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1997 Regular Session
7lr2185

By: Delegates Bobo, Goldwater, Bozman, Perry, Pendergrass, ~~and B. Hughes~~ B. Hughes,
Patterson, Barve, Exum, Frank, and Gordon
Introduced and read first time: January 31, 1997
Assigned to: Economic Matters

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 20, 1997

CHAPTER ____

1 AN ACT concerning

2   **Real Property - Priority of Liens - Homeowners Associations**

3 FOR the purpose of providing that certain lot owners within homeowners associations are
4   liable for certain fees and assessments; allowing homeowners associations to enforce
5   certain assessments and charges by imposition of a certain lien under certain
6   circumstances; providing that a certain portion of a certain lien on a lot within a
7   homeowners association is prior to a first mortgage or deed of trust under certain
8   circumstances; providing that certain provisions of this Act do not affect or limit
9   certain liens; providing for the abrogation of this Act upon the occurrence of a
10   certain contingency; and generally relating to liens on lots within homeowners
11   associations.

12 BY repealing and reenacting, with amendments,
13   Article - Real Property
14   Section 11B-114
15   Annotated Code of Maryland
16   (1996 Replacement Volume and 1996 Supplement)

17 BY adding to
18   Article - Real Property
19   Section 11B-114
20   Annotated Code of Maryland
21   (1996 Replacement Volume and 1996 Supplement)

22   SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
23 MARYLAND, That the Laws of Maryland read as follows:

2

1   **Article - Real Property**

2 11B-114.

3   (A) AS PROVIDED IN THE DECLARATION ~~OR BYLAWS~~, A LOT OWNER SHALL
4 BE LIABLE FOR ALL HOMEOWNERS ASSOCIATION ASSESSMENTS AND CHARGES
5 THAT COME DUE DURING THE TIME THAT THE LOT OWNER OWNS THE LOT.

6   (B) IN ADDITION TO ANY OTHER REMEDIES AVAILABLE AT LAW, A
7 HOMEOWNERS ASSOCIATION MAY ENFORCE THE PAYMENT OF THE ASSESSMENTS
8 AND CHARGES, PROVIDED IN THE DECLARATION, BY THE IMPOSITION OF A LIEN ON
9 A LOT IN ACCORDANCE WITH THE MARYLAND CONTRACT LIEN ACT.

10   (C) IN THE CASE OF A FORECLOSURE SALE, THAT PORTION OF A
11 HOMEOWNERS ASSOCIATION <u>CONTRACT</u> LIEN CONSISTING OF NOT MORE THAN 6
12 MONTHS OF UNPAID ASSESSMENTS, IMPOSED ON A LOT IN ACCORDANCE WITH
13 SUBSECTION (B) OF THIS SECTION, SHALL HAVE PRIORITY OVER THE CLAIM OF THE
14 HOLDER OF A FIRST MORTGAGE OR DEED OF TRUST RECORDED AGAINST THE LOT
15 <u>ON OR</u> AFTER OCTOBER 1, 1997<u>, IF THE ASSESSMENTS INCLUDED IN THE LIEN ARE:</u>

16   <u>(1) BASED ON CURRENT COMMON EXPENSES AND RESERVE</u>
17 <u>SCHEDULES IN EFFECT AT THE TIME THAT SETTLEMENT ON THE FIRST MORTGAGE</u>
18 <u>OR DEED OF TRUST OCCURRED; AND</u>

19   <u>(2) IMPOSED ON A LOT IN ACCORDANCE WITH THE ANNUAL BUDGET:</u>

20   <u>(I) ADOPTED BY THE HOMEOWNERS ASSOCIATION; AND</u>

21   <u>(II) IN EFFECT AT THE TIME THAT SETTLEMENT ON THE FIRST</u>
22 <u>MORTGAGE OR DEED OF TRUST OCCURRED.</u>

23   (D) NOTHING IN THIS SECTION LIMITS OR AFFECTS THE PRIORITY OF<u>:</u>

24   <u>(1)</u> ANY LIEN~~:~~

25   ~~(1)~~ IMPOSED IN ACCORDANCE WITH A DECLARATION THAT PROVIDES
26 FOR A FIRST PRIORITY LIEN; OR

27   (2) A MORTGAGE OR DEED OF TRUST HELD BY OR FOR THE BENEFIT
28 OF, PURCHASED BY, ASSIGNED TO, OR SECURING <u>AN INDEBTEDNESS TO</u>:

29   (I) THE STATE;

30   (II) A UNIT OF STATE GOVERNMENT; OR

31   (III) AN INSTRUMENTALITY OF THE STATE.

32 [11B-114.] 11B-115.

33   This title may be cited as the Maryland Homeowners Association Act.

34   <u>SECTION 2. AND BE IT FURTHER ENACTED, That the provisions of this Act</u>
35 <u>shall be abrogated and of no force or effect if the Federal Home Loan Mortgage</u>
36 <u>Corporation or the Federal National Mortgage Association, by rule, regulation, or policy</u>
37 <u>ceases to purchase first mortgages on homes in homeowners associations in this State.</u>

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1 The Secretary of State, within 5 days after determining that the contingency provided in
2 this section has occurred, shall notify in writing the Department of Legislative Reference.

3   SECTION 2. 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
4 October 1, 1997.