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March 27, 2025

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

From: Karen S. Straughn
Consumer Protection Division

Re: House Bill 303 – Real Property – Regulation of Common Ownership Community
Managers (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of House Bill 303 submitted by Delegates Marvin E. Holmes, Jr., et al. This bill provides for the registration, licensing and regulation of common ownership community property managers by the Department of Labor.

Many common ownership communities are run by volunteer boards of directors with little or no experience running a business. Often, they rely upon property management companies to assist them in complying with the laws governing the associations and in collecting and using association funds in a fiscally responsible manner. As a result, it is important to ensure that the education, knowledge, and integrity of the property managers providing these services meet certain minimum standards. By imposing requirements for education and licensing of property managers, the legislature would protect thousands of citizens who reside in these communities and help to ensure that these communities are financially sustainable.

In the past, there have been property management companies that have misappropriated large sums of money from the communities they manage. Many have heard the horror stories of Legacy Management and the devastating impact its unscrupulous acts had on the communities it managed. In July of 2019, the Consumer Protection Division settled with another property

management company that misappropriated over \$2 million dollars from homeowners and condominium associations, affecting over 1,500 individuals. As recently as January of 2024, the Consumer Protection Division filed an action against another property management company for charging improper late fees to the associations they managed. In addition, in 2023, a class action lawsuit was filed against another property management company for overcharging residents in violation of the statutes governing common ownership communities, which settled for \$600,000. The damage that may be caused by unscrupulous or uneducated property managers clearly outweighs the costs to implement the procedures to register, license and regulate these entities.

We appreciate that the bill allows for initial funding to begin operation of the board, as well as the authority to adopt regulations that will be promulgated to support the ongoing operation of this important program.

For these reasons, we ask that the Judicial Proceedings Committee return a favorable report on this bill.

cc: The Honorable Marvin E. Holmes, Jr.
The Honorable Nick Allen
The Honorable Regina T. Boyce
The Honorable Debra Davis
The Honorable Anne Healey
The Honorable Robbyn Lewis
The Honorable Sheila Ruth
The Honorable Jen Terrasa
Members, Judicial Proceedings Committee