



FEBRUARY 25, 2025

Reforming Foreclosure Process Will Protect Maryland Homeowners

Position Statement Supporting Senate Bill 682

Given before the Judicial Proceedings Committee

SB 682 proposes essential reforms to the foreclosure process, aiming to enhance transparency and fairness for homeowners across Maryland. The Maryland Center on Economic Policy (MDCEP) is dedicated to promoting economic policies that foster equity and prosperity for all Maryland residents. **MDCEP supports Senate Bill 682 because it will ensure that homeowners receive comprehensive and affordable equitable defenses during the foreclosure processes.**

Senate Bill 682 seeks to amend existing foreclosure procedures by:

- Modifying requirements for initiating foreclosure actions on residential properties.
- Mandating that secured parties provide pertinent loan-related correspondence when enforcing materially delinquent mortgages, with specific exceptions.
- Allowing mortgagors to invoke the defense of laches in foreclosure proceedings.

These provisions are designed to ensure that homeowners receive comprehensive information and are afforded equitable defenses during foreclosure processes.

It is crucial to recognize that foreclosure practices have historically disproportionately harmed Black and Brown communities. Discriminatory lending practices and systemic inequities have led to higher rates of mortgage delinquency and foreclosure among these populations.

In Maryland, the disparity in homeownership rates is stark. The white homeownership rate stands at 76.3%, while the Black homeownership rate is significantly lower at 46.2%.ⁱ This gap underscores systemic barriers that Black families face in achieving homeownership. Foreclosure rates further exacerbate these disparities as typically Black and Brown households tend to have higher foreclosure rates than their white counterparts.ⁱⁱ

A pressing concern is the resurgence of "zombie mortgages," where homeowners are confronted with unexpected bills and foreclosure threats on second mortgages they believed were resolved. This issue has led to renewed financial strain and increased foreclosure risks, particularly affecting vulnerable homeowners.ⁱⁱⁱ

An analysis of foreclosure data reveals that certain jurisdictions in Maryland experience higher rates of foreclosure, often correlating with communities that have significant Black and Brown populations:

- **Baltimore City:** In the first quarter of 2023, there were 622 foreclosure events, representing 20.2% of the state's total.

- **Prince George's County:** In the first quarter of 2023, there were 686 foreclosure events accounting for 22.2% of the state's total.

These statistics highlight the need for legislative action to protect Maryland homeowners.

Senate Bill 682 represents a critical step toward rectifying systemic inequities in Maryland's housing market. By enhancing transparency and providing homeowners with equitable defenses in foreclosure proceedings. For these reasons, **the Maryland Center on Economic Policy respectfully requests the Judicial Proceedings Committee to make a favorable report on Senate Bill 682.**

Equity Impact Analysis: Senate Bill 682

Bill Summary

SB 682 proposes essential reforms to the foreclosure process, aiming to enhance transparency and fairness for homeowners across Maryland.

Background

In Maryland, the disparity in homeownership rates is stark. The white homeownership rate stands at 76.3%, while the Black homeownership rate is significantly lower at 46.2%. This gap underscores systemic barriers that Black families face in achieving homeownership. Foreclosure rates further exacerbate these disparities as typically Black and Brown people tend to have higher foreclosure rates than their counter parts.

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Equity Implications

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Impact

Senate Bill 682 will likely **improve racial, gender, and economic equity** in Maryland.

ⁱ Maryland Matters, "Black Families Fall Further Behind on Homeownership", (Oct. 15, 2022).

ⁱⁱ DCHD, "Property Foreclosure Events in Maryland", (First Quarter 2022)

ⁱⁱⁱ The Wall Street Journal, "Zombie Mortgages Could Force Some Homeowners Into Foreclosure", (Jun. 4, 2023).