

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1117 (Montgomery County Delegation)
Environment and Transportation

**Montgomery County - Common Ownership Communities - Disputes, Payments,
and Elections**
MC 11-25

This bill requires cooperative housing corporations, condominiums, and homeowners associations (HOAs), collectively known as common ownership communities (COC), to provide prompt access to meeting materials and establishes guidelines for conducting fair elections of governing body members. Among other provisions, the bill also (1) prohibits unreasonable restrictions on payment methods and (2) establishes dispute resolution procedures, including notice requirements and restrictions on actions against members during disputes. The bill's provisions do not impair any presently existing obligation or contract.

Fiscal Summary

State Effect: The bill is not anticipated to materially affect State finances or operations.

Local Effect: The bill is not anticipated to materially affect local government finances or operations.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Access to Meeting Materials

A cooperative housing corporation and condominium must promptly provide a member/owner with agendas, background materials, and minutes of meetings upon request. Unless a paper copy is requested, these materials may be provided electronically.

Elections

Elections for officers, committee members, or other members of the governing body of a COC must be conducted by independent parties who are not candidates and do not have a conflict of interest. A member/owner is considered an independent party if the person (1) complies with the requirements of the bill; (2) does not electioneer for any candidate; and (3) is not subject to an objection by more than 25% of the eligible voters. Representatives of the COC's property management are not considered independent parties.

A COC may retain a third-party vendor or employ a commercial technology platform to conduct the election. Individuals conducting an election must make reasonable efforts to ensure fairness and accountability. A member/owner designated to conduct an election who acts in good faith is not personally liable in connection with the conduct of the election.

The COC must make reasonable accommodations for members/owners engaged in organizing activities related to the governance of the COC. The governing body or property management company may not prevent members/owners from, or retaliate against unit owners for, exercising rights guaranteed under law or under the governing documents of the COC.

Provisions of the bylaws, governing documents, rules, or regulations of the COC that conflict or are inconsistent with the bill's election requirements are unenforceable and void.

Payment Restrictions and Disclosures

A COC may not unreasonably restrict payment methods (or the form of payment or procedures for remitting payments) or discriminate against members/owners in the level of access to online payment portals, accepted payment methods, or payment processing times for the collection of regular dues, fines, fees, and other assessments.

A COC may not penalize a member/owner for processing delays, but a COC may assess a member/owner for actual cost incurred for processing certain methods of payment, including credit card or wire transfer payments (existing law authorizes HOAs to assess charges for credit and debit card payments, as specified).

Upon request, a COC must promptly provide members/owners with an itemized statement confirming payment receipt and detailing the application of payment funds, including those applied to:

- member, monthly, or annual dues;
- principal or interest on any outstanding debts;

- fines, penalties, and other accounts receivable; and
- any other amount that the COC claims were owed.

At least annually, the COC must provide each member/owner with a statement (1) itemizing all payments made to the COC by the member/owner; (2) explaining how payment funds were applied; and (3) listing any remaining debts. These statements may be delivered electronically unless a printed copy is requested.

Dispute Resolution

A COC or its agent may not take adverse action against a member/owner without providing the notice required under existing law. If the COC believes a member/owner does not reside at the assigned unit, notice must be provided to the member's/owner's unit, any known alternate address, and any representative of the member, if applicable.

Within a *homeowners association and condominium*, the time period for an owner to request a hearing may not be less than 30 days after the governing body provides notice to the owner. If a hearing is requested, it may not be held within 30 days after the date of the request.

During a dispute, if a member/owner continues to pay all regular dues and fees, a COC may not:

- restrict the member's/owner's access to or use of common amenities;
- charge additional fees or fines beyond standard dues and fees;
- reassign payments for regular dues and fees to other alleged debts;
- accelerate payments for any alleged debts;
- charge interest on disputed fees or fines; or
- record a lien on the owner's property (this restriction *only* applies to homeowners association and condominiums).

In addition to any attorney's fees awarded, the court or a designated dispute resolution entity may award costs and expenses to a prevailing COC in a dispute. Such an award must be specified in a written ruling. A COC may not require a member/owner to pay any attorney's fees, costs, or expenses related to a dispute unless awarded by the court or dispute resolution entity.

In addition to any attorney's fees awarded, the court or designated dispute resolution entity may award a prevailing member/owner:

- injunctive relief against the COC and its agents;
- reasonable costs and expenses related to the dispute;

- compensatory damages; and
- treble damages for willful or intentional violations by the COC.

Attorney's fees and costs, expenses, and damages may be awarded only after all appeals have been exhausted.

Officers, members of the governing body of a COC, or representatives of the property manager, may not serve as adjudicators in dispute proceedings involving the COC, its governing body, or the property manager.

The bill's provisions on dispute resolution and remedies do not prohibit a COC from (1) collecting dues, fees, fines, and reasonable interest unrelated to a dispute; (2) collecting dues, fees, fines, and reasonable interest if granted by judgment; or (3) enforcing any judgment against a member as otherwise permitted by law. The bill also does not limit the rights of a member/owner as otherwise provided by law or under the governing documents or proprietary lease. Any bylaw or provision of a governing document that conflicts with these provisions is void and unenforceable.

Current Law: Generally, State statute includes the Maryland Condominium Act (MCA), the Maryland Homeowners Association Act (MHAA), and the Maryland Cooperative Housing Corporation Act (MCHCA), all of which regulate various aspects of operations.

Elections: Pursuant to MCA, unless otherwise provided in the governing documents of the condominium, unit owners may nominate themselves or others for officer or board positions. A call for nominations must be sent to all unit owners no less than 45 days before the election notice. Only nominations made at least 15 days before the election notice will be included on the ballot. Candidates must be listed alphabetically, without preference. Nominations may also be made from the floor at the election meeting. Election materials funded by the council of unit owners must follow the same guidelines, listing candidates alphabetically without indicating preference.

MHAA does not expressly regulate the election of the members of the governing body. However, MHAA does authorize a lot owner to submit a dispute to the Consumer Protection Division (within the Office of the Attorney General) if the governing body fails to comply with election procedures outlined in the governing documents, specifically those concerning (1) notice of the election date, time, and place; (2) the process for calling for nominations; (3) ballot format; (4) proxy format, provision, and use; or (5) quorum determination for elections.

MCHCA does not expressly regulate the election of the members of a governing body.

Books and Records – Examination: Generally, the books and records of a cooperative, condominium, or HOA must be available for examination or copying, or both, by any member/owner, the owner’s/member’s mortgagee, or their respective agents or attorneys during normal business hours and after reasonable notice. The governing body may impose reasonable charges for reviewing, copying, or requesting delivery of the books and records; otherwise, charges may not be imposed.

Dispute Resolution: Generally, COCs must follow specific procedures before imposing fines or other sanctions for rule violations. First, they must issue a written cease-and-desist demand, specifying the violation, required action, and timeframe for compliance. If the violation continues, the governing must provide a written notice of the right to request a hearing. If a hearing is requested, the governing body must provide written notice of the time and place, allowing the violator to present evidence and cross-examine witnesses. If no hearing is requested, the governing body may decide on a sanction at the next meeting. Decisions are appealable to the courts. The prevailing party in any legal proceeding is entitled to attorney’s fees. Failure to enforce a provision does not waive the right to enforce it later.

For more information on condominiums, HOAs, and cooperative housing corporations, commonly known as common ownership communities, see the **Appendix – Common Ownership Communities**.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Montgomery County; Judiciary (Administrative Office of the Courts); Department of Legislative Services

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rh/jkb

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Appendix – Common Ownership Communities

When a person purchases a single-family home, condominium, or an interest in a cooperative housing corporation, the person may also be required to join an association of owners, which is intended to act in the common interests of all the homeowners, condominium unit owners, or cooperative owners in the community. Collectively, these associations are often referred to as common ownership communities (COC). In Maryland, a growing number of newly constructed or newly converted residences are located in some form of a COC. Because registration of the various COCs is not required statewide, the exact number of COCs in Maryland is unknown. However, the Foundation for Community Association Research estimated that there were 7,100 community associations with an estimated 1.0 million residents in these associations in the State in 2023.

The affairs of a condominium are governed by a council of unit owners, which comprises all unit owners. Among other powers, the council of unit owners has the power to impose assessments on the unit owners to pay common expenses. A council of unit owners may delegate its powers to a board of directors, officers, or a managing agent. Condominiums are governed under Title 11 of the Real Property Article.

Many new housing developments are subject to a homeowner's association (HOA) that is created by a governing document and has the authority to impose mandatory fees on lots in the development in connection with the provision of services or for the benefit of the lots, the lot owners, or the common areas. HOAs are governed under Title 11B of the Real Property Article.

A cooperative housing corporation or "cooperative" is a corporation that owns real property. A resident of a cooperative does not own an individual unit; instead, the person owns an interest in the corporation, which leases the unit to the person for residential use. Cooperatives are governed by the laws in Title 5, Subtitle 6B of the Corporations and Associations Article.

Condominiums and HOAs may be authorized by their governing documents to impose liens on units or lots to collect unpaid assessments or fees. In a cooperative, the governing documents usually provide for the collection of delinquent fees, and evictions for outstanding fees are generally pursued by way of a landlord-tenant action.

Task Force on Common Ownership Communities

With a growing number of Marylanders residing in COCs and evidence that some COCs had issues with governance, dispute resolution, and financial stability, the

General Assembly created the Task Force on Common Ownership Communities in 2005 (Chapter 469 of 2005). The issues addressed by the task force included the availability of alternative dispute resolution services, special considerations of aging COCs, collection of assessments, and resale of homes within COCs. The task force met 10 times, held five public hearings, and submitted its [final report](#) in December 2006. The report's findings and recommendations have served, in subsequent years, as the basis for numerous pieces of legislation intended to improve the operation of COCs.

The task force's report also featured findings and recommendations relating to the creation of an ombudsman in local governments. While a small number of local governments (Charles and Montgomery counties) created such offices before the report's publication, some local jurisdictions have since created programs to regulate or provide oversight of COCs. For example, Prince George's County created its Common Ownership Communities Program in 2007 to assist governing bodies, as well as owners and residents of HOAs, residential condominiums, and cooperative housing corporations, with education, training, and alternative dispute resolution.