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Marylanders Deserve Protection from Predatory Debt Collection

Position Statement Opposing House Bill 433

Given before the House Economic Matters Committee

Maryland's debt collection licensing requirements ensure oversight, professional standards, and recourse for individuals who are mistreated. House Bill 433 would create a special exemption for property managers from Maryland's debt collector licensing requirements without any substantial justification. This exemption would remove a key layer of accountability and consumer protection for Maryland renters. Exempting property managers from debt collector licensing will embolden bad actors to engage in more deceptive, abusive, and harassing debt collection tactics. Removing this requirement for property managers eliminates one of the few meaningful tools to hold predatory behavior in check. **For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Economic Matters Committee issue an unfavorable report for HB 433.**

Currently, the only realistic way for renters, particularly those without legal representation, to hold abusive property managers accountable is by filing a complaint with the Department of Labor, Licensing, and Regulation (DLLR). If HB 433 passes, this avenue of accountability will disappear. Property managers will no longer need to be licensed, and DLLR will no longer have jurisdiction to investigate complaints.

In practical terms, this bill would leave tenants with no meaningful recourse when property managers:

- Use harassment or intimidation to collect rent,
- Threaten eviction unlawfully,
- Add illegal fees or charges,
- Refuse to make necessary repairs until payment is made, or
- Engage in misleading or deceptive collection practices.

The question of whether property managers must be licensed as debt collectors is currently before Maryland's Appellate Court in *Smith v. Buzzuto Management Company* (Case No. ACM-REG-2264-2025). While we understand the sponsor's interest in uniformity, DLLR has indicated that property managers are already able to obtain licenses under current law—yet many simply choose not to. Rather than creating a broad exemption that weakens consumer protections, the committee should wait for the court to resolve this matter before taking legislative action.

Like any other debt collectors, property managers are financially motivated to collect as much rent as possible for property owners. Their compensation structures often reinforce this incentive—many management contracts pay

managers a percentage of rent collected, and managers are frequently evaluated based on how aggressively and successfully they collect debts.

Property managers routinely:

- Send delinquency notices,
- Demand back rent and fees,
- Negotiate payment plans, and
- Initiate eviction proceedings.

Debt collection is not a minor or incidental part of their job—it is central to their role. Exempting them from debt collection licensing makes no sense and places tenants at risk.

Unlike many other professions, there is no comprehensive licensing regime for property managers in Maryland. While some local jurisdictions have rental property licensing programs, those programs are focused on habitability standards and basic administrative compliance. They do not address abusive or predatory debt collection practices.

DLLR’s debt collector licensing and complaint process is the only statewide mechanism that provides real relief for renters who experience harassment, deception, or unfair treatment by property managers. HB 433 would strip that protection away.

It is important to emphasize that small landlords are already effectively exempt from these requirements. A property owner who manages their own rental property does not need to be licensed as a debt collector. The licensing requirement only applies when a third party is hired to collect debts on behalf of someone else.

HB 433 is therefore not about protecting small “mom and pop” landlords—it is about shielding professional property management companies from accountability. **For these reasons, the Maryland Center on Economic Policy respectfully urges an unfavorable report on House Bill 433.**

Equity Impact Analysis: House Bill 433

Bill summary

HB 433 would exempt property managers from Maryland’s debt collector licensing requirements. Under current law, third parties who collect debts on behalf of others must be licensed as debt collectors and are subject to oversight by the DLLR. HB 433 would remove this requirement for property management companies, even when they are engaged in collecting rent, fees, and other debts from tenants. The bill would eliminate DLLR’s authority to investigate complaints against property managers for abusive, deceptive, or harassing debt collection practices.

Background

Maryland law requires third parties who collect debts on behalf of others to be licensed as debt collectors and subject to oversight by the DLLR. This licensing system provides essential consumer protections by allowing DLLR to investigate complaints and hold collectors accountable for deceptive, abusive, or harassing practices.

HB 433 would exempt property management companies from these licensing requirements, even though they routinely engage in debt collection activities such as demanding back rent, sending delinquency notices, and initiating evictions. Removing this oversight would eliminate one of the few accessible accountability tools available

to renters. Because Black and Brown Marylanders are disproportionately renters due to longstanding housing inequities, this change would leave communities of color especially vulnerable to predatory collection practices.

Equity Implications

Weakening tenant protections through HB 433 would have disproportionate and harmful impacts on Black and brown Marylanders.

Due to decades of discriminatory housing policies, income inequality, and structural barriers to homeownership, Black and Latino households in Maryland are far more likely to be renters than white households. These same communities are also more likely to live in lower-income neighborhoods, experience housing instability, and face eviction or aggressive rent collection practices.

Allowing property managers to operate without debt collection oversight would:

- Increase the risk of harassment and intimidation in communities of color,
- Exacerbate existing racial disparities in eviction and housing instability,
- Remove one of the few accessible complaint processes available to low-income renters, and
- Further tilt the balance of power away from tenants who already face economic and legal disadvantages.

For many Black and Brown renters, DLLR complaints are the only realistic path to justice when faced with predatory behavior. Eliminating that option will deepen racial inequities in Maryland's housing market and make it even harder for families of color to remain stably housed.

At a time when Maryland is working to reduce eviction rates and address historic racial disparities in housing, HB 433 would move the state in the wrong direction.

Impact

House Bill 433 will likely **worsen racial, health and economic equity** in Maryland.