



TESTIMONY
HOUSE BILL 523
House Economic Matters Committee
February 19, 2026
Position: FAVORABLE

Chair Valderrama and Members of the Economic Matters Committee:

The Community Development Network of Maryland (CDN) is the voice for Maryland's community development sector and serves nearly 200 member organizations. CDN—focuses on small affordable housing developers, housing counseling agencies and community-based non-profits across the state of Maryland. The mission of CDN is to promote, strengthen and advocate for the community development sector throughout Maryland's urban, suburban and rural communities.

HB 523 protects Maryland homeowners by providing a 10-year statute of limitations for foreclosures, and requires additional documentation on foreclosures that have been delinquent for 5 years and are acquired by a secured party who pursues a foreclosure action.

HB 523 builds on the work of the General Assembly during the foreclosure crisis of 2008-2011 and expands protections for homeowners at a time when Maryland foreclosures are increasing.

During the 2007 financial crisis, brokers combined first and second mortgages in a single loan transaction. Referred to as "80-20 mortgages," the transactions typically financed 80% of the principal balance through a first mortgage and the other 20% through a second mortgage. This Zombie mortgages were originated by predatory lenders in the years leading up to the kept the first mortgage within a loan-to-value ratio for easy securitization..

Many homeowners struggled to keep up on their first mortgages through the Great Recession, often with the help of loan modifications. In the early years of the Recession, home values dropped precipitously. With so many properties deep underwater, holders of first mortgages faced reduced recoveries if they foreclosed. Second mortgagees, on the other hand, were almost certain to obtain nothing if they decided to foreclose. Not surprisingly, as many homeowners were unable to make payments on second mortgages, the owners of these loans wrote them off.

Zombie second mortgages are coming back to life as home values have risen significantly in many parts of the country. Homes that were underwater in 2010 now stand well above water, and homeowners' equity has become an enticing target. Over the years since the Great

Recession many homeowners also worked to pay down their first mortgages, further increasing their home equity.

Thirteen states have enacted statutes specifically designed to regulate second mortgages. Several of these statutes limit default-related charges. Others set guidelines for second mortgage loan origination and require special licensing. Violation of these origination laws may give rise to recoupment claims against debt buyers.

Zombie mortgage have had a disparate impact on Black and Hispanic homeowners throughout the country. These homeowners were more like to have fallen prey to the pre financial crisis loans and they are less likely to have family wealth to be able to get representation or pay off debt buyers.

We urge a favorable report for House Bill 523.

Submitted by Claudia Wilson Randall, Executive Director, CDNMM