

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 959 (Delegate Bobo, *et al.*)

Economic Matters

Real Property - Priority of Liens - Homeowners Associations

This bill makes a lot owner statutorily liable for all homeowners association assessments and charges that come due during the time that the lot owner owns the lot. In addition, a homeowners association may enforce the payment of the assessments and charges by the imposition of a lien on the lot in accordance with the Maryland Contract Lien Act. In the case of a foreclosure sale, the portion of a homeowners association contract lien consisting of the lesser of six months of unpaid assessments or \$2,500 shall have priority over a first mortgage recorded against the property on or after October 1, 1999. The assessments included in the contract lien must be in accordance with the annual budget adopted by the homeowners association. The bill does not limit or affect the priority of a mortgage held by 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 lots within homeowners associations in the State.

Fiscal Summary

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

Local Effect: None, assuming the term "instrumentality of the State" includes local governments.

Small Business Effect: Potential meaningful.

Fiscal Analysis

Small Business Effect: Homeowners associations could be more successful in collecting assessments and charges as a result of this bill. Small mortgage lending businesses and other lenders 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 \$2,500, however.

Information Source(s): Department of Housing and Community Development; Department of Assessments and Taxation; Department of Labor, Licensing and Regulation; Allegany, Prince George's, Talbot, and Wicomico counties; Department of Legislative Services

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