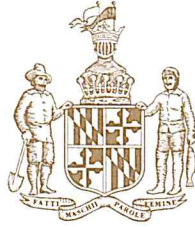


SENATOR DELORES G. KELLEY
Legislative District 10
Baltimore County

Chair
Finance Committee

Executive Nominations Committee
Rules Committee
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TESTIMONY OF SENATOR DELORES G. KELLEY

**REGARDING SENATE BILL 164 - HOME BUILDER GUARANTEE FUND - AWARD
LIMITATIONS - REVISIONS**

BEFORE THE SENATE FINANCE COMMITTEE

ON FEBRUARY 6, 2020

Mr. Vice Chairman and Members:

Senate Bill 164 is here because the current mechanism for funding the Home Builder Guaranty Fund is inadequate. This Committee established the Home Builder Guaranty Fund in the Consumer Protection Division effective January 1, 2009 to protect consumers who buy new homes in Maryland against construction defects or other actual losses caused by their new home builders. The Guaranty Fund is funded by a \$50.00 fee paid by new home builders to the permit office when they apply for a permit for a new home.

Claims against the Guaranty Fund are limited to \$50,000 per consumer, with a maximum payout of \$300,000 per builder. Since its inception, the Guaranty Fund has returned over \$2.9 million to 89 consumers who lost money due to the actions of their builders. In the past five (5) years, more than 500 claims have been filed for relief from the Guaranty Fund.

Recently, there have been two cases where large builders went under and consumer claims exceeded the \$300,000 cap. One case involved 12 consumers whose claims totaled more than \$320,000 and another involved 7 consumers whose claims totaled more than \$325,000. There are additional cases in the pipeline where it appears that the claims will also exceed the \$300,000 cap. Where claims exceed the cap, the claims of all consumers have to be prorated. The Consumer Protection Division believes that increasing the cap to \$500,000 should help address those situations where the number of claims would exceed the current \$300,000 per builder maximum.

Colleagues, I ask that you support Senate Bill 164 as a means of at least partially mitigating some of the inconvenience, and economic losses which claimants experience when their Maryland home builder is negligent.