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February 28, 2023

To: The Honorable Kumar Barve
Chair, Environment and Transportation Committee

From: Karen S. Straughn
Consumer Protection Division

Re: House Bill 837 – Condominium and Homeowners Associations – Residential Property
Foreclosure Sales – Purchaser Requirements_(SUPPORT WITH
AMENDMENT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support with amendment of House Bill 837 submitted by Delegate Marvin E. Holmes, Jr. This bill would require a foreclosure sale purchaser of residential property in a condominium or homeowners association to record the transfer of land in the county records immediately and to begin paying assessments on that property until the title is recorded by a new owner. This bill would further permit a fine against the purchaser for failure to comply with the requirement to pay assessments. The Consumer Protection Division recommends an amendment to clarify when the filing must occur, for example by requiring filing within 5 business days.

When a property is purchased at a foreclosure sale, the purchasing party should become automatically liable to pay the assessments due on that property. Despite this, many times the purchaser unfairly escapes this responsibility by failing to record the transfer, leaving the association unaware of the party responsible to pay and without much-needed assessments to maintain the property. Moreover, if the property is purchased by a bank or mortgage company at the foreclosure sale, often the transfer of land is not recorded until that entity sells the property to another purchaser. By requiring a purchaser to record the transfer of property in the land records within a short period of time, the association has no doubt who is responsible for the payments and can begin the process of billing that party accordingly. A bank, mortgage company or

individual purchaser should not be able to escape the responsibility for payments merely by failing to record the transfer. This will help to ensure the stability of associations who rely on assessment payments from all owners to properly operate.

For these reasons, we ask that the Environment and Transportation Committee return a favorable report on this bill with the suggested amendment.

cc: The Honorable Marvin E. Holmes, Jr.
Members, Environment and Transportation Committee