



**MARYLAND  
LEGAL AID**

*Advancing*  
**Human Rights and  
Justice for All**

**House Bill 286  
In the Environment and Transportation Committee – Task Force on  
Common Ownership Communities  
Hearing on February 13, 2024  
Position: FAVORABLE**

*Maryland Legal Aid (MLA) submits its written and oral testimony on HB 286 in response to a request from Delegate Holmes.*

Maryland Legal Aid (MLA) is the largest non-profit law firm in the State of Maryland and represents low-income individuals in consumer, bankruptcy and foreclosure cases against homeowners associations (HOA) and other common ownership communities. HB 286 creates a task force to bring in all of the stakeholders involved in HOAs and common ownership communities to resolve HOA issues, such as collections, in a fair and equitable manner. MLA supports this bill.

While some HOAs are well managed and represented by qualified counsel, MLA has encountered major issues regarding the financial mismanagement of some HOAs and common communities. One issue that is particularly concerning is the misappropriation of payments. MLA has represented several homeowners where the payment address for the HOA changed, and the homeowner was not notified. This caused the homeowner to continue to send their payments to the wrong address, which for some homeowners eventually resulted in the HOA accusing them of being in default on their payments. HB 286 creates a task force that includes homeowner and homeowner advocate members, as well as HOA members, and they could work together to come to solutions on serious problems affecting owners, associations and communities and provide more transparency in HOA management.

HOAs also have a very favorable position under Maryland Law in regard to collecting their debt and are one of the few creditors that can impose a lien on a debtor's home without first obtaining a judgment in court. Under the Maryland Contract Lien Act, the HOA only needs to give the homeowner thirty (30) days notice of the debt before placing a lien on the homeowner's property. In addition, given their connection to real estate, HOAs are one of the few creditors that will sell a home at a sheriff's sale to collect on a debt. While all creditors after obtaining a judgment have this right, HOAs are the only creditors that frequently sell a debtor's home to collect a debt. In addition, because HOA debt is almost always secured because of the Maryland Contract Lien Act, it is extraordinarily hard to discharge in a bankruptcy.

The task force proposed in HB 286 has as its principal purpose "to study the education and training needs of common ownership community boards and new and prospective owners of homes and dwelling units in common ownership communities". MLA supports this purpose because it could discuss ways to make sure that homeowners rights are protected when they are in default on their HOA or common community payments and also discuss a way to make sure that

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homeowners can dispute the debts before adverse actions are taken. Both the purpose and result of the work of the task force would benefit all parties to this important area of homeownership.

Because HB 286 creates a task force to investigate the issues that exist with common ownership communities like HOAs, MLA strongly supports HB 286. If you need additional information in regards to this bill, please contact William Steinwedel at [wsteinwedel@mdlabor.org](mailto:wsteinwedel@mdlabor.org) and (410) 951-7643.

/s/William F. Steinwedel

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