisions apply if a homeowners association charges a search fee:

- 41 (1) The homeowners association shall charge an hourly fee that
42 does not exceed thirty-five dollars (\$35) per hour.



- 1 (2) The homeowners association may charge the fee only for time
 2 that the person making the search actually spends in searching for
 3 the record.
- 4 (3) The homeowners association shall prorate the fee to reflect
 5 any search time of less than one (1) hour.
- 6 (4) The total amount of the fee charged by the homeowners
 7 association for a search may not exceed two hundred dollars
 8 (\$200).
- 9 SECTION 6. IC 32-25.5-3-9, AS ADDED BY P.L.141-2015,
 10 SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 11 JULY 1, 2016]: Sec. 9. The governing documents must contain a
 12 provision allowing the owners to amend the governing documents at
 13 any time, from time to time, subject to the following:
- 14 (1) The declarant's consent to an amendment may be required if:
 15 (A) the declarant owns one (1) or more units within the
 16 subdivision; and
 17 (B) not more than seven (7) years have passed since the
 18 original governing documents were first recorded.
- 19 (2) The consent of the owners to the amendment has been
 20 obtained as evidenced by either of the following:
 21 (A) The vote of the owners at a meeting duly called for the
 22 purpose of considering the amendment.
 23 (B) A written instrument signed by the owners.
- 24 The governing documents may not require that the consent of
 25 more than seventy-five percent (75%) of the owners is required
 26 for consent under this subdivision.
- 27 (3) **If the consent of the eligible first mortgage holders as defined**
 28 **in the governing documents is required, only first mortgage**
 29 **holders that provide an address to the secretary of the board**
 30 **must be notified.** The consent of **an eligible a first mortgage**
 31 **holder must be indicated in a written instrument signed by the**
 32 **mortgage holder. However, a mortgage holder is considered to**
 33 **have consented to a proposed amendment if the mortgage holder**
 34 **does not respond to a written request for consent within thirty (30)**
 35 **days after the mortgage holder receives the request. The**
 36 **governing documents may not require that the consent of more**
 37 **than seventy-five percent (75%) of the eligible first mortgage**
 38 **holders eligible to receive notice is required for consent under**
 39 **this subdivision.**
- 40 (4) Notwithstanding subdivisions (1) through (3), the governing
 41 documents may require the approval of at least ninety-five percent
 42 (95%) of the owners to convey common areas or to dissolve the



1 plan of governance for the homeowners association.
 2 SECTION 7. IC 32-25.5-4-1, AS ADDED BY P.L.141-2015,
 3 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 4 JULY 1, 2016]: Sec. 1. The attorney general may bring an action
 5 against a board of a homeowners association or an individual member
 6 of a board of a homeowners association if the attorney general finds
 7 that any of the following apply:

- 8 (1) The association's funds have been knowingly or intentionally
 9 misappropriated or diverted by a board member.
 10 (2) A board member has knowingly or intentionally used the
 11 board member's position on the board to commit fraud or a
 12 criminal act against the association or the association's members.
 13 (3) A proxy was exercised, **or was allowed to be exercised**, in
 14 violation of IC 32-25.5-3-10.
 15 (4) A violation of IC 32-25.5-3-3 has occurred.

16 SECTION 8. IC 32-25.5-4-2, AS ADDED BY P.L.141-2015,
 17 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 18 JULY 1, 2016]: Sec. 2. (a) A court in which an action is brought under
 19 this chapter may do the following:

- 20 (1) Issue an injunction.
 21 (2) Order the board member to make restitution to the
 22 homeowners association or to a member of the homeowners
 23 association.
 24 (3) Order a board member to be removed from the board.
 25 (4) Order a board member to reimburse the state for the
 26 reasonable costs of the attorney general's investigation and
 27 prosecution of the violation.
 28 (5) Impose a civil penalty on a member of the board of a
 29 homeowners association **or on another individual, as**
 30 **appropriate**, determined by the court to have taken an action
 31 described in section 1(1), ~~or~~ 1(2), **or 1(3)** of this chapter.

32 (b) A civil penalty imposed under subsection (a)(5) may not exceed
 33 five hundred dollars (\$500) for each action described in section 1(1),
 34 ~~or~~ 1(2), **or 1(3)** of this chapter that the board member is determined by
 35 the court to have taken. The proceeds of a civil penalty imposed under
 36 subsection (a)(5) shall be deposited in the state general fund.

37 SECTION 9. IC 32-25.5-5-2, AS ADDED BY P.L.141-2015,
 38 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 39 JULY 1, 2016]: Sec. 2. (a) As used in this chapter, "claim" refers to any
 40 of the following:

- 41 (1) A claim arising out of or relating to the interpretation,
 42 application, or enforcement of the governing documents.



- 1 (2) A claim relating to the rights or duties of the **homeowners**
- 2 association of ~~co-owners~~ or the board under the governing
- 3 documents.
- 4 (3) A claim relating to the maintenance of the subdivision.
- 5 (4) Any other claim, grievance, or dispute among the parties
- 6 involving the subdivision or the homeowners association.
- 7 (b) The term does not include an exempt claim.
- 8 SECTION 10. IC 32-25.5-5-8 IS REPEALED [EFFECTIVE JULY
- 9 1, 2016]. ~~Sec. 8: The governing documents must include grievance~~
- 10 ~~resolution procedures that apply to all members of the homeowners~~
- 11 ~~association and the board.~~
- 12 SECTION 11. **An emergency is declared for this act.**



COMMITTEE REPORT

Mr. Speaker: Your Committee on Government and Regulatory Reform, to which was referred House Bill 1222, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, delete lines 1 through 17, begin a new paragraph and insert:

"SECTION 1. IC 32-25-7-7, AS ADDED BY P.L.141-2015, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 7. The declaration must contain a provision allowing the co-owners to amend the declaration at any time, from time to time, subject to the following:

- (1) The declarant's consent to an amendment may be required if:
 - (A) the declarant owns one (1) or more units within the condominium; and
 - (B) not more than seven (7) years have passed since the original ~~governing documents were~~ **declaration was** first recorded.
- (2) The consent of the co-owners to the amendment has been obtained as evidenced by either of the following:
 - (A) The vote of the co-owners at a meeting called for the purpose of considering the amendment.
 - (B) A written instrument signed by the co-owners.

The declaration may not require that the consent of more than seventy-five percent (75%) of the co-owners is required for consent under this subdivision.

(3) ~~If the consent of the eligible first mortgage holders as defined in the governing documents. is required, only first mortgage holders that provide an address to the secretary of the board must be notified.~~ The consent of ~~an eligible a~~ **first mortgage holder** must be indicated in a written instrument signed by the mortgage holder. However, a mortgage holder is considered to have consented to a proposed amendment if the mortgage holder does not respond to a written request for consent within thirty (30) days after the mortgage holder receives the request. The governing documents may not require that the consent of more than seventy-five percent (75%) of ~~the eligible first mortgage holders~~ **eligible to receive notice** is required for consent under this subdivision.

(4) Notwithstanding subdivisions (1) through (3), the declaration may require the approval of at least ninety-five percent (95%) of the co-owners to convey common areas or to dissolve the



condominium."

Page 2, delete lines 1 through 16.

Page 2, line 21, after "." insert "**However, the board of directors may meet in private to discuss delinquent assessments. The board of directors may also meet in private with legal counsel to discuss the initiation of litigation, or to discuss litigation that either is pending or has been threatened specifically in writing. As used in this subsection, "litigation" includes any judicial action or administrative law proceeding under state or federal law.**".

Page 4, line 39, after "." insert "**However, the board of directors may meet in private to discuss delinquent assessments. The board of directors may also meet in private with legal counsel to discuss the initiation of litigation, or to discuss litigation that either is pending or has been threatened specifically in writing. As used in this subsection, "litigation" includes any judicial action or administrative law proceeding under state or federal law.**".

Page 6, delete lines 35 through 42, begin a new paragraph and insert:

"SECTION 6. IC 32-25.5-3-9, AS ADDED BY P.L.141-2015, SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 9. The governing documents must contain a provision allowing the owners to amend the governing documents at any time, from time to time, subject to the following:

- (1) The declarant's consent to an amendment may be required if:
 - (A) the declarant owns one (1) or more units within the subdivision; and
 - (B) not more than seven (7) years have passed since the original governing documents were first recorded.
- (2) The consent of the owners to the amendment has been obtained as evidenced by either of the following:
 - (A) The vote of the owners at a meeting duly called for the purpose of considering the amendment.
 - (B) A written instrument signed by the owners.

The governing documents may not require that the consent of more than seventy-five percent (75%) of the owners is required for consent under this subdivision.

- (3) **If the consent of the eligible first mortgage holders as defined in the governing documents is required, only first mortgage holders that provide an address to the secretary of the board must be notified.** The consent of an eligible a first mortgage holder must be indicated in a written instrument signed by the mortgage holder. However, a mortgage holder is considered to



have consented to a proposed amendment if the mortgage holder does not respond to a written request for consent within thirty (30) days after the mortgage holder receives the request. The governing documents may not require that the consent of more than seventy-five percent (75%) of ~~the eligible first~~ mortgage holders **eligible to receive notice** is required for consent under this subdivision.

(4) Notwithstanding subdivisions (1) through (3), the governing documents may require the approval of at least ninety-five percent (95%) of the owners to convey common areas or to dissolve the plan of governance for the homeowners association."

Page 7, delete lines 1 through 25.

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1222 as introduced.)

MAHAN

Committee Vote: yeas 12, nays 0.

