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**SB 589 – Business Regulation – Collection Agencies – License
Exemption for Property Managers
Hearing Before the Judicial Proceedings Committee
February 26, 2026**

Position: OPPOSE (UNFAVORABLE)

To the Honorable Members of the Judicial Proceedings Committee:

Community Legal Services (CLS) strongly opposes Senate Bill 589.

CLS is a nonprofit legal services organization providing free legal services to income-eligible Marylanders. CLS is a designated Access to Counsel in Evictions (ACE) provider, through which CLS serves thousands of individuals and families facing eviction every year. Our testimony in strong opposition to Senate Bill 589 is informed by sustained, long term, daily representation of tenants in connection with their landlord-tenant relations and in eviction cases.

In many states, property managers are required to have a property management or real estate broker’s license, and their practices are governed and overseen by the agencies regulating those professions. However, Maryland has no such requirement. Other than the Debt Collection Agency License which this bill would exempt them from, Maryland property managers are not required to hold any license regulated by any State agency.

Debt collection activity by property managers is not limited to filing failure to pay rent cases in court. Property managers:

- Send out invoices for rent
- Collect rent
- Maintain ledgers
- Manage tenant payment portals
- Add charges and credits to ledgers
- Tell tenants how much is due and owing
- Call tenants to prompt tenants to make payments
- Go by tenants’ units in person to seek payments
- Send late notices
- Serve 10-day notices
- File failure to pay rent cases against tenants
- ***Represent property owners against tenants in court AS NON-LAWYERS, free from the professional and ethical rules governing the practice of law.***

Renters make up roughly one-third of all households in Maryland, and failure to pay rent cases make up more than 95% of all eviction court cases filed, yet tenants are in a very weak position to protect themselves from the actions of unscrupulous rent collection practices by property managers, particularly in the context of failure to pay rent cases in court. The process moves fast, does not allow for discovery, and is particularly unwelcoming of defenses based on bad actions by property managers. Even though **appellate courts and attorney general opinions have consistently found (for at least the past 45+ years) that the MCALA requires that property managers obtain and maintain a debt collection license**, some rental management companies simply disregard the debt collection licensing requirement and, when challenged in court, claim they are exempt from the law (despite there being no such exemption in the law). In practice, we find that many district courts accept unlicensed property management companies' claim that they are not required to have a license and allow eviction cases to go forward even when the property manager has no license. Tenants are not positioned in those instances to seek accountability through the district court eviction case. However, **the behavior can be and often is reported to the Office of Financial Regulation and the Attorney General for enforcement action. Enforcement inquiries then begin with a determination of whether the debt collector is properly licensed as a debt collector.**

The Maryland Consumer Protection Division of the Office of the Attorney General (OAG) has successfully brought enforcement actions against several property managers for their unfair, abusive, and deceptive trade practices related to their illegal collection of rent and other fees, including a case against Heather Hill Property Company, LLC, *et. al.* (2025), which operates in Prince George's County, for violations of the Consumer Protection Act. The action included allegations that Heather Hill collected money from consumers *without the required MCALA license* and engaged in other illegal debt collection activity.

Community Legal Services was heavily involved with the OAG Consumer Protection Division's recent enforcement action against Heather Hill Property Company. Although Heather Hill removed their unlicensed property management company as part of the OAG enforcement case, they simultaneously filed 269 failure to pay rent cases with a different (but still unlicensed) property management company as the plaintiff. After months of court efforts by CLS to hold back the cases while the OAG's case was resolved, the district court ultimately concluded that, as CLS argued, the property management company was unable to maintain the cases because it lacked the debt collection license required by the MCALA. However, at the same time, the court allowed a substitution of the named plaintiff (naming the property owner as the plaintiff), and the cases were allowed to proceed with absolutely no consequences to the property manager in connection with the failure to pay rent cases.

That same company subsequently filed 70+ cases through their initial unlicensed rental property management company (that was part of the OAG's enforcement action), despite a specific prohibition on doing so in their Consent Agreement with the OAG. Those cases were ultimately dismissed voluntarily, but only after CLS again filed written motions and argued strenuously over the property management company's objection that what they were doing was wrong. They continue to have an unlicensed management company handling their day-to-day rent collection activities, while filing under the name of the titled owner.

Another large unlicensed property management company operating in the jurisdictions where we practice is engaging in the same practice – **debt collection activity is performed by an unlicensed property manager, while the titled owner is named as the plaintiff in court cases to avoid dismissals for lack of a debt collection license.** We have challenged the practice, so far without much success at the district court level. Appeals are pending.

None of the practices mentioned above can be effectively challenged at the tenant/district court level. However, with the MCALA in place and covering property management companies, **these practices absolutely can be – and are - investigated and challenged by the Consumer Protection Division of the Office of the Attorney General.** Engaging in debt collection activities without a license is a *per se* violation of Maryland consumer protection laws and can be a bright line for the start of an investigation of wrongdoing by unscrupulous property managers. **We urge this Committee not to take away this critical tool for the protection of Maryland tenants by giving property managers an exemption from the MCALA.**

For the reasons noted above, Community Legal Services respectfully requests the Economic Matters Committee issue an **UNFAVORABLE report on Senate Bill 589**. Please feel free to contact Lisa Sarro, Esq., at Sarro@clspgc.org or Jessica Quincosa, Esq., at Quincosa@clspgc.org with any questions.