

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 202 (Senator Green. *et al.*)

Judicial Proceedings

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**Real Property - Priority of Liens**

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This bill provides that a homeowners' association may impose a lien against a lot to the extent of any overdue assessments and charges, which would take priority over a first mortgage or deed of trust recorded on or after October 1, 1998 in the event of a foreclosure sale. The amount of the lien may not exceed the lesser of six months of unpaid assessments or \$5,000. The bill does not limit or affect the priority of a State government mortgage.

The bill shall be abrogated and of no force or effect if the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association ceases to purchase first mortgages on condominium units in the State.

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**Fiscal Summary**

**State Effect:** None. The bill specifically protects the interests of the State as lender.

**Local Effect:** Potential indeterminate decrease in revenues.

**Small Business Effect:** Potential meaningful.

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## Fiscal Analysis

**Local Effect:** The bill apparently provides that a homeowners' association lien could take priority over a mortgage held by a local government unit. To the extent that homeowners' association liens are satisfied before local government mortgages as a result of this bill, and local governments do not receive payment in full on their mortgage liens, local governments could experience revenue decreases. The number of local government mortgages that could be affected is unknown. The maximum impact to any one mortgage would be \$5,000, however.

**Small Business Effect:** Homeowners' associations could be more successful in collecting assessments and charges as a result of this bill. Small mortgage lending businesses could experience revenue decreases to the extent that homeowners' association liens are satisfied before their mortgages as a result of the bill, and they do not receive payment in full on their mortgage liens. The maximum impact to any one mortgage would be \$5,000, however.

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**Information Source(s):** Department of Housing and Community Development,  
Department of Assessments and Taxation, Department of Legislative Services

**Fiscal Note History:** First Reader - March 2, 1998

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