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April 3, 2026

To: The Honorable William C. Smith, Jr.
Chair, Judicial Proceedings Committee

From: Karen S. Straughn
Consumer Protection Division

Re: House Bill 1506 – Condominiums and Homeowners Associations - New Owner Fees -
Limitations (LETTER OF CONCERN)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony concerning House Bill 1506 submitted by Delegate Kim Ross. This bill originally limited the amount that a homeowners association (HOA) or condominium association may charge a new unit or lot owner, other than an initial unit or lot owner, to be not more than the amount of monthly assessments paid by an existing unit or lot owner at the time of closing. It has since been amended to permit charges of three times the monthly assessment at the time of closing and exempts large associations that are similar to municipalities in operation.

By amending the amount that can be charged by HOAs and condominium associations, the bill now recognizes that associations often charge more than just the standard monthly assessment at closing due to documentation preparation costs. However, expanding this ability to three times the monthly assessment could result in excessive amounts being charged to prospective purchasers. The Division believes these possible charges should be strictly limited.

First and foremost, any amount charged should be clearly disclosed in the resale package. In addition, restrictions should be considered to ensure that associations are not adding excessive or arbitrary fees or using transfer fees as a revenue source, rather than for legitimate costs. For example, if there is a special assessment upcoming, this might be a legitimate source of collection. However, associations should not be able to double charge for underlying expenses,

such as charging a prospective purchaser for reserve fund fees that may have already been paid by the current owner.

Associations should also be prohibited from charging excessive capital contributions. By adding large charges at closing that are not clear in the resale package, it undermines affordability even if monthly dues look reasonable. In actuality, excessive fees meant to benefit the association can potentially harm owners' resale values. If the type of fees permissible aren't well-regulated, associations or management companies may treat them as a source of revenue, rather than cost recovery, which raises fairness and ethical concerns.

For these reasons, we request that the Judicial Proceedings Committee take the Division's concerns into account when considering HB 1506.

cc: The Honorable Kim Ross
Members, Judicial Proceedings Committee