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*Legislative District 30A*  
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DEPUTY SPEAKER PRO TEM

Appropriations Committee

*Subcommittees*

Vice Chair, Health and Social Services

Oversight Committee on Pensions

Joint Committee on Administrative,  
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**THE MARYLAND HOUSE OF DELEGATES**  
**ANNAPOLIS, MARYLAND 21401**

**Testimony of Delegate Dana Jones**  
**Before the Economic Matters Committee**

**In Support of HB 523**  
**Real Property - Residential Foreclosures - Commencement Restrictions**  
**February 19th 2026, 1:00 pm**

For the record, I am Delegate Dana Jones, representing District 30A in the House of Delegates.

Chair Valderrama, Vice-Chair Charkoudian, and members of the Economic Matters Committee, I am here today to introduce HB 523, titled Real Property - Residential Foreclosures - Commencement Restrictions. This bill seeks to establish a mortgage foreclosure statute of limitations and much-needed protections against sudden foreclosure proceedings that disproportionately impact Maryland's most vulnerable communities. Importantly, it also would take Maryland off the list with Alabama as the only two states without a statute of limitations on mortgage foreclosures in the nation. Last year it was passed with a 139-0 unanimous vote on the House Floor.

"Zombie mortgages" are very old mortgages that have typically been written off or charged off by the original lender and then sold, often multiple times, to debt collectors. Many of these debts originated before the 2008 mortgage crisis, before Dodd-Frank and the CFPB, when it was common for lenders to qualify homeowners for an "80-20 mortgage." These loans were structured with an 80% first mortgage and a second mortgage to cover the 20% down payment. As you may know, a lien in the second position can only collect proceeds from foreclosure after the first lien is fully paid.

After the financial crisis, the federal government stepped in with a variety of relief measures to make lenders whole, and keep homeowners in their houses. As a result of these actions, the 2nd

loan was charged off, discharged, or otherwise modified to take this burden off of the homeowner. In many cases, homeowners even received an official IRS cancellation of debt form known as a 1099C. This “bad debt” was then sold to debt collectors by the banks who received federal relief for pennies on the dollar. Private equity firms knew that although this debt was worthless now, it may have value when homes appreciate. From the consumer’s perspective, understanding what happened to the loan was often difficult, but what mattered most was that they no longer had to make payments on the debt.

Fast forward more than a decade, home values have recovered significantly. As a result, second liens that once had no value in foreclosure proceedings now do. In recent years, private equity firms, debt collectors, and other parties have begun foreclosure proceedings against homeowners who were unaware that these debts still existed, were not receiving monthly statements, or even received 1099-C cancellation of debt notices from the IRS.

Impacted homeowners have been affected in every corner of Maryland, from Wicomico to Garrett County. However, these mortgages have impacted communities of color and working families. Zip codes with the highest number of zombie Notices of Intent to Foreclose (NOIs) are demographically predominantly Black and or Hispanic. In Prince George's County, four zip codes with over 80% Black or African American populations are among the hardest hit. While Zombie mortgages make up a very small percentage of all foreclosure NOI’s, it is clear from the data that they are stripping wealth disproportionately from low-to-moderate-income communities and communities of color.

This legislation does not propose to eliminate debt or stop foreclosures. Instead, aligning Maryland with 48 other states by instituting a 10 year statute of limitations on mortgage foreclosures. Additionally, it would require secured parties that are looking to foreclose on a debt that was in default for more than 5 years before purchasing to provide additional documentation if they attempted to foreclose. The documentation required would include basic, necessary documents such as proof of the existence of debt, original origination documentation, and an itemization of all fees and interest being charged. Together, these simple provisions will provide sorely needed protections to at-risk homeowners.

Over a dozen other states have passed legislation to regulate second mortgages specifically. Two years ago, the Virginia legislature unanimously passed HB 184, which specifically addressed zombie mortgages.

As the Office of Financial Regulation (OFR) can further explain, since 2018, over 3,000 mortgagors have received a Notice of Intent to Foreclose for a materially delinquent mortgage. While this represents less than 1% of all foreclosure proceedings, the impact on these homeowners is significant. Based on OFR’s data, the average amount a homeowner in these

cases would need to pay the mortgage holder in order to avoid foreclosure is over \$193,000. These loans, along with the unfair practices associated with them, are predatory and pose a serious threat to housing and economic security for affected families. Additionally, current federal law is insufficient to protect mortgagees in these circumstances.

As we know, home equity is a primary way that working families create generational wealth. At a time when housing affordability, security, and access are at an all time high, we are having hard fought equity being stolen and extracted by private equity. This Committee and this body have consistently worked to protect housing rights for Maryland's most vulnerable citizens, and I believe this bill is a crucial step in continuing that important work.

With that, I respectfully request a favorable report for HB 523, which will help prevent consumers from facing surprise foreclosure notices when they have not even received monthly statements.

A handwritten signature in blue ink that reads "Dana Jones" with a long horizontal flourish extending to the right.

Delegate Dana Jones