

Written Testimony HB 523-SB 353 Zombie Mortgages.p

Uploaded by: Allison Harris

Position: FAV



HB 523/SB 353
REAL PROPERTY – RESIDENTIAL FORECLOSURES – COMMENCEMENT RESTRICTIONS
February 3, 2026
POSITION: SUPPORT

The Pro Bono Resource Center of Maryland (PBRC), an independent 501(c)(3) non-profit organization, is the statewide thought leader and clearinghouse for volunteer civil legal services in Maryland. As the designated pro bono arm of the Maryland State Bar Association, PBRC provides training, mentorship, and pro bono service opportunities to members of the private bar and offers direct legal services through free legal clinics. **PBRC supports HB 523/SB 353 because this legislation directly helps vulnerable homeowners who are under economic strain and who deserve basic fairness in foreclosure proceedings to avoid home loss and displacement.**

PBRC has a longstanding track record of engaging in foreclosure prevention work so we bear witness when a trend develops that is a threat to maintaining homeownership in our state. We are seeing such a trend now with sophisticated debt buyers coming forward to foreclose on our clients' very old second mortgages – long ago written off by the original lender but sold on to these debt buyers for pennies on the dollar - once the target homes have built up sufficient equity to make a big payday possible for these debt buyers. As a result, these clients and other affected homeowners across the state are facing an unexpected home ownership crisis just as they have finally reached a point where their homes are worth more than their mortgage.

The homeowners in this situation whom we have assisted at PBRC generally come to us thinking that they are the victim of a scam when they receive a collection letter and soon thereafter a notice of intent to foreclose and a court summons from the debt buyer. Our clients are right to be shocked and suspicious because they are inevitably current on their first mortgage, do not recognize this new secured party as an entity that they have ever loaned from, have not received monthly mortgage statements or any communication on the loan for many years, and were told by their past mortgage servicer and/or the bankruptcy court that the loan was charged off or discharged. Imagine finding yourself in that situation: facing a huge and sudden loan payoff demand from an unrecognized creditor with very little time to sort things out and with your longtime home at stake.

The homeowner protection proposed in HB 523/SB 353 is concise and sensible. It provides certainty to the parties to a mortgage that foreclosure would have to commence within 10 years of the claimed date of default. There would be no cost to the State of Maryland and virtually no impact on secured parties who are foreclosing on loans that are less than 10 years delinquent except an equitable information requirement for speculative buyers of long-dormant debt.

For the above reasons,

PBRC urges a FAVORABLE report on HB 523/SB 353.

Please contact Allison Harris, Director of PBRC's Home Preservation Project, with any questions.
aharris@probonomd.org • 443-703-3050

SB353 OFR_Letter of Support.pdf

Uploaded by: Amy Hennen

Position: FAV

February 3, 2026

Re: Letter of Support

Dear Chair, Vice-Chair, and Members of the Committee,

The Office of Financial Regulation (OFR) is Maryland's state consumer financial protection agency. OFR provides this testimony in support of Senate Bill 353, Real Property – Residential Foreclosures - Commencement Restrictions.

Bill Summary

SB353 seeks to ensure that homeowners at risk of foreclosure from old mortgage debt are provided with certain protections. In the legislation, old mortgage debt is defined as a mortgage that has been in default at least ten (10) years before the filing of the Notice of Intent to Foreclose or has a date of default at least five (5) years before the filing of the Notice of Intent to Foreclose if the secured party purchased the debt after the debt went into default.

Background

Holders of materially delinquent mortgages are typically debt buyers who have purchased the old mortgage debt after it has been charged off by the previous secured party. Because they have not, and may not be, receiving any communication from the mortgage holder regarding the loan, homeowners often mistakenly believe that they no longer owe the debt.

Recently, as housing values have increased, holders of materially delinquent mortgages have been initiating foreclosure actions on long overdue mortgages in an effort to collect on the old debt, plus interest and fees. In some situations the old debt is from a second lien mortgage that was originated in the years leading up to the Great Recession and subsequent foreclosure crisis. In addition to not receiving correspondence on these old loans, those homeowners who successfully obtained loan modifications on their first mortgage were often led to believe that the second mortgage was included in their modification, though in reality it was not.

Scope and Homeowner Impact

OFR records indicate that since 2018 approximately 3,400 mortgage borrowers in Maryland received a Notice of Intent to Foreclose for a mortgage on which the last payment was made five or more years ago. During that same time period, a total of over 464,000 Notices of Intent to Foreclose were filed. Therefore, materially

delinquent mortgages comprise less than 1% of all potential foreclosures. In 2025 alone, OFR received 130 out of 91,076 Notices of Intent to Foreclose filings that were at least 10 years delinquent. OFR received 323 that were at least 5 years delinquent or .4% of all filings. Over the past seven years, OFR has received 18 complaints for materially delinquent foreclosures. Consequently, OFR believes that the requirements in this bill would impact a very small percentage of mortgages in Maryland.

The impact on affected homeowners, however, is significant. An analysis of the same Notices of Intent to Foreclose for materially delinquent mortgages revealed that the average amount a homeowner would need to pay the mortgage holder in order to avoid foreclosure is over \$193,000. Such a substantial sum of money is challenging for most consumers to raise with little to no advance notice, particularly so for those homeowners with limited resources.

Federal Response

In April 2023, the federal Consumer Financial Protection Bureau (CFPB) issued guidance regarding “zombie” mortgages, described by the CFPB as “silent second mortgages... that consumers thought were satisfied long ago and that may be unenforceable in court”. The CFPB guidance reminds debt collectors covered under the Fair Debt Collection Practices Act that they are prohibited from collecting or attempting to collect on old debt past the debt’s relevant statute of limitations, referred to as “time-barred debt”. Since 2019, CFPB data show five Maryland-based complaints that directly reference zombie mortgages.

The Need for Legislation in Maryland

Maryland case law holds that foreclosures do not have a statute of limitations so the debt is not time-barred; as such, the CFPB’s aforementioned guidance is limited.

OFR has received complaints from homeowners who thought the attempt to collect on the old mortgage was a scam, since the homeowners did not recognize the name of the mortgage holder and believed that the debt had been forgiven many years ago. OFR is also aware of consumer complaints indicating that debt collectors sought interest and fees they were not legally entitled to collect. The changes under this bill would protect homeowners in these situations.

With that, OFR requests a favorable Committee Report.

CDN SB 353 Favorable.pdf

Uploaded by: Claudia Wilson Randall

Position: FAV



Testimony SB 353
Senate Judicial Proceedings Committee
February 25, 2025
Position: FAVORABLE

Dear Chairman Smith and Members of the Judicial Proceeds 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.

SB353 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.

SB353 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 Senate Bill 353.

Submitted by Claudia Wilson Randall, Executive Director

Written Testimony SB 353 .pdf

Uploaded by: Courtland Merkel

Position: FAV



SENATE JUDICIAL PROCEEDINGS COMMITTEE
TESTIMONY OF MARYLAND VOLUNTEER LAWYERS SERVICE
IN SUPPORT OF SENATE BILL 0353: REAL PROPERTY -
RESIDENTIAL FORECLOSURES - COMMENCEMENT RESTRICTIONS
TUESDAY, FEBRUARY 3, 2026

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Chair Smith, and distinguished members of the Committee, thank you for the opportunity to testify in support of Senate Bill 353.

My name is Courtland Merkel, and I am a Consumer and Housing Staff Attorney at Maryland Volunteer Lawyers Service (MVLS). MVLS is the oldest and largest provider of pro bono civil legal services to low-income Marylanders. Since MVLS' founding in 1981, our statewide panel of over 1,700 volunteers has provided free legal services to over 510,000 Marylanders in a wide range of civil legal matters. For the reasons explained below, we respectfully request a favorable report in support of Senate Bill 353.

At MVLS, we work closely to prevent foreclosures, so we recognize trends that threaten homeownership in Maryland. We are seeing one such trend now. Debt buyers are moving to foreclose on Marylander's second mortgage loans that were written off by the original lenders long ago and later sold for pennies on the dollar. These debt buyers wait until a home has built up enough equity to make foreclosure highly profitable. As a result, our clients, along with other Marylanders across the state, are facing an unexpected homeownership crisis just as their homes have finally become worth more than their mortgages.

As drafted, Senate Bill 353 proposes a concise and sensible change of requiring that foreclosure would have to commence within 10 years of the claimed date of mortgage default. This bill will also remove Maryland from the list of only three states in the country that do not have a statute of limitations for foreclosure.

Mr. H., a client of MVLS, like many Marylanders, faced unexpected foreclosure proceedings when a second mortgage he believed had been discharged in a 2012 bankruptcy suddenly resurfaced to threaten his home. Mr. H. was caught completely off guard, as there had been no attempt to collect on the mortgage for many years. Thankfully, Mr. H. had the support of his family, which helped him keep his home

Senate Bill 353 would directly assist Marylanders like Mr. H. by protecting vulnerable homeowners who are under economic strain and who deserve



JUSTICE FOR ALL

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basic fairness in foreclosure proceedings, helping them avoid unnecessary home loss and displacement.

MVLS has been fighting to level the playing field for low-income Marylanders for decades, and we know that low-income homeowners are the most vulnerable to predatory mortgage lending practices, like the ones outlined above. For these reasons, MVLS supports Senate Bill 353 and urges a **FAVORABLE** report. We respectfully urge the Committee to pass this simple, commonsense change, which would cost the State of Maryland nothing and bring Maryland in line with the rest of the nation by requiring that mortgage foreclosure actions be commenced within 10 years of the claimed date of default.

Chair and members of the Committee, thank you again for the opportunity to testify.

SB 353_MD Center on Economic Policy_FAV.pdf

Uploaded by: Kali Schumitz

Position: FAV

Reforming Foreclosure Process Will Protect Maryland Homeowners

Position Statement Supporting Senate Bill 353

Given before the Judicial Proceedings Committee

SB 353 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 Senate Bill 353 because it will provide additional protections for Maryland homeowners during the foreclosure processes.**

Senate Bill 353 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.

Senate Bill 353 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 Judicial Proceedings Committee to make a favorable report on Senate Bill 353.**

Equity Impact Analysis: Senate Bill 353

Bill Summary

SB 353 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

Senate Bill 353 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)

SB353 SoL EconAction FAV.pdf

Uploaded by: Marceline White

Position: FAV



**Testimony to the Senate Judicial Proceedings Committee
SB353 Real Property – Residential Foreclosures – Commencement Restrictions
Position: Favorable**

February 3, 2026

The Honorable Senator William Smith, Chair
Senate Judicial Proceedings Committee
2 East, Miller Senate Office Building
Annapolis, Maryland 21401
cc: Members, Judicial Proceedings Committee

Honorable Chair Smith and Members of the Committee:

Economic Action Maryland Fund is a statewide coalition of individuals and organizations that advances economic rights and equity for Maryland families through research, education, direct service, and advocacy. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are here in strong support of SB353 which protects Maryland homeowners in two fundamental ways: 1) by providing a 10 year statute of limitations for foreclosures, and 2) by requiring additional documentation on foreclosures that have been delinquent for 5 years and are acquired by a secured party who pursues a foreclosure action.

SB353 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. In 2025, 91,076 homeowners faced foreclosure, a 25,000 household increase from 2023¹. Nationally, Maryland has the third highest foreclosure rate in the country².

SB353 establishes a 10 year statute of limitations for foreclosures. The SoL starts the clock for lenders, giving them 10 years to foreclose on a property. Statutes of limitations on mortgage foreclosures protect homeowners from unexpected foreclosures and certain predatory lending practices. By setting a clear deadline, these statutes ensure that lenders are held accountable for pursuing foreclosure actions within a reasonable timeframe, promoting fairness in the foreclosure process.

¹ <https://www.dllr.state.md.us/finance/consumers/frforeclosedatatracker.shtml#figure3>

² <https://www.newsweek.com/map-shows-states-highest-number-home-foreclosures-2115493>

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Tax ID 52-2266235

Economic Action Maryland Fund is a 501(c)(3) nonprofit organization and your contributions are tax deductible to the extent allowed by law.



Maryland is an outlier nationally. Maryland is one of only two states in the country that does not have a statute of limitations for foreclosures. A 10 year statute of limitations puts us on par with Virginia which has a 10 year statute of limitations. West Virginia has a 5 year statute of limitations, New Jersey has a 6 year statute of limitations, and Pennsylvania has a 20 year statute of limitations.

The other important provision in SB353 is its requirement for appropriate documentation to address the problem of zombie mortgages in Maryland. Zombie mortgages are mortgages that homeowners believed were forgiven or satisfied long ago but still exist. Many of these mortgages were taken out as a second mortgage during the lending spree of the mid-2000s when banks would make 80/20 loans where the mortgage was divided between a first and second mortgage which allowed a borrower to qualify and possibly avoid downpayment or other costs.

When the foreclosure crisis struck, many homeowners worked with banks to modify their mortgages to make their monthly payments manageable and believed or were wrongly told that their second mortgage was forgiven.

With property values rising, these “zombie second mortgages” are being resurrected by investors looking to collect on the long-dormant loans. Investors who bought these debts for pennies on the dollar are suddenly foreclosing on homeowners who are current on their first mortgages and have built significant equity in their homes. Families who thought their housing situation was stable now face devastating surprise foreclosures, throwing them into crisis.

SB353 will require secured parties pursuing foreclosures on homes that have been delinquent for 5 years or more to have appropriate documentation as already required under Maryland law.

SB353 will protect homeowners by creating clarity and transparency around the foreclosure timeline, provide lenders with a clear timeline to act, and expand protections for homeowners from zombie mortgages.

For all these reasons, we support SB353 and urge a favorable report.

Best,

Marceline White
Executive Director

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Economic Action Maryland Fund is a 501(c)(3) nonprofit organization and your contributions are tax deductible to the extent allowed by law.

SB353_SLA_FAV.pdf

Uploaded by: Meredith Girard

Position: FAV

SB353 – Real Property – Residential Foreclosures – Commencement Restrictions

**Hearing before the Judicial Proceedings Committee
Hearing 2/3/26**

Position: FAVORABLE

Shore Legal Access supports SB353 because it establishes a ten-year statute of limitations on foreclosure actions, therefore protecting homeowners from unexpected foreclosures, partial foreclosures, and predatory lending practices. SB353 would establish a clear and reasonable timeline during which lenders can file to ensure a fair process. This bill also establishes a clear and reasonable process protecting homeowners from “zombie mortgages.” Shore Legal Access supports SB353 by creating greater transparency and clarity around the timeline and requirements for filing of foreclosures.

Shore Legal Access is a nonprofit civil legal aid organization that connects people on the Eastern Shore with limited financial means to legal representation and essential community resources. Each year, SLA helps over 3,800 people access the legal system when they would otherwise be shut out. Our small legal team and network of volunteer lawyers provide free legal services for foreclosure, consumer debt, eviction prevention, criminal record expungement, life and estate planning, and family law.

Eastern Shore communities were hit hard by the foreclosure crisis of 2008-2011, when hundreds of homeowners lost their homes causing a massive loss of generational wealth still felt today. SLA has worked with people who suddenly found themselves facing a “new” foreclosure action on a second mortgage, also known as a “zombie mortgage,” they thought had gone away when their house foreclosed years, sometimes decades, before. We’ve had clients who nearly lost their hard-earned homes when a company that purchased an old debt they thought had been paid off decides to try to collect.

SLA supports SB353 and urges the Committee’s favorable recommendation on this bill. If you have any questions regarding our position on this bill, please contact Meredith Girard, Executive Director, at 410.690.8128 or e-mail mgirard@shorelegal.org



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SB 353_Horizon Foundation_FAV.pdf

Uploaded by: Nikki Highsmith Vernick

Position: FAV



February 3, 2026

COMMITTEE: Senate Judicial Proceedings Committee

BILL: SB 353 – Real Property – Residential Foreclosures – Commencement Restrictions

POSITION: Support

The Horizon Foundation is the largest independent health philanthropy in Maryland. We are committed to a Howard County free from systemic inequities, where all people can live abundant and healthy lives. The Foundation is pleased to **support SB 353 – Real Property – Residential Foreclosures – Commencement Restrictions**. This bill would establish a 10-year time limit for lenders to bring a foreclosure action.

Maryland is only one of three states in the nation that does not have a statute of limitations on foreclosures. This leaves many of our residents vulnerable to problems with “zombie mortgages” – mortgages that homeowners believed were forgiven or satisfied long ago but still technically exist. Many of these mortgages were taken out as a second mortgage during the mid-2000s. When the financial crisis struck, many homeowners worked with banks to modify their mortgages to make their monthly payments manageable. Many of these homeowners believed or were wrongly told that their second mortgage was forgiven. Without a statute of limitations, lenders can start a foreclosure process on a second mortgage even when the homeowner is current on the first mortgage, and even when the homeowner received no statements or notices about their second mortgage for years. With many of our residents struggling with the rising cost of living – much of which is due to the high cost of housing – SB 353 is important to protect Marylanders from these predatory practices.

During the Horizon Foundation’s most recent strategic planning process that involved extensive community engagement, residents cited obtaining safe, affordable and high-quality housing as one of the biggest barriers to their ability to live a healthy and abundant life. Laws and practices remain in place that hold many of our friends and neighbors back and lead to poorer health outcomes and fewer opportunities for housing stability and social mobility. But we believe health is a fundamental right and that everyone deserves a fair opportunity to attain it at the highest level. For this reason, the Foundation **SUPPORTS SB 353** and urges a **FAVORABLE** report. Thank you for your consideration.

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SB 353- Real Property – Residential Foreclosures

Uploaded by: Robin McKinney

Position: FAV



SB 353 - Real Property – Residential Foreclosures – Materially Delinquent Mortgages
Senate Judicial Proceedings Committee
February 3, 2026
SUPPORT

Chair Smith, Vice-Chair, and members of the committee, thank you for the opportunity to submit testimony in support of Senate Bill 353. This bill will require financial institutions to take specific steps through the foreclosure of residential mortgages.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

Senate Bill 353 addresses a significant gap in Maryland's mortgage foreclosure process by ensuring that homeowners receive clear, accurate, and timely information when facing foreclosure. This issue has recently been discussed in [NPR](#) and is currently being addressed [in other states](#). As you may already know, the impacts of "zombie mortgages" are primarily on low-income working families, and in many cases leave homeowners with unexpected and sudden foreclosure proceedings. At the CASH Campaign of Maryland, we work with low- and moderate-income individuals who are striving to maintain financial stability. Many of these individuals are homeowners who, due to financial hardship, may fall behind on mortgage payments and find themselves at risk of foreclosure. Unfortunately, current processes can leave homeowners confused about their rights and options, making it difficult for them to navigate a system that often moves quickly and without sufficient transparency.

This bill would require mortgage lenders and servicers to provide detailed notices that clearly outline the status of a foreclosure, available options for homeowners, and key timelines they must meet to protect their homes. Without these protections, struggling homeowners, especially those with limited financial education or access to legal assistance, may lose their homes unnecessarily due to a lack of information or confusion about their rights. At CASH, we have seen clients who could have avoided foreclosure had they received clear communication about their options, such as loan modifications or mediation programs. By ensuring that homeowners receive the information they need in a timely and understandable manner, SB 682 helps prevent avoidable foreclosures, stabilizes communities, and protects Maryland families from losing their homes due to unclear or inadequate foreclosure procedures.

Thus, we encourage you to return a favorable report for SB 353.

Creating Assets, Savings and Hope

SB 353.pdf

Uploaded by: William Steinwedel

Position: FAV



**Senate Bill 353 – Residential Foreclosures – Commencement Restrictions
Hearing on February 3, 2025 – Senate Judicial Proceedings Committee
Position: FAVORABLE**

Maryland Legal Aid (MLA) submits its written and oral testimony on SB 353 in response to a request from Senator Nick Charles.

Maryland Legal Aid (MLA) appreciates the opportunity to testify in support of this vital legislation. We are the state’s largest nonprofit law firm, representing thousands of low-income Marylanders every year in matters related to housing, foreclosure, family law, social security and public benefits. SB 353 creates a statute of limitations of ten years from the date of default for the commencement of foreclosure actions in Maryland. In addition, if more than five years have passed since the mortgage default, it imposes additional document requirements on the foreclosing party. Because SB 353 seeks to remedy the “zombie mortgage” problem by imposing a statute of limitations on foreclosure actions, MLA testifies in support of this bill.

The term “zombie mortgage” (see <https://www.consumerfinance.gov/ask-cfpb/what-is-a-zombie-second-mortgage-en-2133/> for further information) is a term of art that has been used to describe a certain type of mortgage in the past few years. During the housing bubble of 2002-2007, it was typical for mortgage brokers that were selling mortgages to sell “80/20” mortgages to homeowners. In this scenario, homeowners, instead of putting a 20% down payment down on a home, would borrow mortgages for the entire value of the property -- a first mortgage for 80% of the value of the home and a second mortgage for 20% of the value of the home. These products were sold to homeowners as good deals because the assumption was that home prices would continue to increase, thus allowing them to refinance in the future.

Unfortunately, starting with the 1st quarter of 2007, housing prices began to drop, sometimes significantly, and the mortgage servicers, companies hired by the investors to service the mortgages that they own, were forced to modify the 1st mortgages to allow the homeowners to stay in their homes. The holder of the 2nd mortgages took no collection action, because the value of the homes had dropped below the amount due on the 1st mortgage, and actions to collect were not pursued. Savvy investors bought these mortgages, sometimes for pennies on the dollar, from the original investors and banks and bided their time. Then, housing prices started to increase again, and eventually, the home values climbed to the point that there was significant equity above the first mortgage, making it valuable for the 2nd mortgages to foreclose.

Homeowners are now receiving foreclosure notices from mortgages that they did not even realize that they had anymore. SB 353 would impose a statute of limitations of ten years from the date of default on the commencement of foreclosure actions and provide additional documentary requirements for loans that have been in default for more than five years.

Both requirements in SB 353, while not a complete solution, help the income homeowners that MLA represents. MLA has seen about a dozen of these “zombie mortgage” cases, and the general options to resolve a mortgage default, a loan modification and a Chapter 13 bankruptcy, are difficult for our client homeowners in these situations. A loan modification is difficult because generally these mortgages are 2nd mortgages, and because there is another mortgage on the property, the flexibility that the mortgage servicer has to modify the mortgage is less. Generally, when MLA has resolved these cases with loan modifications, they require a lump sum payment at the beginning, which can be difficult for MLA’s clients. A Chapter 13 bankruptcy is difficult because a homeowner must pay the first and second regular mortgage payments plus a chapter 13 plan.. SB 353 requires a foreclosure action to be based on a recent default in the mortgage and also requires additional information if a lender is foreclosing on an old debt. This bill provides a clear timeline for mortgage servicers and emphasizes that they cannot just wait until the equity in a home increases before foreclosing.

SB 353 seeks to address the serious problem facing Marylanders of zombie mortgages through the creation of a statute of limitations on the initiation of foreclosure actions. MLA supports SB 353. If you need additional information in regard to this bill, please contact William Steinwedel at wsteinwedel@mdlab.org and (410) 951-7643.

SB0353 - OCChamber - Thompson - FWA.pdf

Uploaded by: DENNIS RASMUSSEN

Position: FWA



Ocean City, Maryland
Chamber of Commerce

410-213-0144 info@oceancity.org
oceancity.org 12320 Ocean Gateway, Ocean City, MD 21842

**TESTIMONY OFFERED ON BEHALF OF
THE GREATER OCEAN CITY MARYLAND CHAMBER OF COMMERCE**

**FAVORABLE WITH AMENDMENTS TO:
SB0353 – Real Property – Residential Foreclosures –
Commencement Restrictions**

**Before:
Senate Judicial Proceedings Committee
Hearing: 2/3/2026 at 2:00 PM**

The Greater Ocean City Chamber of Commerce, representing more than 700 regional businesses and job creators, **SUPPORTS Senate Bill SB0353 – Real Property - Residential Foreclosures - Commencement Restrictions** with targeted amendments to ensure consistency in Maryland law and to protect the economic stability of communities that drive our local economy.

Ocean City’s economics are tied to condominium and homeowners’ associations. A significant percentage of our lodging inventory consists of condominium units and planned communities that serve as vacation rentals, second homes, and seasonal residences. These properties generate substantial local tax revenue, sustain hospitality jobs, and support small businesses throughout Worcester County.

When foreclosure timelines are unclear or prolonged, the impact extends well beyond individual property owners. Delayed resolution of distressed properties can result in:

- Deterioration of buildings and common areas
- Deferred maintenance and capital improvements
- Increased financial burdens on compliant property owners
- Reduced property values
- A diminished visitor experience in a tourism-driven market

Community associations depend on enforceable and predictable lien rights to maintain infrastructure, ensure safety, and preserve the quality of properties that serve Ocean City's tourism economy.

SB0353's intent to establish a defined statute of limitations for residential foreclosures is sound policy. However, as drafted, the bill creates a conflict with existing Maryland law by imposing a 10-year limitations period, while current law provides a 12-year period for statutory lien foreclosures.

For association-governed communities in Ocean City, this discrepancy creates legal uncertainty that may lead to additional litigation, increased costs, and further financial strain on associations already managing delinquent accounts. Those costs are ultimately borne by other property owners and, indirectly, by the local business community.

To avoid unintended economic consequences, we respectfully request:

- ***Alignment of SB0353 with the existing 12-year limitations period under Maryland law; and***
- ***Clarifying language to ensure consistency in how foreclosure timelines are triggered and applied.***

These amendments will provide legal clarity, protect community associations, and support the continued stability of Ocean City's tourism-dependent economy.

The Greater Ocean City Chamber respectfully requests a **FAVORABLE REPORT, WITH AMENDMENTS to SB0353**. Please feel free to contact the Chamber directly on 410-213-0144 should you have any questions.

Respectfully submitted,

Amy Thompson

Amy Thompson
Executive Director
amy@oceancity.org

Bob Thompson

Bob Thompson
Legislative Committee Chair
bob@t1built.com

SB353.WrittenTestimony.30Jan26.pdf

Uploaded by: John Oliveri

Position: FWA

Executive Committee

Igor Conev, CMCA, AMS, PCAM, CIRMS – Chair
Susan Grace Saltsman, CMCA, AMS – Federal Liaison
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Chris C. Petrik, CMCA, AMS, PCAM

Saundra Utley

Kathleen Elmore, Esq. (Emeritus Member)

January 30, 2026

Senator William C. Smith, Jr. - Chair
Senator Jeff Waldstreicher - Vice Chair
Judicial Proceedings Committee
2 East Miller Senate Office Building
Annapolis, Maryland 21401

Re: Senate Bill 353
Real Property – Residential Foreclosures – Commencement Restrictions
Hearing Date: February 3, 2026
Position: Support with Proposed Amendment

Dear Chair Smith, Vice-Chair Waldstreicher, and Members of the Judicial Proceedings Committee:

This letter is submitted on behalf of the Maryland Legislative Action Committee (MD-LAC) of the Community Associations Institute (CAI), which represents individuals and professionals who reside in or work with community associations (condominiums, homeowners' associations, and cooperatives) located throughout the State of Maryland. The Maryland-LAC is pleased to offer support for SB 353; provided, however, that a proposed amendment to the bill is made in advance of the hearing scheduled to commence before your Committee on **Tuesday, February 3, 2026 at 2:00 p.m.**

As drafted, SB 353 (cross-filed with HB 523) establishes a 10-year statute of limitations before the expiration of which a mortgagee is required to commence a foreclosure action against its mortgagor in default. While Maryland LAC supports the establishment of a deadline for the commencement of a foreclosure action, Maryland LAC calls the attention of the Committee to a

conflict between the 10-year limitations period sought to be imposed by SB 353 and the existing 12-year period dictated by the provisions of §§ 14-204(a) and (c) of the Real Property Article of the Annotated Code of Maryland (“Real Property Article”), which govern the commencement of an action to foreclose upon a statutory contract lien. Specifically, in pertinent part, § 14-204(a) requires a statutory lien to be foreclosed upon “in the same manner, and subject to the same requirements, as the foreclosure of mortgages or deeds of trust on property in this State containing a power of sale or an assent to a decree”, i.e., § 7-105.1 of the Real Property Article (emphasis added). Section 14-204(c) further mandates “[a]ny action to foreclose a lien (established pursuant to the Maryland Contract Lien Act) shall be brought within 12 years following recordation of the statement of lien....”

Insofar as Maryland’s foreclosure laws require a statutory lien to be foreclosed upon “in the same manner and, subject to the same requirements” as set forth in § 7-105.1, the limitations period proposed in SB 353 must be increased from 10 years to 12 years in order to make the provisions of SB 353 and existing law consistent with one another. Furthermore, SB 353’s defined date of default, upon which the proposed 10-year foreclosure limitations period would commence, is the date upon which a mortgagor first defaults under the term of a mortgage. However, that provision is at odds with the date that triggers the commencement of the 12-year limitations period in § 14-204(c), which is the date upon which the statutory lien was recorded in the land records against the real property of the defaulting owner.¹ Maryland-LAC submits that, if SB 353 is not amended, a determination of which date triggers the commencement of the limitations period would have to be made by a court of equity, thereby causing the lienholder to incur attorneys’ fees and costs before the foreclosure is even begun. The potential for additional attorneys’ fees and costs will disproportionately burden a community association, as lienholder, which has already sustained monetary losses due to the property owner’s failure or refusal to pay the assessments and related charges secured by the statutory lien.

To address the aforementioned conflicts, Maryland LAC respectfully submits SB 353 must be amended to reflect a 12-year limitations period, which is appropriate to maintain consistency with the 12-year limitations period in § 14-204(c) (statutory lien foreclosure) and § 5-102 of the Courts and Judicial Proceedings Article of the Annotated Code of Maryland (civil action on a promissory note or other instrument under seal).² Maryland-LAC further submits that the addition

¹ Section 14-203 of the Real property Article sets forth a two-step process which includes a mandatory minimum 30-day post service waiting period which a community association must adhere to before filing a statutory lien in the land records. The statutory requirements of the Maryland Contract Lien Act make it impossible to correlate the default trigger date of SB 353 with that of § 14-204 (c).

² It is common practice for a mortgagee to mandate that a mortgagor execute a promissory note as part of extending a residential loan to the mortgagor. The inclusion of a 12-year limitations period in SB 353 will align its provisions with those of § 5-102.

of the following preamble to subsection (e)(3) of SB 353 will permanently address the current conflict between the default trigger dates of SB 353 and § 14-204(c):

EXCEPT AS SET FORTH IN SECTION 14-204(C) OF THIS TITLE, BE COMMENCED NOT LATER THAN 12 YEARS AFTER THE DATE OF DEFAULT CLAIMED IN THE ORDER TO DOCKET OR COMPLAINT TO FORECLOSE

MD-LAC makes this favorable recommendation with the above-stated amendments to the Committee and thanks you in advance for your time and attention to this important legislation.

Should there be any questions from the Committee Members, please feel free to contact:

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MD-LAC Lobbyist
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Igor Conev
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Sincerely,

Igor Conev

Igor Conev, CMCA, AMS, PCAM, CIRMS
Chair, CAI MD-LAC

John M. Oliveri

John M. Oliveri, Esquire
Member, CAI MD-LAC

SB 353_Consumer Protection Division_Favorable w Am

Uploaded by: Kira Wilpone-Welborn

Position: FWA

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**STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL
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Chief of Staff

KIRA WILPONE-WELBORN
Unit Chief

January 30, 2026

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

From: Kira Wilpone-Welborn, Assistant Attorney General
Consumer Protection Division

Re: Senate Bill 353--Real Property - Residential Foreclosures - Commencement Restrictions
(SUPPORT WITH AMENDMENT)

The Consumer Protection Division of the Office of the Attorney General (the "Division") supports Senate Bill 353 sponsored by Senator Nick Charles. Senate Bill 353 seeks to prevent surprise foreclosures of zombie mortgages by requiring foreclosure actions to be filed within 10 years of default.

Zombie mortgages are loans that a borrower believed, rightly or wrongly, were written off by the initial lender, but, after writing off the mortgage, the initial lender sells it to debt collectors for future collection. Often with zombie mortgages, consumers have received no communication regarding the loan balance or that the loan was sold or serviced by another party. As a result, when the new servicer or debt collector seeks to foreclose on the defaulted mortgage, consumers are surprised. Additionally, zombie mortgages have often been in default for years accruing interest and fees that balloon the balance. As a result, the surprise foreclosure proceedings and large balances can prevent borrowers from modifying the loan or paying off the balance and remaining housed.

Senate Bill 353 seeks to prevent these surprise foreclosures by imposing a statute of limitations on the filing of the foreclosure action. However, as drafted, the bill could allow debt purchasers of zombie mortgages to extend the period of filing by initiating new collection activities and resetting the clock even after the initial ten-year period proscribed in the bill has

run. As such, the Division recommends the bill be amended to provide that the ten-year period runs from the date of last payment.

For these reasons, the Division requests that the Judicial Proceedings Committee give Senate Bill 353 a favorable report with the proposed amendment.

cc: The Honorable Nick Charles
Members, Judicial Proceedings Committee

SB0353 - MBA - UNF - GR26.pdf

Uploaded by: Evan Richards

Position: UNF



SB 353 – Real Property - Residential Foreclosures - Commencement Restrictions

Committee: Senate Judicial Proceedings Committee

Date: February 3, 2026

Position: Unfavorable

The Maryland Bankers Association (MBA) **OPPOSES** SB 353. This legislation would impose a 10-year statute of limitations on foreclosure proceedings beginning from the date of default and establish extensive documentation requirements for foreclosures on properties acquired after being in default for five years or more. These provisions create significant administrative burdens for mortgage lenders and could adversely affect the stability and efficiency of Maryland’s secondary mortgage market—ultimately diminishing the availability of mortgage credit within the state.

A strong and well-functioning secondary mortgage market is essential to maintaining liquidity and ensuring more Marylanders can access affordable mortgage financing. Additional restrictions on the foreclosure process, such as those outlined in SB 353, discourage secondary market participants from purchasing Maryland-originated loans. When these loans are not purchased, lenders lose critical liquidity needed to originate new mortgage loans, reducing credit availability for prospective Maryland homeowners.

The requirements outlined in Section (3)(E-1) are of particular concern to Maryland banks. The documentation obligations imposed on debt buyers under §5-1203 of the Courts and Judicial Proceedings Article can be extremely burdensome. Due to the way mortgages are routinely transferred in the secondary market, obtaining materials such as a complete chronological chain of ownership or all prior bills of sale may be impractical or impossible. As a result, otherwise performing assets could become effectively unsellable, reducing their value and constraining liquidity.

Maryland banks are committed to supporting policies that expand access to mortgage credit and help Marylanders remain in their homes. SB 353 would undermine these goals, and accordingly, MBA respectfully urges an **UNFAVORABLE** report on SB 353.

The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing thousands of Marylanders and holding \$194.8 billion in deposits in over 1,100 branches across our State. The Maryland banking industry serves customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.