

# **SB194 Maryland Volunteer Lawyers Service - Favorabl**

Uploaded by: Amy Hennen

Position: FAV



## EXPANDING ACCESS TO JUSTICE FOR 40 YEARS

### MARYLAND SENATE BUDGET AND TAXATION COMMITTEE TESTIMONY OF MARYLAND VOLUNTEER LAWYERS SERVICE IN SUPPORT TO SB194: TAX SALES - DEADLINE EXTENSION FOR HOMEOWNERS TO REDEEM PROPERTY INVOLVED IN A TAX SALE

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Chairman Guzzone and distinguished members of the Committee, thank you for the opportunity to testify in support of Senate Bill 194.

My name is Amy Hennen and I am the Director of Advocacy and Financial Stabilization at the Maryland Volunteer Lawyers Service (MVLS). MVLS is the oldest and largest provider of pro bono civil legal services to low-income Marylanders. MVLS was founded in 1981 by a group of concerned Maryland lawyers, legal services providers and leadership of the Maryland State Bar Association. Since then, our statewide panel of over 1,700 volunteers has provided free legal services to over 100,000 Marylanders in a wide range of civil legal matters. In FY21, MVLS volunteers provided legal services to 3,353 people across the state. As part of our tax sale foreclosure work, we see numerous clients at risk of losing their housing due to not receiving applicable tax credits. For the reasons explained below, we respectfully request a favorable report on Senate Bill 194.

MVLS represents clients who face losing their homes due to unpaid property taxes. Tax sale often affects the poorest homeowners in the most distressed neighborhoods and contributes to vacant and abandoned properties all over the state. In 2013, MVLS and other nonprofit organizations came together to form the Tax Sale Workgroup. Our goal was to protect communities and homeowners, especially people with lower incomes and the elderly, who face the most devastating effects of the tax sale process. Since 2014, MVLS has maintained a partnership with the Pro Bono Resource Center of Maryland to conduct tax sale workshops aimed at helping homeowners avoid tax sale. In the past four years, volunteers have assisted over 350 people at these workshops.

From the data we collected at our 2020 tax sale clinics, 72% of clients are seniors, 48% were disabled, 85% identified as Black, and 72% reported a household income of \$30,000 or less per year. Many of these clients survive on fixed incomes and struggle to pay their bills even before a tax sale happens. We also found that most homeowners live in multigenerational households where they provide shelter and support for their children and grandchildren.

One such client was Karen, who resided in a multi-generational household in Charles County. She had fallen behind on her property

She was actively looking for funds to get her home out of tax sale after the lien was purchased. We explained the timeline and how little time left she had remaining until additional fees would be added. She was nervous because she knew the additional fees would make it impossible for her family to get the total repaid so they could keep their home.

Unfortunately, by the time someone comes to MVLS at risk of tax sale, it is often very difficult to come up with the lump sum they would need to keep their property out of tax sale or redeem it. Our clients are typically older adults on a fixed income and coming up with hundreds or thousands of dollars all at once is nearly impossible. Karen was eventually able to get funds from her extended family and redeem her home from tax sale. However, she was frantic about losing her home and wished she had additional time. SB194 give homeowners like Karen some additional time to raise funds or apply for retroactive credits of the homeowners' property tax credit.

Based on our experience serving Marylanders facing tax sale and the data we have compiled over the years, MVLS strongly supports SB194. We believe that providing our most vulnerable citizens additional time to pay their property tax bill will help stabilize communities and preserve homeownership in neighborhoods across the state.

Mister Chairman and members of the Committee, thank you again for the opportunity to testify.

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Maryland Volunteer Lawyers Service (MVLS) removes barriers to justice through free civil legal help, community engagement, and advocacy for equitable laws.

**CDN SB194 FAVORABLE.pdf**

Uploaded by: Claudia Wilson Randall

Position: FAV



**Testimony SB 194**  
**Budget & Taxation Committee**  
**January 19, 2022**  
**Position: FAVORABLE**

Dear Chairman Guzzone & Members of the Budget & Taxation Committee:

The Community Development Network of Maryland (CDN) is the voice for Maryland's community development sector and serves nearly 200 member organizations. CDN—focuses on small affordable housing developers, housing counseling agencies and community-based non-profits across the state of Maryland. The mission of CDN is to promote, strengthen and advocate for the community development sector throughout Maryland's urban, suburban and rural communities. CDN envisions a state in which all communities are thriving and where people of all incomes have abundant opportunities for themselves and their families.

CDN has been part of the ongoing work to reform the process of tax sale in the state since 2016. In 2017, CDN was a lead partner in the Task Force to Study Tax Sales in Maryland. CDN currently serves on the Baltimore City Mayor's Tax Sale Workgroup in Baltimore City.

**SB 194** helps homeowners, whose liens were sold at tax sale, redeem sooner and without paying additional fees (recording, title search, attorney's, etc.) by delaying when these fees are added to the redemption payoff amount. This delays when the new July 1 tax bill is added to the redemption payoff amount) in that it also gives homeowners critical time to assemble the funds to redeem before the redemption payoff amount increases dramatically.

Most of the people in the state impacted by tax sale are older, single, African American women living at or below the poverty line. In 2019, the average amount owed was just under \$2500. Though most of the homeowners were eligible for the Homeowner's Tax Credit Program, few had applied or were aware of the program. For these vulnerable homeowners, the tax sale has stripped away generational wealth and housing stability.

Over the years, Maryland has enacted more consumer-friendly policy to prevent the poorest homeowners from losing their houses. These improvements include higher thresholds for tax sale, removal of water bills, and the appointment of a public ombudsman to help owner occupants keep their homes. Limiting the accrual of fees after the sale would further erode this predatory system and help redeem their property.

We urge your favorable report.

Submitted by Claudia Wilson Randall, Executive Director, Community Development Network

**SB0194.docx.pdf**

Uploaded by: Director Michael Higgs

Position: FAV

**LARRY HOGAN**  
Governor

**BOYD K. RUTHERFORD**  
Lt. Governor



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**HEARING DATE:** January 19, 2022

**BILL:** SB0194

**TITLE:** Property Tax - Deadline Extension for Homeowners to Redeem Property Involved in a Tax Sale

**SDAT POSITION:** SUPPORT

SB 194 is a proposal recommended by the State Tax Sale Ombudsman's Office and is based on the Office's experience exploring challenges homeowners face when redeeming their properties after tax sale.

Under current law, a tax lien purchaser may not move to foreclose until six months after a tax sale (nine months for owner-occupied residences in Baltimore City.) However, the lien purchaser is reimbursed for foreclosure preparation expenses only four months after the sale date. These fees include recording fees, title search fees, and attorney's fees, with a total \$750 or more.

Homeowners often report to the Ombudsman's Office the following: 1) the added \$750 makes it significantly more difficult to redeem; 2) it takes more time to assemble the higher payoff amount; 3) their payoff delay adds interest to their bill and takes them closer to when a foreclosure may be initiated; and 4) homeowners find it unfair that an investor can claim \$750 for preparing to foreclose two months before the foreclosure is permitted.

This bill helps homeowners redeem their sold tax liens sooner and without paying these fees by delaying when the fees are added to the redemption payoff amount, from four to six months after a tax sale. This gives homeowners extra critical time to assemble the funds needed to redeem before the redemption payoff amount increases dramatically and enables them to more easily clear their lien and secure their home.

This proposal also aligns the foreclosure preparation fees with the timeline of when foreclosure is permitted.



**LARRY HOGAN**  
Governor

**BOYD K. RUTHERFORD**  
Lt. Governor



**MICHAEL HIGGS**  
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This bill would have little to no impact on lien purchasers, as they are still able to add the fees after six months. It is worth noting that the fees have already been delayed in Baltimore City, and this has not impacted the desirability of the tax sale investor market in this jurisdiction.

**For these reasons, SDAT supports SB0194 and urges a favorable report.**

**2022-01-17 HB 194 (Support).pdf**

Uploaded by: Hannibal Kemerer

Position: FAV

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*Attorney General*



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*Deputy Attorney General*

**STATE OF MARYLAND**  
**OFFICE OF THE ATTORNEY GENERAL**

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410-576-6584

January 19, 2022

**TO:** The Honorable Guy Guzzone  
Chair, Budget and Taxation Committee

**FROM:** Hannibal G. Williams II Kemerer  
Chief Counsel, Legislative Affairs, Office of the Attorney General

**RE:** SB0194 – Property Tax - Deadline Extension for Homeowners to Redeem Property  
Involved in a Tax Sale – **Letter of Support**

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The Office of Attorney General urges this Committee to favorably report SB 194. If passed, this State Department of Assessments and Taxation departmental bill will take effect on October 1, 2022. This bill would extend by two months the period of time in which an owner who is behind on their property taxes can “redeem” their property, after it is sold at tax sale, without having to pay various fees (e.g., certain recordation costs, a title search fee up to \$250, and reasonable attorney’s fees of up to \$500). There is a cottage industry in tax sales, in which investors buy hundreds of livable properties at tax sale in the hope that the owner will redeem them by paying the tax-sale-purchaser’s expenses. The law had a safe harbor, though, allowing the owner to avoid having to pay those expenses if he or she redeemed the property within the four months following the tax sale. In the era of pandemic-induced financial losses for average Marylanders, this bill would extend that period to six months. It is good for residents, particularly low-income homeowners, and is bad for investors, who see the tax sale process as a way to reap interest income off of unsuspecting homeowners.

For the foregoing reasons, the Office of the Attorney General urges a favorable report of the Senate Bill 194.

cc: Members of the Budget and Taxation Committee

# **Written Testimony SB 194 (extend deadline to redee**

Uploaded by: Jade McDuffie McClary

Position: FAV

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**SB 194**

**PROPERTY TAX— DEADLINE EXTENSION FOR HOMEOWNERS TO  
REDEEM PROPERTY INVOLVED IN A TAX SALE  
HEARING BEFORE THE SENATE BUDGET & TAXATION COMMITTEE  
JANUARY 19, 2022  
POSITION: SUPPORT**

The Pro Bono Resource Center of Maryland (“PBRC”), an independent 501(c)(3) non-profit organization, is the statewide clearinghouse for pro bono civil legal services in Maryland. As the designated pro bono arm of the Maryland State Bar Association, PBRC provides training, mentorship, and pro bono service opportunities to members of the private bar. PBRC supports SB 194 because vulnerable homeowners would benefit from increased time after a tax sale auction to redeem to help prevent the loss of their homes.

Over the past seven years, PBRC has assisted nearly 700 homeowners at risk of losing their homes to tax sale. For homeowners, ending up on the tax sale list is usually the result of the inability to pay one’s property taxes. The clients served by our tax sale prevention clinics held in Baltimore in 2021 represented some of our state’s most vulnerable citizens: 81% were seniors, 26% were disabled, 84% identify as Black, and 81% reported annual household incomes of less than \$30,000. Through the advocacy of volunteer attorneys, many of these clients can access programs and credits that reduce their property tax burden allowing them to stay in their homes. However, most Maryland homeowners are unrepresented.

On average, our 2021 Baltimore clients encountered in our clinics had owned their homes for 28 years, and over 70% of them owned their homes free of a mortgage. As lower-income homeowners, the predominant form of accumulated wealth that they have, and that they can pass on to their families, is the equity in their homes. Once a homeowner has received notice that they are facing tax sale, there is usually very little time, only a few weeks, to find the money to pay off the tax debt prior to the auction. In the months after the lien certificate auction, many homeowners are able to pull together the funds needed to pay the tax delinquency; however, after the four-month period has passed to redeem with the county for solely the delinquent amount plus interest, and the attorney’s fees and expenses begin to pile up, the cost of redemption can very quickly become out of reach for these homeowners. Increasing the period to six months before additional fees and expenses can be charged would enable more homeowners to redeem, thereby avoiding tax sale foreclosure and keeping their homes and the equity their families have worked to build.

PBRC supports SB 194, which may protect certain Marylanders from the loss of their family home to tax sale foreclosure, thereby preserving homeownership and the transfer of intergenerational wealth. Thank you for the opportunity to testify.

For the above reasons,

**PBRC urges a FAVORABLE report on SB 194.**

Please contact Allison Harris, Director of PBRC’s Home Preservation Project, with any questions.

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# **SB 194 from Maryland Legal Aid.pdf**

Uploaded by: Maryland Legal Aid

Position: FAV



**MARYLAND**  
**LEGAL AID**

*Advancing*  
**Human Rights and**  
**Justice for All**

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January 14, 2021

The Honorable Guy Guzzone, Chairman  
Miller Senate Office Building  
Budget and Taxation Committee  
11 Bladen Street  
Annapolis, MD 21401

**RE: Testimony of Maryland Legal Aid in Support of Senate Bill 194 – Deadline Extension for Homeowners to Redeem Property Involved in a Tax Sale**

Dear Chairman Guzzone and Members of the Committee:

Maryland Legal Aid (MLA) is a non-profit law firm that provides free legal services to the State's low-income and vulnerable residents, including abused and neglected children, nursing home residents, and veterans. With 12 offices serving residents in each of Maryland's 24 jurisdictions, MLA advises and represents elderly and low-income persons in the areas of housing, consumer law, foreclosure, family law, children's rights, and administrative law benefits throughout Maryland. MLA submits this written testimony on SB 194 at the request of Senator Guzzone. MLA supports SB194 and asks that the Committee give it a favorable report.

The tax sale process is necessary to ensure that all Maryland counties and the City of Baltimore receive funds to continue providing necessary services. However, once a property is sold at tax sale, the process for individual homeowners is confusing and expensive. Under the current Tax Property statute, after four months, a purchaser of the tax sale lien can contact a property owner and request costs and fees that can add almost \$1000.00 to the cost of the tax sale lien certificate. SB194 would allow property owners additional time to redeem their property from the tax sale without the burden of these additional costs.

MLA advises and represents many low-income homeowners on tax sale matters, often referring clients to apply for the property tax credit program and other financial resources. Interest begins to accrue on the tax lien certificate when a property is sold at a tax sale. Under the current provision of Tax Property §14-843, after four months, a tax sale purchaser may seek up to \$250 for a title search, \$500.00 in attorney's fees, and costs for mailing. Though these costs are limited, in the experience of MLA advocates, rarely, if not ever, is a client who received notice under this provision, not charged the total amount permitted by statute. Additional time to pay only the taxes and interest is a tremendous savings to the property owner, who can then move forward in the redemption process and not face additional costs.

Thank you for considering this written testimony. For the reasons stated above, **Maryland Legal Aid urges a favorable report on SB 194.**

/s/ Louise M. Carwell

Louise M. Carwell

Senior Attorney for Consumer Law

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