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January 26, 2023

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

From: Monica Best-James, Chair
Consumer Council of Maryland

Re: House Bill 105 – Real Property - Condominium and Homeowners Associations – Governing Bodies and Annual Meetings (SUPPORT)

The Consumer Council of Maryland supports House Bill 105, sponsored by Delegate Marvin E. Holmes, Jr., which would address situations that arise prior to the transfer of control to a condominium or homeowners association from the developer. The Consumer Council is an advisory body to the Consumer Protection Division in the Office of the Attorney General with members representing businesses, consumers and the public who are appointed by the Governor.

Specifically, the bill requires the developer to have two meetings a year so that association members can be informed about what is happening in their developments. It further prevents the developer from comingling funds and requires the developer to name a homeowner or unit owner to the board once the development is 25% complete. Finally, it requires that the board members who are not affiliated with the developer be given 30 days' notice prior to the release of any governmental bonds.

The Consumer Protection Division has reported to the Consumer Council that it has received calls and complaints concerning the problems experienced by condominium and homeowners' associations that are preparing to take control from the developer and those that have recently transferred control only to discover many problems. Many residents claim that they have been kept in the dark as to what is happening in their community prior to the transfer of control. Others have transitioned control only to find that there is no money in any of the accounts and suspect that the developer has used assessment funds to pay its operating costs. The Division has also heard from communities advising that bonds on the roads have been released without their knowledge, yet the roads in the community remain in need of repair or completion. This bill provides for greater disclosure to community members and helps to ensure that these types of problems can no longer occur, or that a remedy exists if they do.

Preventing the comingling of funds will ensure that association funds are used for association business only and prevents the developer from using association funds for the developer's operating expenses. Ensuring the protection of association funds also will help ensure that an

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association will be financially more stable following transition and that there are funds if a developer fails to complete the development, leaving the homeowners to pick up the pieces.

By requiring the developer to name a homeowner or unit owner to the board who is not affiliated with the developer once the development is 25% complete, the community members are given a greater voice in their community and will hopefully be more knowledgeable about events occurring in the development of their community. Finally, by providing information about the bonds and providing notice prior to release of these bonds, it ensures that association members can notify the bondholder if the work is not completed.

For these reasons, the Consumer Council of Maryland asks that the Environment and Transportation Committee return a favorable report on House Bill 105.

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