



House Bill 968 – Condominiums and Homeowners Associations - Reserve Studies - Exemptions

Position: Oppose

Maryland REALTORS® supports efforts to help Common Ownership Communities to fully fund their reserve accounts. However, we believe that allowing an association to opt out of conducting reserve studies could have serious consequences for both resident safety and the ability to conduct real estate transactions in that development.

In 2022, the General Assembly passed a statewide requirement that all condo and homeowner's associations regularly conduct a reserve study, which evaluates the association's 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.

While that is an issue that must be addressed, 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.

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.

For these reasons, REALTORS® must recommend an unfavorable report on HB 968.

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