



House Bill 1262 – Condominiums and Homeowners Associations - Reserve Studies - Exemptions

Position: Support with Amendments

Maryland REALTORS® supports efforts to help Common Ownership Communities fully fund their reserve accounts. However, we caution that creating exemptions to the reserve study requirement must be carefully considered for both resident safety and the ability to conduct real estate transactions in that development.

In 2022, the General Assembly passed a requirement that associations regularly conduct reserve studies, which evaluate the ability to pay for future financial obligations like maintenance and repairs. If the study determines that an association's financial reserves are insufficient, the unit owners may face increases in their monthly fees or special assessments to recapitalize the accounts.

Some associations have imposed sharp increases in fee amounts charged to homeowners, due to the large unmet capital needs of these communities. Extending the timeline that associations have to fund these accounts to 5 years will help associations to reduce the impacts of new assessments or dues increases.

On the other hand, communities being allowed to waive their reserve study requirements can place residents in dangerous housing conditions. Following the Surfside, FL, condo collapse, it was discovered that many condo developments had voted to waive or delay reserve funding assessments. Because even small associations can have facilities that impact resident health and safety, including bridges, stormwater retention or retaining walls, a more appropriate exemption threshold may be the type of facilities maintained by the association rather than the size of the development itself.

Yet, even creating exemptions could have negative impacts on community residents. There is concern that associations which are not able to meet and maintain necessary reserve funding amounts will face difficulties in obtaining mortgages or insurance coverage for residential units within the community. Buyers will also be reluctant to purchase in a development where reserves are unfunded or where they will face a large special assessment in the near future.

REALTORS® remain committed to working with the General Assembly on solutions to the impacts of reserve study requirements on community residents, while also protecting their safety and the equity in their most valuable asset.

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