

# SENATE BILL 588

C1, N1

8lr2435  
CF 8lr1167

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By: **Senators Kelley, Conway, Garagiola, Pugh, Raskin, Rosapepe, and Stone**

Introduced and read first time: February 1, 2008

Assigned to: Judicial Proceedings

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## A BILL ENTITLED

1 AN ACT concerning

### 2 **Common Ownership Communities – Fidelity Bond Coverage**

3 FOR the purpose of requiring certain governing or managing bodies of a cooperative  
4 housing corporation, condominium, or homeowners association to execute a fidelity bond for certain purposes in a certain amount; prohibiting the total  
5 liability of the surety to all insured persons under the bond from exceeding the  
6 sum of the bond; establishing that certain unit or lot owners may submit a certain  
7 dispute to the Division of Consumer Protection of the Office of the Attorney General; and generally relating to execution of fidelity bonds to provide for the indemnification of officers, directors, managing agents, and  
8 management companies charged with the operation and maintenance of  
9 common ownership communities.

10 BY adding to

11 Article – Corporations and Associations

12 Section 5–6B–18.6

13 Annotated Code of Maryland

14 (2007 Replacement Volume)

15 BY adding to

16 Article – Real Property

17 Section 11–114.1 and 11B–111.6

18 Annotated Code of Maryland

19 (2003 Replacement Volume and 2007 Supplement)

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

### 22 **Article – Corporations and Associations**

#### 23 **5–6B–18.6.**

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24 EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

25 [Brackets] indicate matter deleted from existing law.



10 (II) ANY MANAGEMENT COMPANY EMPLOYING A MANAGING  
11 AGENT OR OTHER EMPLOYEE CHARGED WITH THE OPERATION OR  
12 MAINTENANCE OF THE COOPERATIVE HOUSING CORPORATION.

16 (C) (1) THE AMOUNT OF THE FIDELITY BOND REQUIRED UNDER  
17 SUBSECTION (A) OF THIS SECTION SHALL EQUAL AT LEAST 3 MONTHS WORTH OF  
18 GROSS COMMON CHARGES.

## Article - Real Property

29 11-114.1.

30           (A) (1) THE COUNCIL OF UNIT OWNERS OR OTHER MANAGING BODY  
31 OF A CONDOMINIUM SHALL EXECUTE A FIDELITY BOND NOT LATER THAN THE  
32 TIME OF THE FIRST CONVEYANCE OF A UNIT TO A PERSON OTHER THAN THE  
33 DEVELOPER.

6 (II) ANY MANAGEMENT COMPANY EMPLOYING A MANAGING  
7 AGENT OR OTHER EMPLOYEE CHARGED WITH THE OPERATION OR  
8 MAINTENANCE OF THE CONDOMINIUM.

12                   **(C) (1) THE AMOUNT OF THE FIDELITY BOND REQUIRED UNDER**  
13                   **SUBSECTION (A) OF THIS SECTION SHALL EQUAL AT LEAST 3 MONTHS WORTH OF**  
14                   **GROSS ANNUAL ASSESSMENTS.**

17                   (D) IF A UNIT OWNER BELIEVES THAT THE COUNCIL OF UNIT OWNERS  
18 OR OTHER MANAGING BODY OF A CONDOMINIUM HAS FAILED TO COMPLY WITH  
19 THE REQUIREMENTS OF THIS SECTION, THE AGGRIEVED UNIT OWNER MAY  
20 SUBMIT THE DISPUTE FOR ADJUDICATION TO THE DIVISION OF CONSUMER  
21 PROTECTION OF THE OFFICE OF THE ATTORNEY GENERAL UNDER § 11-130(C)  
22 OF THIS TITLE.

23 11B-111.6.

24 (A) (1) THE BOARD OF DIRECTORS OR OTHER GOVERNING BODY OF A  
25 HOMEOWNERS ASSOCIATION SHALL EXECUTE A FIDELITY BOND NOT LATER  
26 THAN THE TIME OF THE FIRST CONVEYANCE OF A LOT TO A PERSON OTHER  
27 THAN THE DEVELOPER.

4 (B) A COPY OF THE FIDELITY BOND SHALL BE INCLUDED IN THE BOOKS  
5 AND RECORDS KEPT AND MADE AVAILABLE BY OR ON BEHALF OF THE  
6 HOMEOWNERS ASSOCIATION UNDER § 11B-112 OF THIS TITLE.

7 (C) (1) THE AMOUNT OF THE FIDELITY BOND REQUIRED UNDER  
8 SUBSECTION (A) OF THIS SECTION SHALL EQUAL AT LEAST 3 MONTHS WORTH OF  
9 GROSS ANNUAL HOMEOWNERS ASSOCIATION FEES.

10 (2) THE TOTAL LIABILITY OF THE SURETY TO ALL INSURED  
11 PERSONS UNDER THE FIDELITY BOND MAY NOT EXCEED THE SUM OF THE  
12 FIDELITY BOND.

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
21 October 1, 2008.