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March 10, 2026

[kris.valderrama@house.maryland.gov](mailto:kris.valderrama@house.maryland.gov)  
[lorig.charkoudian@house.maryland.gov](mailto:lorig.charkoudian@house.maryland.gov)

Delegate Kriselda Valderrama, Chair  
Delegate Lorig Charkoudian, Vice-Chair  
House Economic Matters Committee  
231 Taylor House Office Building  
Annapolis, Maryland 21401

**Re: House Bill 1506**  
**Condominiums and Homeowners Associations –**  
**New Owner Fees – Limitations**  
**Hearing Date: March 12, 2026**  
**Position: SUPPORT WITH AMENDMENTS**

Dear Chair Valderrama, Vice Chair Charkoudian, and Members of the Economic Matters Committee:

This letter is submitted on behalf of the Maryland Legislative Action Committee (“MD-LAC”) of the Community Association Institute (“CAI”). CAI represents individuals who reside in and professionals who work with condominiums, homeowners’ associations, and cooperatives throughout the State of Maryland. With this letter, MD-LAC seeks to voice its **support for the passage of HB1506, with amendments as explained below.**

Capital Contributions, which would be collected at closing upon the resale of homes in condominium or homeowners’ association properties, represent an essential funding mechanism for community operations.

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Indeed, for many years now, the developers of community associations have been implementing capital contributions of this type to seed the replacement reserve funds that they are expected to turn over to homeowners when control of the community is transitioned by the developer to them. Additionally, these funds would support the community's ability to meet ongoing expenses, such as building electricity, streetlights, landscaping, and other shared maintenance obligations. Costs continue to rise annually, particularly in older communities with increased operational needs, not to mention the impact of more frequent storm damage and unpredictable winter weather. Capital contributions collected upon subsequent resale are a responsible and predictable way to help meet these obligations, supplementing regular assessments, avoiding special assessments, and supporting mandated reserve requirements.

These contributions also reinforce the principle of community self-governance. Capital contributions are adopted by the community itself through its governing documents, reflecting local priorities, financial realities, and the level of services owners have chosen for their shared property. They ensure that funding decisions remain with the homeowners, not in the hands of an overseeing government. Therefore, it is our view that the proposed bill should be amended, prior to its passage, to require that a community's "Governing Documents" include provisions authorizing the collection of an upfront capital contribution from any new owner before any such contribution is charged.

New owners directly benefit from the reserves, amenities, and infrastructure funded by prior owners. A contribution at purchase places incoming owners on more equal footing with existing owners, many of whom have been contributing to their community's reserve funds for years. If a new owner is also not required to make some upfront contribution, existing owners will, effectively, subsidize newcomers, which is inherently inequitable. Additionally, the administrative costs borne by the community to onboard a new owner, such as updating management records, educating owners on rules, issuing parking and pool passes, and performing other administrative tasks, often exceed one month's assessment. Some communities have such low monthly assessments (e.g., \$14.00 a month) that limiting the capital contribution to an amount equal to just a one-month assessment would result in an amount too low to make any difference.

Our suggestion is to cap the capital contribution at an amount equal to no more than six (6) months' assessments, which is a measure already accepted by the financial institutions, FNMA and Freddie Mac, as being reasonable.

Fully funded replacement reserves protect home values, reduce the likelihood that necessary property maintenance will be deferred, and prevent large assessment increases or special assessments, which disproportionately burden seniors and owners on fixed incomes. Furthermore, the requirement of new owners to pay an upfront Capital Contribution would have to be disclosed in resale packages, ensuring transparency for buyers before settlement. Many states and associations across the country use similar funding tools successfully.

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For these reasons, the MD-LAC respectfully requests a **favorable report with amendments** to:

- (i) establish a cap equal to six (6) months' assessments; and
- (ii) require that a community's Governing Documents include—or be amended to include—provisions specifically authorizing the collection of an upfront capital contribution upon any resale before any such charge could be made or collected.

We are available to answer any questions the Committee Members may have. Please feel free to contact Lisa Harris Jones, lobbyist for the MD-LAC, at 410-366-1500 or email at [lisa.jones@mdlobbyist.com](mailto:lisa.jones@mdlobbyist.com). You may also contact Igor Conev, Chair of the MD-LAC at 443- 614-2787, or by e-mail at [igor@ocmannproperties.com](mailto:igor@ocmannproperties.com), or Charlene Morazzani Hood, Emeritus Member MD-LAC at 410-654-4444, or by e-mail at [cmorazzani@residential-realty.com](mailto:cmorazzani@residential-realty.com)

Sincerely,

*Charlene Morazzani Hood*

*Igor Conev*

Emeritus Member, CAI MD-LAC

Chair, CAI MD-LAC

CAI is a national organization dedicated to fostering vibrant, competent, harmonious community associations for more than fifty years. Its members include community association volunteer leaders, professional managers, community management firms, and other professionals and companies that provide products and services to common interest associations. As part of its mission, CAI advocates for legislative and regulatory policies that support responsible governance and effective management. As part of this purpose, state Legislative Action Committees represent CAI members before state legislatures and agencies on issues such as governance, assessment collection, insurance and construction defects.