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By: **Senators Green, Hogan, and Forehand**  
Introduced and read first time: January 29, 1998  
Assigned to: Judicial Proceedings

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Committee Report: Favorable with amendments  
Senate action: Adopted  
Read second time: March 19, 1998

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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  
4 are liable for certain charges and assessments; allowing homeowners  
5 associations to enforce the payment of certain assessments and charges by  
6 imposition of a ~~homeowners association~~ contract lien under certain  
7 circumstances; providing that a certain portion of ~~the~~ a homeowners association  
8 contract lien has priority over a first mortgage or deed of trust under certain  
9 circumstances; providing that certain provisions of this Act do not affect or limit  
10 the priority of certain liens, mortgages, or deeds of trust; providing for the  
11 abrogation of this Act upon the occurrence of a certain contingency; and  
12 generally relating to liens on lots within homeowners associations.

13 BY adding to  
14 Article - Real Property  
15 Section 11B-113.1  
16 Annotated Code of Maryland  
17 (1996 Replacement Volume and 1997 Supplement)

18 BY repealing and reenacting, without amendments,  
19 Article - Real Property  
20 Section 11B-114  
21 Annotated Code of Maryland  
22 (1996 Replacement Volume and 1997 Supplement)

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

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**Article - Real Property**

2 11B-113.1.

3 (A) AS PROVIDED IN THE DECLARATION, A LOT OWNER SHALL BE LIABLE FOR  
4 ALL HOMEOWNERS ASSOCIATION ASSESSMENTS AND CHARGES THAT COME DUE  
5 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 A  
9 LOT IN ACCORDANCE WITH THE MARYLAND CONTRACT LIEN ACT.

10 (C) ~~(+)~~ SUBJECT TO ~~PARAGRAPH (2) OF THIS SUBSECTION AND~~ SUBSECTION  
11 (D) OF THIS SECTION, IN THE CASE OF A FORECLOSURE SALE, THE PORTION OF A  
12 HOMEOWNERS ASSOCIATION CONTRACT LIEN ~~IN AN AMOUNT EQUAL TO~~  
13 ~~CONSISTING OF NOT MORE THAN 6 MONTHS OF UNPAID ASSESSMENTS, IMPOSED ON~~  
14 ~~A LOT IN ACCORDANCE WITH SUBSECTION (B) OF THIS SECTION OR \$2,500,~~  
15 WHICHEVER IS LESS, SHALL HAVE PRIORITY OVER THE CLAIM OF THE HOLDER OF A  
16 FIRST MORTGAGE OR DEED OF TRUST RECORDED AGAINST THE LOT ON OR AFTER  
17 OCTOBER 1, 1998 IF THE ASSESSMENTS INCLUDED IN THE CONTRACT LIEN ARE  
18 BASED ON IN ACCORDANCE WITH THE ANNUAL BUDGET ADOPTED BY THE  
19 HOMEOWNERS ASSOCIATION.

20 ~~(2) THE AMOUNT OF THE CLAIM SUBJECT TO THE PRIORITY GRANTED~~  
21 ~~BY PARAGRAPH (1) OF THIS SUBSECTION MAY NOT EXCEED \$5,000.~~

22 (D) THIS SECTION DOES NOT LIMIT OR AFFECT THE PRIORITY OF:

23 (1) A LIEN IMPOSED IN ACCORDANCE WITH A DECLARATION THAT  
24 PROVIDES FOR A FIRST PRIORITY LIEN; OR

25 (2) A MORTGAGE OR DEED OF TRUST HELD BY OR FOR THE BENEFIT OF,  
26 PURCHASED BY, ASSIGNED TO, OR SECURING AN INDEBTEDNESS TO:

27 (I) THE STATE;

28 (II) A UNIT OF STATE GOVERNMENT; OR

29 (III) AN INSTRUMENTALITY OF THE STATE.

30 11B-114.

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

1 SECTION 2. AND BE IT FURTHER ENACTED, That the provisions of this  
2 Act shall be abrogated and of no force or effect if the Federal Home Loan Mortgage  
3 Corporation or the Federal National Mortgage Association, by rule, regulation, or  
4 policy ceases to purchase first mortgages on ~~condominium units in condominium lots~~  
5 within homeowners associations in this State. The Secretary of State, within 5 days  
6 after determining that the contingency provided in this Section has occurred, shall  
7 notify in writing the Maryland Department of Legislative Services.

8 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take  
9 effect October 1, 1998.