

HB0842/240517/1

BY: Environmental Matters Committee

AMENDMENTS TO HOUSE BILL 842
(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in the sponsor line, strike “Stull” and substitute “Braveboy”; in line 2, after “Associations -” insert “Security Deposits and”; in line 13, after “circumstances” insert “and with certain limitations; requiring a certain board of directors of a condominium to impose a certain security deposit on the unit owners of the condominium; setting a limit on the amount of the security deposit; authorizing a unit owner to recover a certain amount plus attorney’s fees under certain circumstances; setting on limit on the time for bringing an action under certain provisions of this Act; requiring a certain board of directors to give a receipt for the security deposit; providing for the procedures for depositing a certain security deposit using a certain type of financial institution and certain financial instruments for the security deposits; making a successor in interest liable for returning the security deposit to certain persons if a condominium is sold or ownership is transferred; providing that a security deposit may not be attached by certain creditors of certain parties; authorizing a certain board of directors to withhold part or all of the security deposit under certain circumstances; providing for the accrual of a certain amount of interest on a security deposit; establishing a certain interest rate on the security deposit; requiring a certain board of directors to notify a former unit owner of the condominium of certain information under certain circumstances; requiring the disclosure of certain information on a receipt for a security deposit; requiring a certain board of directors to retain a copy of a receipt for a certain period of time; defining certain terms; altering certain definitions”; in line 16, after “contingencies;” insert “providing for the application of certain provisions of this Act;”; and in line 18, after “associations” insert “and security deposits in condominiums”.

(Over)

On page 2, in line 4, strike “11B-117” and substitute “11-110.1 and 11B-117”.

AMENDMENT NO. 2

On page 2, in line 28, strike “**IN**” and substitute “**SUBJECT TO SUBPARAGRAPH (I) OF THIS PARAGRAPH, IN**”; and in line 31, strike “**6**” and substitute “**4**”.

On page 3, in line 16, strike “**6**” and substitute “**4**”.

AMENDMENT NO. 3

On page 3, after line 31, insert:

“SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article – Real Property

11-110.1.

(A) (1) IN THIS SECTION, “SECURITY DEPOSIT” MEANS ANY PAYMENT OF MONEY GIVEN TO A BOARD OF DIRECTORS BY A UNIT OWNER IN ORDER TO PROTECT THE CONDOMINIUM AND BOARD OF DIRECTORS AGAINST NONPAYMENT OF THE COMMON ASSESSMENTS, CHARGES, AND FEES IMPOSED BY THE CONDOMINIUM TO MAINTAIN THE AREAS OF THE CONDOMINIUM POSSESSED IN COMMON BY THE UNIT OWNERS.

(2) “SECURITY DEPOSIT” INCLUDES AN AMOUNT OF MONEY THAT IS THE EQUIVALENT OF A PRO RATA SHARE FOR EACH UNIT OF THE CHARGES FOR THE COMMON UTILITIES.

(B) (1) A BOARD OF DIRECTORS SHALL IMPOSE A SECURITY DEPOSIT ON EACH UNIT OWNER THAT IS EQUIVALENT TO COMMON ASSESSMENTS, CHARGES, FEES, AND PRO RATA COMMON UTILITIES CHARGES PER UNIT FOR 2 MONTHS.

(2) THE BOARD OF DIRECTORS MAY NOT IMPOSE A SECURITY DEPOSIT IN EXCESS OF THE AMOUNT ESTABLISHED IN ACCORDANCE WITH PARAGRAPH (1) OF THIS SUBSECTION.

(3) IF A BOARD OF DIRECTORS IMPOSES A SECURITY DEPOSIT IN EXCESS OF THE AMOUNT ESTABLISHED IN ACCORDANCE WITH PARAGRAPH (1) OF THIS SUBSECTION, THE UNIT OWNER MAY RECOVER UP TO THREE TIMES THE EXTRA AMOUNT CHARGED, PLUS REASONABLE ATTORNEY'S FEES.

(4) AN ACTION UNDER THIS SECTION MAY BE BROUGHT AT ANY TIME DURING THE TIME IN WHICH THE UNIT OWNER HOLDS TITLE TO THE UNIT OR WITHIN 2 YEARS AFTER THE UNIT OWNER'S LEGAL TITLE TERMINATES.

(C) THE BOARD OF DIRECTORS SHALL GIVE THE UNIT OWNER A RECEIPT FOR THE SECURITY DEPOSIT AS SPECIFIED IN SUBSECTION (H) OF THIS SECTION.

(D) (1) (I) THE BOARD OF DIRECTORS SHALL MAINTAIN ALL SECURITY DEPOSITS IN FEDERALLY INSURED FINANCIAL INSTITUTIONS, AS DEFINED IN § 1-101 OF THE FINANCIAL INSTITUTIONS ARTICLE, THAT DO BUSINESS IN THE STATE.

(II) SECURITY DEPOSIT ACCOUNTS SHALL BE MAINTAINED IN BRANCHES OF THE FINANCIAL INSTITUTIONS THAT ARE LOCATED IN THE

(Over)

STATE AND THE ACCOUNTS SHALL BE DEVOTED EXCLUSIVELY TO SECURITY DEPOSITS AND BEAR INTEREST.

(III) A SECURITY DEPOSIT SHALL BE DEPOSITED IN AN ACCOUNT WITHIN 30 DAYS AFTER THE BOARD OF DIRECTORS RECEIVES THE SECURITY DEPOSIT.

(IV) THE AGGREGATE AMOUNT OF THE ACCOUNTS SHALL BE SUFFICIENT IN AMOUNT TO EQUAL ALL SECURITY DEPOSITS FOR WHICH THE BOARD OF DIRECTORS IS LIABLE.

(2) (I) IN LIEU OF THE ACCOUNTS DESCRIBED IN PARAGRAPH (1) OF THIS SUBSECTION, THE BOARD OF DIRECTORS MAY HOLD THE SECURITY DEPOSITS IN INSURED CERTIFICATES OF DEPOSIT AT BRANCHES OF FEDERALLY INSURED FINANCIAL INSTITUTIONS, AS DEFINED IN § 1-101 OF THE FINANCIAL INSTITUTIONS ARTICLE, LOCATED IN THE STATE OR IN SECURITIES ISSUED BY THE FEDERAL GOVERNMENT OR THE STATE OF MARYLAND.

(II) IN THE AGGREGATE CERTIFICATES OF DEPOSIT OR SECURITIES SHALL BE SUFFICIENT IN AMOUNT TO EQUAL ALL SECURITY DEPOSITS FOR WHICH THE BOARD OF DIRECTORS IS LIABLE.

(3) (I) IN THE EVENT OF SALE OR TRANSFER OF THE OWNERSHIP OF THE CONDOMINIUM, INCLUDING RECEIVERSHIP OR BANKRUPTCY, ANY SUCCESSOR IN INTEREST IS LIABLE TO THE UNIT OWNER FOR FAILURE TO RETURN THE SECURITY DEPOSIT, TOGETHER WITH INTEREST, AS PROVIDED IN THIS SECTION.

(II) A SECURITY DEPOSIT UNDER THIS SECTION MAY NOT BE ATTACHED BY CREDITORS OF THE CONDOMINIUM, THE BOARD OF DIRECTORS, OR THE UNIT OWNER.

(E) THE SECURITY DEPOSIT, OR ANY PORTION OF THE SECURITY DEPOSIT, MAY BE WITHHELD FOR COMMON ASSESSMENTS, CHARGES, FEES, AND THE PRO RATA COMMON UTILITIES CHARGES IMPOSED BY THE CONDOMINIUM THAT REMAIN UNPAID WHEN THE UNIT OWNER SELLS LEGAL TITLE TO THE UNIT OR IN ANY WAY THE UNIT OWNER'S LEGAL TITLE TO THE UNIT TERMINATES.

(F) (1) WITHIN 45 DAYS AFTER THE TERMINATION OF THE UNIT OWNER'S LEGAL TITLE TO THE UNIT, THE BOARD OF DIRECTORS SHALL RETURN THE SECURITY DEPOSIT TO THE UNIT OWNER TOGETHER WITH SIMPLE INTEREST THAT HAS ACCRUED IN THE AMOUNT OF 3% PER YEAR, LESS ANY AMOUNT FOR UNPAID COMMON ASSESSMENTS, CHARGES, FEES, AND THE PRO RATA COMMON UTILITIES CHARGES RIGHTFULLY WITHHELD.

(2) (I) INTEREST SHALL ACCRUE AT 6-MONTH INTERVALS FROM THE DAY THE UNIT OWNER GIVES THE BOARD OF DIRECTORS THE SECURITY DEPOSIT.

(II) INTEREST UNDER THIS PARAGRAPH IS NOT COMPOUNDED.

(3) IF THE BOARD OF DIRECTORS, WITHOUT A REASONABLE BASIS, FAILS TO RETURN ANY PART OF THE SECURITY DEPOSIT, PLUS ACCRUED INTEREST, WITHIN 45 DAYS AFTER THE TERMINATION OF THE UNIT OWNER'S LEGAL TITLE TO THE UNIT, THE UNIT OWNER HAS AN ACTION OF UP TO THREEFOLD OF THE WITHHELD AMOUNT, PLUS REASONABLE ATTORNEY'S FEES.

(Over)

(G) (1) IF ANY PORTION OF THE SECURITY DEPOSIT IS WITHHELD, THE BOARD OF DIRECTORS SHALL PRESENT BY FIRST-CLASS MAIL DIRECTED TO THE LAST KNOWN ADDRESS OF THE UNIT OWNER, WITHIN 45 DAYS AFTER THE TERMINATION OF THE UNIT OWNER'S LEGAL TITLE TO THE UNIT, A WRITTEN LIST OF THE COMMON ASSESSMENTS, CHARGES, AND FEES CLAIMED UNDER SUBSECTION (E) OF THIS SECTION.

(2) IF THE BOARD OF DIRECTORS FAILS TO COMPLY WITH THIS REQUIREMENT, THE BOARD OF DIRECTORS FORFEITS THE RIGHT TO WITHHOLD ANY PART OF THE SECURITY DEPOSIT.

(H) A RECEIPT FOR A SECURITY DEPOSIT SHALL NOTIFY THE UNIT OWNER OF THE FOLLOWING:

(1) THE UNIT OWNER'S DUTY TO PAY COMMON ASSESSMENTS, CHARGES, AND FEES IMPOSED BY THE CONDOMINIUM TO MAINTAIN THE AREAS OF THE CONDOMINIUM POSSESSED IN COMMON BY THE UNIT OWNERS;

(2) THE RIGHT OF THE BOARD OF DIRECTORS TO WITHHOLD THE SECURITY DEPOSIT FOR UNPAID COMMON ASSESSMENTS, CHARGES, AND FEES AT THE TERMINATION OF THE UNIT OWNER'S LEGAL TITLE TO THE UNIT;

(3) THE UNIT OWNER'S RIGHT TO RECEIVE, BY FIRST-CLASS MAIL, DELIVERED TO THE LAST KNOWN ADDRESS OF THE UNIT OWNER, A WRITTEN LIST OF THE COMMON ASSESSMENTS, CHARGES, AND FEES AGAINST THE SECURITY DEPOSIT CLAIMED BY THE BOARD OF DIRECTORS, WITHIN 45 DAYS AFTER THE TERMINATION OF THE UNIT OWNER'S LEGAL TITLE TO THE UNIT;

(4) THE OBLIGATION OF THE BOARD OF DIRECTORS TO RETURN ANY UNUSED PORTION OF THE SECURITY DEPOSIT, BY FIRST-CLASS MAIL, ADDRESSED TO THE UNIT OWNER'S LAST KNOWN ADDRESS WITHIN 45 DAYS AFTER THE TERMINATION OF THE UNIT OWNER'S LEGAL TITLE TO THE UNIT; AND

(5) A STATEMENT THAT FAILURE OF THE BOARD OF DIRECTORS TO COMPLY WITH THE SECURITY DEPOSIT LAW MAY RESULT IN THE BOARD OF DIRECTORS BEING LIABLE TO THE UNIT OWNER FOR A PENALTY OF UP TO THREE TIMES THE SECURITY DEPOSIT WITHHELD, PLUS REASONABLE ATTORNEY'S FEES.

(I) THE BOARD OF DIRECTORS SHALL RETAIN A COPY OF THE RECEIPT FOR A PERIOD OF 2 YEARS AFTER THE TERMINATION OF THE UNIT OWNER'S LEGAL TITLE TO THE UNIT."

AMENDMENT NO. 4

On page 3, in line 32, strike "3." and substitute "4".

On page 4, in lines 7 and 16, strike "4." and "5.", respectively, and substitute "5." and "7.", respectively; and after line 15, insert:

"SECTION 6. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall be construed to apply only prospectively and may only be applied or interpreted to have any effect on or application to the imposition of a security deposit by a condominium on unit owners who purchase condominiums after the effective date of this Act."