



Testimony HB 243
House Ways & Means Committee
February 6, 2024
Position: FAVORABLE

Dear Chairperson Atterbeary and Members of the Ways and Means Committee:

The Community Development Network of Maryland (CDN) is the voice for Maryland's community development sector and serves nearly 200 member organizations. CDN—focuses on small affordable housing developers, housing counseling agencies and community-based non-profits across the state of Maryland. The mission of CDN is to promote, strengthen and advocate for the community development sector throughout Maryland's urban, suburban and rural communities. CDN envisions a state in which all communities are thriving and where people of all incomes have abundant opportunities for themselves and their families.

CDN has been part of the ongoing work to reform the process of tax sale in the state since 2016. In 2017, CDN was a lead partner in the Task Force to Study Tax Sales in Maryland. CDN currently serves on the Baltimore City Mayor's Tax Sale Workgroup in Baltimore City.

HB 243- Increases the tax sale delinquency threshold to \$1,000 for all owner-occupied properties in the state; removes water and sewer bill liens only from eligibility for tax sale statewide; authorizes statewide withholding from tax sale property designated for redevelopment purposes; voids statewide the sale of abandoned property that is sold for less than the lien amount if action is not brought in 3 months; fixing the rate of redemption at 6% for owner-occupied properties sold at tax sale and capping it at 10% for other properties; prohibiting taxes, interest, and penalties accruing after the date of a tax sale from being included in the required redemption payment; extending to 12 months statewide the period of time during which a holder of a certificate of sale is prohibited from filing a complaint to foreclose the right of redemption for owner-occupied residential property after the date of sale; extending the time after a tax sale during which notice of intent to foreclose may not be sent; requiring the lien purchaser of an owner-occupied property subject to tax sale to send written notice of the proceeding to the State Tax Sale Ombudsman; Requiring all municipalities that conduct a tax sale to have a payment plan process and other changes.

When homeowners have missed several tax payments, the outstanding balance can quickly grow due to penalties and interest. For homeowners whose medical and financial situation may

be unstable, it may be impossible for them to avoid tax default and make a lump-sum payment of the outstanding balance. Just as mortgage servicers have seen the benefits of forbearance and loss mitigation programs, requiring local government tax collectors to enter into payment plans, both pre-sale to avoid the sale or post-sale to repay the redemption amount could help many older adults remain in their homes. While there are administrative costs to servicing such plans, and pre-sale payment plans can delay receipt of tax revenue to the local government, these costs in most cases are offset by the interest that continues to be paid by the property owner during the repayment period and the avoidance of tax sale related administrative costs. In addition, by making arrangements for homeowners to pay their taxes and save their homes, municipalities likely avoid substantial indirect expenses by avoiding neighborhood blight caused by vacant homes and by reducing the demand for emergency services for displaced families.

The tax lien sales make it more likely a homeowner will suffer a devastating loss of home equity. In Maryland, the property is sold only for the amount of back taxes owed. A tax lien sale may be started over nonpayment of a tax bill of only a few hundred or thousand dollars. Thus, a \$200,000 home may be sold at a tax lien sale for \$2,200. These bidding procedures mean that homeowners may lose not only a homestead but also thousands or even hundreds of thousands of dollars in equity. This equity may be their sole savings and generational wealth.

The current property tax sale system harms Black homeowners throughout the state by widening the racial wealth gap and injuring non-white communities by contributing to the number of vacant properties. The sweeping changes proposed by this bill could help many legacy homeowners and many communities in Maryland to maintain homeownership.

We urge your favorable report for HB 243.

Submitted by Claudia Wilson Randall, Executive Director, Community Development Network