

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 428 (Senators Green and Forehand)

Judicial Proceedings

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**Condominiums - Liens - Priority**

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This bill provides that, in a foreclosure sale, the portion of a lien consisting of not more than six months of unpaid assessments on a condominium unit or \$5,000, whichever is less, shall have priority over the claim of the holder of a first mortgage or deed of trust recorded against the property on or after October 1, 1998. This would be effective if the assessments included in the lien are in accordance with the council of unit owners' annual budget. This would not apply to mortgages or deeds of trust held by or for the benefit of, purchased by, assigned to, or securing an indebtedness to the State, a unit of State government, or an instrumentality of the State.

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 condominium assessment lien could take priority over a mortgage held by a local government unit. To the extent that condominium assessment 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:** Condominium councils of unit owners 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 condominium assessment 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 Labor, Licensing, and Regulation; Howard County; Department of Legislative Services

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

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