

Reforming Foreclosure Process Will Protect Maryland Homeowners

Position Statement Supporting House Bill 523

Given before the House Economic Matters Committee

HB 523 proposes essential reforms to the foreclosure process, aiming to enhance transparency and fairness for homeowners across Maryland. The Maryland Center on Economic Policy (MDCEP) is dedicated to promoting economic policies that foster equity and prosperity for all Maryland residents. **MDCEP supports House Bill 523 because it will provide additional protections for Maryland homeowners during the foreclosure processes.**

House Bill 523 seeks to amend existing foreclosure procedures by:

- Providing a 10-year statute of limitations for foreclosures
- Requiring additional documentation on foreclosures that have been delinquent for 5 years and are acquired by a secured party who pursues a foreclosure action

These provisions will help address the resurgence of "zombie mortgages," in which homeowners are confronted with unexpected bills and foreclosure threats on second mortgages they believed were resolved. This issue has led to renewed financial strain and increased foreclosure risks, particularly affecting vulnerable homeowners.ⁱ

Foreclosure practices have historically disproportionately harmed Black and Brown communities. Discriminatory lending practices and systemic inequities have led to higher rates of mortgage delinquency and foreclosure among these populations.

In Maryland, the disparity in homeownership rates is stark. The white homeownership rate stands at 76.3%, while the Black homeownership rate is significantly lower at 46.2%.ⁱⁱ This gap underscores systemic barriers that Black families face in achieving homeownership. Foreclosure rates further exacerbate these disparities as Black and Brown households tend to have higher foreclosure rates than their white counterparts.ⁱⁱⁱ

An analysis of foreclosure data reveals that certain jurisdictions in Maryland experience higher rates of foreclosure, often correlating with communities that have significant Black and Brown populations:

- **Baltimore City:** In the first quarter of 2023, there were 622 foreclosure events, representing 20.2% of the state's total.
- **Prince George's County:** In the first quarter of 2023, there were 686 foreclosure events accounting for 22.2% of the state's total.

These statistics highlight the need for legislative action to protect Maryland homeowners.

House Bill 523 represents a critical step toward rectifying systemic inequities in Maryland's housing market by creating additional protections against inequitable foreclosure practices. For these reasons, **the Maryland Center on Economic Policy respectfully requests the Economic Matters Committee to make a favorable report on House Bill 523.**

Equity Impact Analysis: House Bill 523

Bill Summary

HB 523 proposes essential reforms to the foreclosure process by:

- Providing a 10-year statute of limitations for foreclosures
- Requiring additional documentation on foreclosures that have been delinquent for 5 years and are acquired by a secured party who pursues a foreclosure action

Background

In Maryland, the disparity in homeownership rates is stark. The white homeownership rate stands at 76.3%, while the Black homeownership rate is significantly lower at 46.2%. This gap underscores systemic barriers that Black families face in achieving homeownership. Foreclosure rates further exacerbate these disparities as typically Black and Brown people tend to have higher foreclosure rates than their counter parts.

A pressing concern is the resurgence of "zombie mortgages," where homeowners are confronted with unexpected bills and foreclosure threats on second mortgages they believed were resolved. This issue has led to renewed financial strain and increased foreclosure risks, particularly affecting vulnerable homeowners.

Equity Implications

An analysis of foreclosure data reveals that certain jurisdiction in Maryland experience higher rates of foreclosure, often correlating with significant Black and Brown populations:

- **Baltimore City:** In the first quarter of 2023, there were 622 foreclosure events, representing 20.2% of the state's total.
- **Prince George's County:** In the first quarter of 2023, there were 686 foreclosure events accounting for 22.2% of the state's total.

Impact

House Bill 523 will likely **improve racial, gender, and economic equity** in Maryland.

ⁱ The Wall Street Journal, "Zombie Mortgages Could Force Some Homeowners Into Foreclosure", (Jun. 4, 2023).

ⁱⁱ Maryland Matters, "Black Families Fall Further Behind on Homeownership", (Oct. 15, 2022).

ⁱⁱⁱ DCHD, "Property Foreclosure Events in Maryland", (First Quarter 2022)