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February 14, 2025

To: The Honorable Marc Korman
Chair, Environment and Transportation Committee

From: Kira Wilpone-Welborn, Assistant Attorney General
Consumer Protection Division

Re: House Bill 769 – Real Property – Residential Foreclosures – Materially Delinquent
Mortgages (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General (the “Division”) supports House Bill 769 sponsored by Delegates D. Jones, Allen, Bagnall, Bartlett, Boaf, Holmes, J. Lewis, Pruski, Roberson, Schmidt, and Simmons. House Bill 769 seeks to prevent surprise foreclosures of zombie mortgages by requiring lenders to provide correspondence regarding the loan in each billing cycle for the previous 24 months. House Bill 769 also permits consumers to raise a defense of laches when a lender seeks to foreclose on a material delinquent mortgage.

Zombie mortgages are loans that a borrower believed, rightly or wrongly, was written off by the initial lender, but were in fact sold to debt collectors for future collection. Often with zombie mortgages, consumers have received no communication regarding the loan balance or that the loan will be sold or serviced by another party. As a result, when the new servicer or debt collector seeks to foreclose on the defaulted mortgage, consumers are surprised. Additionally, zombie mortgages have often been in default for years accruing interest and fees that balloon the balance. As a result, the surprise foreclosure proceedings and large balances can prevent borrowers from modifying the loan or paying off the balance and remaining housed. House Bill 769 seeks to prevent these surprise foreclosures by requiring additional communication with consumers as a condition precedent to filing a foreclosure, and by providing borrowers with the explicit defense of laches.

For these reasons, the Division requests that the Environment and Transportation Committee give House Bill 769 a favorable report.

cc: The Honorable Dana Jones, *et al.*
Members, Environment and Transportation Committee