



**MARYLAND  
LEGAL AID**

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

**House Bill 1223  
Foreclosure Action – Responsibility of Secured Parties and Stay for Determination  
of Financial Assistance  
In the House Environment and Transportation Committee  
Hearing on March 7, 2023  
Position: FAVORABLE**

*Maryland Legal Aid (MLA) submits its written and oral testimony on HB 1223 in response to a request from Delegate Elizabeth Embry.*

Thank you for the opportunity to testify in support of House Bill 1223. HB 1223 would authorize the Maryland Office of Financial Regulation to impose a one-hundred twenty (120) day stay of any foreclosure action if an application for the Maryland Homeowners Assistance Fund (HAF) is pending. In addition, it would require a mortgage servicer to file an affidavit stating that the homeowner does not have a HAF application pending, or the 120-day stay has expired, before being able to move forward with a foreclosure.

MLA is a strong supporter of the HAF program, and it has permitted many of our clients to stay in their homes and cure mortgage arrears, homeowners association defaults, property tax defaults and water bill defaults that they would not otherwise be able to cure. The program arose out of the financial problems faced by low-income persons after the COVID-19 pandemic. The HAF program, however, takes a significant period of time from application to approval, and without a stay, a homeowner could lose their home to foreclosure before they have the opportunity to get approved for HAF. In addition, many times, logistical delays in the HAF process can cause sale dates to be scheduled before HAF funds are approved. The logistical delays in Maryland and in other states were reflected in a recent article in the Wall Street Journal, for which MLA provided context<sup>1</sup>.

Likewise, to illustrate the direct problems that arise at the present time, MLA represented one homeowner who was in the middle of a HAF application when a foreclosure sale was scheduled. MLA filed an Emergency Motion to Stay the Foreclosure Sale due to the HAF application. Unfortunately, the court denied the Motion, and the foreclosure sale proceeded, and the homeowner lost their home.

MLA also represented another homeowner who had three foreclosure sales scheduled while her HAF application was still pending. MLA was successful in getting all of these foreclosure sales cancelled, but this entire process can be very stressful to a homeowner, who thinks they are doing everything correct, only to then get a foreclosure sale notice. In addition, without an attorney, a homeowner may not realize that they are entitled to a stay of the foreclosure sale because of a HAF application and may fail to request a stay from the Circuit Court.

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The issues of application, timing and approval are also not just limited to HAF program itself. Most of the time, the mortgage servicers often themselves cause the delays. MLA represented one homeowner in a case which a sale date was set simply because the servicer had failed to provide the required information to HAF to allow them to cure the default. MLA filed an Emergency Motion to Stay and was able to get this homeowner the assistance he was entitled to, but a homeowner should not have to rely on these extreme measures.

MLA also has had issues with the mortgage servicers even after the homeowners are approved for assistance. In one case, MLA represented a homeowner and the mortgage servicer sent the HAF reinstatement payment back three times because they did not know what it was. A stay and a requirement to file an affidavit confirming compliance with the stay would incentivize the mortgage servicers to be more cooperative in the HAF process since they would not be able to move forward with a foreclosure process unless they were.

Because this bill provides additional time for a homeowner to get HAF assistance, protects homeowners from losing their homes before a HAF application is considered, and makes approval of HAF assistance more likely, MLA urges a favorable report on HB 1223. If you need additional information in regards to this bill, please contact William Steinwedel at [wsteinwedel@mdlab.org](mailto:wsteinwedel@mdlab.org) and (410) 951-7643.

/s/William F. Steinwedel

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Maryland Legal Aid Bureau