STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION

February 25, 2020

Writer's Direct Dial No.

410-576-7942
Fax: 410-576-7040

To: The Honorable Kumar Barve
        Chair, Environment and Transportation Committee

From: Karen S. Straughn
        Consumer Protection Division

Re: House Bill 1053 – Real Property - Condominium and Homeowner Associations –
        Governing Bodies (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of House Bill 1053 submitted by Delegate Marvin E. Holmes, Jr. This bill is intended to address situations that arise prior to the transfer of control to an association from the developer.

Specifically, the bill requires the developer to have two meetings a year so that association members can be informed about what is happening in their development. It further prevents the developer from comingling funds, and requires the developer to name a homeowner or unit owner to the board once the development is 25% complete. Finally, it requires that the association members be given 30 days' notice prior to the release of any governmental bonds.

Preventing the comingling of funds will ensure that association funds are used for association business only and prevents the developer from using association funds for developer operating expenses. In addition, it helps to address concerns that arise prior to the transition of control of an association so that an association will be financially more stable following transition. It also is important in situations in which the developer fails to complete the development, leaving the homeowners to pick up the pieces.

By requiring the developer to name a homeowner or unit owner to the board who is not affiliated with the developer once the development is 25% complete, the community members are given a greater voice in their community and will hopefully be more knowledgeable about events occurring in the development of their community. Finally, by providing information about the bonds and providing notice prior to release of these bonds, it ensures that association members can make a claim against the bond if the work is not completed.

The Consumer Protection Division has received calls and complaints concerning the problems experienced by associations that are preparing to take control from the developer and those that have recently transferred control only to discover many problems. Many residents claim that they have been kept in the dark as to what is happening in their community prior to the transfer of control. Others have transitioned control only to find that there is no money in any of the accounts and suspect that the developer has used assessment funds to pay its operating costs. We have also heard from communities advising that bonds on the roads have been released without their knowledge, yet the roads in the community remain in need of repair or completion. This bill provides for greater disclosure to community members and helps to ensure that these types of problems can no longer occur, or that a remedy exists if they do.

Technical amendments have been included to delete the word accounts since this is not a defined term in the Condominium and Homeowners Association Acts. For these reasons, we ask that the Environment and Transportation Committee return a favorable report on this bill with the technical amendments suggested.

cc: The Honorable Marvin E. Holmes, Jr.
   Members, Environment and Transportation Committee

AMENDMENTS TO HB 1053

AMENDMENT NO. 1

On page 1, line 12, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 2

On page 1, line 13, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 3

On page 1, line 23, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 4

On page 1, line 25, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 5

On page 7, line 16, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 6

On page 7, line 19, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 7

On page 7, line 23, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 8

On page 7, line 28, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 9

On page 7, line 33, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENTNO. 10

On page 7, line 35, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 11

On page 8, line 12, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 12

On page 8, line 16, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 13

On page 8, line 34, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 14

On page 9, line 2, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 15

On page 9, line 10, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 16

On page 11, line 8, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 17

On page 14, line 19, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 18

On page 14, line 22, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 19

On page 14, line 24, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 20

On page 14, line 27, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 21

On page 14, line 31, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 22

On page 15, line 1, after "books" insert <u>AND</u> and after records, strike ", and accounts"

AMENDMENT NO. 23

On page 15, line 13, after "books" insert <u>AND</u> and after records, strike ", and accounts"