

April 1, 2026

Re: Letter of Opposition

Dear Chair, Vice-Chair, and Members of the Committee,

The Office of Financial Regulation (OFR) is Maryland's state consumer financial protection agency. OFR provides this testimony in opposition of Senate Bill 589, Business Regulation - Collection Agencies and Property Managers .

Bill Summary

As amended, SB589 seeks to prevent OFR from taking any enforcement action while an appeal is pending in Montgomery County Circuit Court case C-15-CV-25-000340, Christine Smith v. Bozzuto Management Company.

Practical Concerns with the Amendments

Essentially, those seeking to enact the SB589 amendment are asking two separate branches of government (the courts and the General Assembly) to suspend action until the other acts, which may cause a policy stalemate to the detriment of consumers. In its case, Bozzuto Management Company filed a pleading contending that it does not agree that its case is a matter of significant importance and it asked the Maryland Supreme Court to leave the matter in the Appellate Court. After SB589 was introduced, the consumer tenant in the case asked the Supreme Court to immediately review this issue to resolve any statewide conflicts about the scope and enforceability of Maryland's collection law (MCALA). Bozzuto Management Company disagreed, stating on the record that this case just involves an ordinary question of statutory interpretation and that it would not serve the public interest for the Supreme Court to resolve the issue. Instead, Bozzuto argued that courts can use the existing law, undermining the need for a legislative amendment. Most concerningly, Bozzuto then also asked the Supreme Court to hold off on considering the case until the General Assembly decides the exact same licensing issue.

A final practical concern is that the duration of the appellate process would likely span several years. Private litigation could terminate or settle prior to rendering a decision. Allowing that process to play out would effectively paralyze the OFR's ability to enforce Maryland law for a significant duration, leaving consumers without critical protection while the private litigation is pending.

Constitutional Concerns with the Amendments

Likely Unconstitutional under Maryland Constitutional Prohibition on Special Laws

As written, the provision likely violates the Maryland Constitutional provision on Special Laws. Art. III, § 33, of the Maryland Constitution provides, among other things, that the General Assembly “shall pass no special Law, for any case, for which provision has been made, by an existing General Law” Cities Serv. Co. v. Governor, State of Md., 290 Md. 553, 567, 431 A.2d 663, 671 (1981). One of the most important reasons for the provision in the Constitution against special legislation is to prevent one who has sufficient influence to secure legislation from getting an undue advantage over others. Id. (citations omitted).

The proposed amendment is likely impermissibly specific because, although it purports to define a general class of “property managers,” its practical effect is to target a narrow subset of entities involved in a particular dispute. The definition effectively captures large, full-service property management companies rather than the broader universe of individuals and businesses who may perform isolated property-related functions such as leasing, maintenance, or rent collection. More importantly, subsection (b) conditions the suspension of enforcement of MCALA on the resolution of a single, identified lawsuit, Smith v. Bozzuto. Here, tying the operation of the statute to the outcome of a specific pending case functions as the practical equivalent of identifying the beneficiary by name and confers a temporary regulatory exemption tailored to that dispute, rather than establishing a rule that operates on the entire class governed by existing general law. Because the State already has a comprehensive general statute governing collection activity under MCALA, this case-specific suspension of that law reflects precisely the type of targeted legislative intervention that Article III, § 33 was designed to prohibit.

If litigated, the law would be subject to strict scrutiny and the industry associations must show us who is affected by the special law, which they have yet to do. The General Assembly still lacks any data on the number of unlicensed property managers in Maryland, despite the General Assembly's clear question on the matter. By contrast, OFR compiled a long list of licensed property managers who have operated without difficulties for decades under MCALA.

Likely Unconstitutional under Separation of Powers Clause of Maryland Constitution

This amendment prohibits other litigants, including those in pending actions brought by property managers and tenants alike, from enforcing their rights. “The Legislature cannot, of course, interfere with the judicial process by depriving litigants from raising questions involving their fundamental rights in any appropriate judicial manner, nor can it deprive the courts of the right to decide such questions in an appropriate proceeding.” Schneider v. Pullen, 198 Md. 64, 68, 81 A.2d 226, 228 (1951). See Crim. Injs. Comp. Bd. v. Gould, 273 Md. 486, 500, 331 A.2d 55, 64–65 (1975). Tenants with consumer protection claims generally have 3 years in Maryland to file those claims. Without a provision to toll the statute of limitations related to their rights, tenants will lose the right to sue if the bill passes. Moreover, certain tenants may lose their homes as a result of an inapplicable court decision which is likely to be overturned.

Fiscal Impact

In addition to prohibiting OFR from taking an enforcement action against a property manager, even if a complaint is received regarding the business, SB589 will also mean that currently licensed property managers are unlikely to renew their licenses while the appeal is pending. The fiscal impact remains the same prior to the amendment. In 2025, the licensing fee for a collection agency was \$350. Collection agencies are also subject to a modest annual assessment to be approved by the State Collection Agency Licensing Board (\$400 in FY2025). The loss of those 84 property management companies currently licensed as debt collectors would mean the loss of approximately \$64,000 in revenue. Additionally, the industry members who had been working toward compliance would also not seek a license. Estimates put the total number of property managers in the State at greater than 1,500.

Conclusion

Prohibiting OFR from enforcing state law is not practical and likely unconstitutional. Property managers engage in collection activities, including collecting back owed rent and charging late fees. The current licensing requirement provides vital protections for renters against fraud or unlawful practices. Therefore, OFR believes that continuing to require property managers to be licensed and subject to oversight by OFR and the State Collection Agency Licensing Board is in the best interest of Maryland consumers.

OFR respectfully opposes this bill.