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February 26, 2026

To: The Honorable Kriselda Valderrama
Chair, Economic Matters Committee

From: Karen S. Straughn
Consumer Protection Division

Re: House Bill 841 – Real Property - Condominium and Homeowner Associations –
Governing Bodies (SUPPORT WITH AMENDMENTS)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support with amendments of House Bill 841 sponsored by Delegate Marvin E. Holmes, Jr. 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 taken control from the developer 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. 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. This bill provides for greater disclosure to community members and would help to avoid 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. Finally, in prior years, the bill included language that would require that the association members be given 30 days' notice prior to the release of any governmental bonds. We recommend an amendment to add this language about notification of bonds to this current bill.

Preventing the comingling of funds will ensure that association funds are used for association business only and prevent the developer from using association funds for developer operating expenses. In addition, it should help communities avoid financial concerns that arise when a developer leaves an association without adequate funding or when the developer fails to complete the development, leaving the homeowners to pick up the pieces.

By requiring the developer to name a homeowner or unit owner to the board who is not affiliated with the developer once the development is 25% complete, the community members are given a greater voice in their community and will hopefully be more knowledgeable about events occurring in the development of their community. Finally, despite contentions by developers that 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, an amendment requiring notice would ensure that association members can notify the appropriate parties that the work is not completed, so they do not release the bond.

Accordingly, for the reasons discussed above, we ask that the Economic Matters Committee return a favorable report on this bill with amendments.

cc: The Honorable Marvin E. Holmes, Jr.
Members, Economic Matters Committee

Consumer Protection Division

AMENDMENTS TO HB 841 (2026)

AMENDMENT 1:

On page 6, in line 33, after (iv), insert:

1. WITHIN 15 DAYS AFTER THE DATE OF THE MEETING 5 HELD UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE DEVELOPER SHALL DELIVER BY FIRST-CLASS MAIL TO EACH MEMBER OF THE BOARD OF DIRECTORS FOR THE COUNCIL OF UNIT OWNERS WHO IS A UNIT OWNER AND WHO IS NOT AFFILIATED WITH THE DEVELOPER NOTICE OF:

A. ANY BOND PROVIDED BY THE DEVELOPER TO A GOVERNMENTAL UNIT IN CONNECTION WITH THE DEVELOPMENT; AND

B. THE NAME, ADDRESS, AND PHONE NUMBER OF THE GOVERNMENTAL UNIT THAT SERVES AS THE BOND HOLDER.

2. AT LEAST 30 DAYS BEFORE A DEVELOPER REQUESTS TO BE RELEASED FROM A BOND PROVIDED BY THE DEVELOPER TO A GOVERNMENTAL UNIT, THE DEVELOPER SHALL DELIVER BY FIRST-CLASS MAIL TO EACH MEMBER OF THE BOARD OF DIRECTORS FOR THE COUNCIL OF UNIT OWNERS WHO IS A UNIT OWNER AND WHO IS NOT AFFILIATED WITH THE DEVELOPER NOTICE OF:

A. THE INTENTION TO BE RELEASED FROM THE BOND; AND

B. THE NAME, ADDRESS, AND PHONE NUMBER OF THE GOVERNMENTAL UNIT THAT SERVES AS THE BOND HOLDER.”

And in lines 33 and, on page 7, in lines 7, 11 and 23, strike (iv), (v), (vi) and (vii), and substitute” (V)”, “(Vi)”, “(VII)” AND “(VIII)”, respectively.

AMENDMENT 2:

On page 14, after “notice.” In line 32, insert:

(H) (1) WITHIN 15 DAYS AFTER THE DATE OF THE MEETING HELD UNDER SUBSECTION (B) OF THIS SECTION, THE DECLARANT SHALL DELIVER BY FIRST-CLASS MAIL TO EACH MEMBER OF THE BOARD OF DIRECTORS WHO IS A LOT OWNER AND WHO IS NOT AFFILIATED WITH THE DECLARANT NOTICE OF:

(I) ANY BOND PROVIDED BY THE DECLARANT TO A GOVERNMENTAL UNIT IN CONNECTION WITH THE DEVELOPMENT; AND

(II) THE NAME, ADDRESS, AND PHONE NUMBER OF THE GOVERNMENTAL UNIT THAT SERVES AS THE BOND HOLDER.

(2) AT LEAST 30 DAYS BEFORE A DECLARANT REQUESTS TO BE RELEASED FROM A BOND PROVIDED BY THE DECLARANT TO A GOVERNMENTAL UNIT, THE DECLARANT SHALL DELIVER BY FIRST-CLASS MAIL TO EACH MEMBER OF THE BOARD OF DIRECTORS WHO IS A LOT OWNER AND WHO IS NOT AFFILIATED WITH THE DECLARANT NOTICE OF:

(I) THE INTENTION TO BE RELEASED FROM THE BOND; AND

(II) THE NAME, ADDRESS, AND PHONE NUMBER OF THE GOVERNMENTAL UNIT THAT SERVES AS THE BOND HOLDER.”

And on page 15, in line 1, strike (H) and substitute “(I)”