

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1201
Economic Matters

(Delegate Wivell, *et al.*)

Condominiums and Homeowners Associations - Reserve Studies - Exemptions

This bill creates exemptions to reserve study requirements for residential condominiums and homeowners associations (HOAs). Specifically, the bill exempts (1) residential condominiums for which the council of unit owners votes to fund repairs to the common elements of the condominium through a special assessment by an affirmative vote of the unit owners in good standing having at least 80% of the votes in the council, and (2) HOAs that are comprised of 50 or fewer homes, are comprised only of single family homes on lots that are unable to be subdivided, or are HOAs without responsibility under their declarations to maintain and repair common elements other than common private roads.

Fiscal Summary

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

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

Small Business Effect: Minimal.

Analysis

Current Law: Pursuant to legislation enacted over the last several years, common ownership communities (COCs) in the State, subject to limited exception, are required to conduct reserve studies; statutory provisions specify the time by which initial and updated reserve studies must be completed. COCs are cooperatives, condominiums, and HOAs.

A reserve study means a study of the reserves required for future major repairs and replacement of the common elements or areas that:

- identifies, using an itemized list, each structural, mechanical, electrical, and plumbing component of the common elements and any other components that (1) are the responsibility of the cooperative, condominium, or HOA to repair and replace, and (2) if applicable, meet a minimum cost of repair or replacement, as determined by the governing body of the community, that is reasonably based on the expenses of the community and not a minor expense that is otherwise addressed by the budget of the community;
- states the normal useful life (for cooperatives and condominiums) and the estimated remaining useful life of each identified component;
- states the estimated cost of repair or replacement of each identified component;
- states the estimated annual reserve amount necessary to accomplish any identified future repair or replacement; and
- states quantity or size of each identified component using the appropriate measurement.

An updated reserve study means, for the common elements or areas since the prior reserve study was completed within the previous five years, a study that:

- revises replacement costs, remaining life, and useful life estimates;
- analyzes work performed and amounts spent; and
- identifies whether any maintenance contracts are in place.

Statute includes additional requirements related to reserve studies and updated reserve studies, as well as the responsibilities of COCs to attain the necessary reserves and provide funding in accordance with the studies. This includes requirements for the governing body to develop a funding plan to fund necessary reserves in consultation with a person who satisfies the requirements to conduct a reserve study. In addition to other requirements, the funding plan must prioritize adequate amounts for the repair and replacement of common elements/areas necessary for:

- the health, safety, and well-being of the occupants;
- ensuring structural integrity, such as roofing replacements and maintaining structural systems;
- essential functioning, such as plumbing, sewer, heating, cooling, and electrical infrastructure; and
- any other essential or critical purpose, as determined by the governing body.

The reserves may be used for purposes other than those specified in the funding plan if the funds are repaid to the reserve fund within five years after their use.

For more information on cooperatives, condominiums, and HOAs (commonly known as common ownership communities), see the **Appendix – Common Ownership Communities**.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 968 of 2024.

Designated Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division); Department of Legislative Services

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jg/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 (COCs). 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 7,200 community associations with an estimated 1.1 million residents in these associations in the State in 2024.

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.