

CAROLYN A. QUATTROCKI
Chief Deputy Attorney General

LEONARD J. HOWIE III
Deputy Attorney General

CARRIE J. WILLIAMS
Deputy Attorney General

SHARON S. MERRIWEATHER
Deputy Attorney General

ZENITA WICKHAM HURLEY
Chief, Equity, Policy, and Engagement



**STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION
MEDIATION UNIT**

ANTHONY G. BROWN
Attorney General

WILLIAM D. GRUHN
Division Chief

KAREN S. STRAUGHN
Unit Director

PETER V. BERNIS
General Counsel

CHRISTIAN E. BARRERA
Chief Operating Officer

410-576-7942
kstraughn@oag.state.md.us
Fax: 410-576-7040

March 26, 2025

To: The Honorable William C. Smith, Jr.
Chair, Judicial Proceedings Committee

From: Karen S. Straughn
Consumer Protection Division

Re: House Bill 295 – Real Property - Condominium and Homeowner Associations –
Governing Bodies (SUPPORT WITH AMENDMENT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of House Bill 295 sponsored by Delegate Marvin E. Holmes, Jr., with an amendment. This bill is intended to address situations that arise prior to the transfer of control to an association from the developer of a common ownership community.

The Consumer Protection Division has received calls and complaints concerning the problems experienced by 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. This bill provides for greater disclosure to community members and helps to avoid some of these types of problems.

Specifically, the bill requires the developer to have a meeting each year so that association members can be informed about what is happening in their development. 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.

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 developer operating expenses. In addition, it helps to address concerns that arise about a developer leaving an association without adequate funding prior to the transition of control of an association so that an association will be more financially stable following transition. It also is important in situations in which the developer fails to complete the development, leaving the homeowners to pick up the pieces.

We have also heard from communities that bonds on the roads have been released without their knowledge, yet the roads in the community remain in need of repair or completion. However, the bill was amended in the House to remove the provisions giving association members 30 days' notice prior to the release of any governmental bonds, which the Division strongly believes must be restored. Although the community is not a party to the bonds, by providing information about the bonds and notice to the community prior to release of these bonds, it ensures that association members can notify the appropriate parties that the bond should not be released if the work has not been completed. Without this, often the bonds are released simply because the contractors report that the bonds are ready to be released, even though the work has not been completed. Once released, there is nothing to ensure the contractors finish the job. As the residents will be responsible for completion and maintenance of the roads, it is important that the community know before the bonds are actually released. The ultimate decision on releasing the bond is still up to the government; this simply allows the association members the opportunity to provide information that the government can take into consideration when making the decision whether or not to release the bond.

Accordingly, for the reasons discussed above, we ask that the Judicial Proceedings Committee return a favorable report on this bill with the amendment described.

cc: The Honorable Marvin E. Holmes, Jr.
Members, Judicial Proceedings Committee