



**MARYLAND
LEGAL AID**

Advancing
**Human Rights and
Justice for All**

January 20, 2023

The Honorable Delegate Vanessa Atterbeary, Chair
House Ways and Means Committee
House Office Building, Room 131
Annapolis, Maryland 21401

**RE: Testimony of Maryland Legal Aid in Support of House Bill 43 Property Tax – Tax
Sales – Payment of Balance After Foreclosure**

Dear Chairman Atterbeary and Members of the Committee:

I write on behalf of Maryland Legal Aid (MLA) in support of HB 43. The bill will eliminate a systemic unfairness to which Maryland homeowners, particularly low-income homeowners, are frequent victims. Maryland homeowners whose homes are sold at a tax sale are typically unaware that they are owed a balance, sometimes a substantial balance, at the end of the tax sale process. As a result, those homeowners make no claim for the balance they are owed and receive nothing for the equity they have accrued in their homes. This bill directly addresses that problem by requiring the county conducting the tax sale to notify the former owner of the balance due to him or her at the end of the tax sale process.

MLA represents low-income homeowners across Maryland and sees first-hand that those homeowners are typically unaware that they are owed money at the conclusion of a tax sale. This creates real harm for people already struggling with the loss of their home. This bill would meaningfully reduce that harm by helping former owners at least receive their equity in the home they lost.

When the tax lien on a property is sold at auction, the highest bid is usually more than the amount of the tax lien, frequently significantly more. It is not uncommon to discover, for example, winning bids of \$30,000 or more to purchase a \$3,000 tax lien. Upon winning the auction, the highest bidder is required to pay the tax collector only the amount of the tax lien, not the full amount of the bid. The balance – the difference between the amount of the tax lien and the amount of the bid – is due from the purchaser after it obtains a judgment foreclosing the right of the homeowner to redeem the property. When that occurs, the tax lien purchaser pays the balance to the county and receives in exchange a deed free and clear of liens.

During the tax sale process, the owner is never advised of the amount of the bid on its property. Neither notices from the county nor notices from the tax sale purchaser identify the amount of the winning bid. That vital information is not publicly available. As a result, the now-former owner doesn't know the amount of, or even the existence of, the balance due to him or her.

The frequent result of this process is that homeowners fail to receive the sums they are indisputably owed. In this fashion, generational wealth is lost and homeowners, likely in default on their property taxes because of the financial challenges they confront, are left with nothing. Instead of being paid to the homeowner who accrued equity in his or her home, the balance remains with the county, unclaimed. This unjustly enriches the county at the expense of its residents.

House Bill 43 would address this obvious unfairness. We see no party that could legitimately complain about a process designed to notify homeowners, and for that matter creditors holding a lien against a property, of money that they are legally owed.

Maryland Legal Aid supports HB 43 and urges a favorable report on, and ultimate passage of, the bill.

Sincerely,

/s/ Lee H. Ogburn
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