



**MARYLAND
LEGAL AID**

Advancing
**Human Rights and
Justice for All**

**House Bill 266
In the Environment and Transportation Committee –Residential
Owners in Common Interest Communities – Bill of Rights
Hearing on February 6, 2024
Position: FAVORABLE**

Maryland Legal Aid (MLA) submits its written and oral testimony on HB 266 in response to a request from Delegate Holmes.

Maryland Legal Aid (MLA) is the largest non-profit law firm in the State of Maryland and represents low-income individuals in consumer, bankruptcy and foreclosure cases against homeowners associations (HOA) and other common ownership communities. HB 266 creates a homeowners bill of rights when dealing with HOAs and other common interest communities. Because this improves the rights of homeowners in connection with HOAs and other common interest communities, MLA supports this bill.

While some HOAs are well managed and represented by qualified counsel, MLA has seen major issues regarding the financial management of some HOAs and common communities. One issue that is particularly concerning is the misappropriation of payments. MLA has represented several homeowners where the payment address for the HOA changed, and the homeowner was not notified. This caused the homeowner to continue to send their payments to the wrong address, which for some homeowners eventually resulted in the HOA accusing them of being in default on their payments. HB 266 would give homeowners in common interest communities the right to fair treatment in the collection of HOA debts, which would require the HOA to address payment disputes and payment issues immediately upon the homeowner raising them.

In addition, MLA has seen that some HOAs can commit questionable financial practices in connection with the monthly payments they receive. HB 266 would require that an HOA provide a homeowner with an annual budget report along with their yearly assessment, which would make it harder for HOA management to commit financial malfeasance.

HOAs also have a very favorable position, under Maryland Law, in regard to collecting their debt. HOAs are one of the few creditors that can impose a lien on a debtor's home without first obtaining a judgment in court. Under the Maryland Contract Lien Act, the HOA only needs to give the homeowner thirty (30) days notice of the debt before placing a lien on the homeowner's property. In addition, given their connection to real estate, HOAs are one of the few creditors that will sell a home at a sheriff's sale to collect on a debt. While all creditors after obtaining a judgment have this right, HOAs are the only creditors that frequently sell a debtor's home to collect a debt. In addition, because HOA debt is almost always secured because of the Maryland Contract Lien Act, it is extraordinarily hard to discharge in a bankruptcy. By making sure that a homeowner does not lose their rights and ability to participate in HOA management even when they are in default

or collections, HB 266 would strengthen the rights of homeowners in connection with HOA collections and prevent abuse by the HOA.

Because the Homeowners Bill of Rights will help make sure consumer and homeowner rights are protected in their dealings with HOAs and common communities, MLA strongly supports HB 266. If you need additional information in regards to this bill, please contact William Steinwedel at wsteinwedel@mdlabor.org and (410) 951-7643.

/s/William F. Steinwedel

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Maryland Legal Aid Bureau