

**BRIAN E. FROSH**  
*Attorney General*

**ELIZABETH F. HARRIS**  
*Chief Deputy Attorney General*

**CAROLYN QUATTROCKI**  
*Deputy Attorney General*



**WILLIAM D. GRUHN**  
*Chief*  
Consumer Protection Division

**STATE OF MARYLAND**  
**OFFICE OF THE ATTORNEY GENERAL**  
**CONSUMER PROTECTION DIVISION**

March 11, 2020

Writer's Direct Dial No.  
410-576-7942  
Fax: 410-576-7040

To: The Honorable William C. Smith, Jr.  
Chair, Environment and Transportation Committee

From: Karen S. Straughn  
Consumer Protection Division

Re: Senate Bill 652 – Real Property - Condominium and Homeowner Associations –  
Governing Bodies (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of Senate Bill 652 submitted by Senator Ronald N. Young. This bill is intended to address situations that arise prior to the transfer of control to an association from the developer.

Specifically, the bill requires the developer to have two meetings a year so that association members can be informed about what is happening in their development. It further prevents the developer from comingling funds, and requires the developer to name a homeowner or unit owner to the board once the development is 25% complete. Finally, it requires that the association members be given 30 days' notice prior to the release of any governmental bonds.

Preventing the comingling of funds will ensure that association funds are used for association business only and prevents the developer from using association funds for developer operating expenses. In addition, it helps to address concerns that arise prior to the transition of control of an association so that an association will be financially more stable following transition. It also is important in situations in which the developer fails to complete the development, leaving the homeowners to pick up the pieces.

By requiring the developer to name a homeowner or unit owner to the board who is not affiliated with the developer once the development is 25% complete, the community members are given a greater voice in their community and will hopefully be more knowledgeable about events occurring in the development of their community. Finally, by providing information about the bonds and providing notice prior to release of these bonds, it ensures that association members can make a claim against the bond if the work is not completed.

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200 Saint Paul Place ♦ Baltimore, Maryland 21202-2021

Main Office (410) 576-6300 ♦ Main Office Toll Free (888) 743-0023

Consumer Complaints and Inquiries (410) 528-8662 ♦ Health Advocacy Unit/Billing Complaints (410) 528-1840

Health Advocacy Unit Toll Free (877) 261-8807 ♦ Home Builders Division Toll Free (877) 259-4525 ♦ Telephone for Deaf (410) 576-6372

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The Consumer Protection Division has received calls and complaints concerning the problems experienced by associations that are preparing to take control from the developer and those that have recently transferred control only to discover many problems. Many residents claim that they have been kept in the dark as to what is happening in their community prior to the transfer of control. Others have transitioned control only to find that there is no money in any of the accounts and suspect that the developer has used assessment funds to pay its operating costs. We have also heard from communities advising that bonds on the roads have been released without their knowledge, yet the roads in the community remain in need of repair or completion. This bill provides for greater disclosure to community members and helps to ensure that these types of problems can no longer occur, or that a remedy exists if they do.

Technical amendments have been included to delete the word accounts since this is not a defined term in the Condominium and Homeowners Association Acts. For these reasons, we ask that the Judicial Proceedings Committee return a favorable report on this bill with the technical amendments suggested.

cc: The Honorable Ronald N. Young  
Members, Judicial Proceedings Committee

## AMENDMENTS TO SB 652

### AMENDMENT NO. 1

On page 1, line 12, after “books” insert AND and after records, strike “, and accounts”

### AMENDMENT NO. 2

On page 1, line 13, after “books” insert AND and after records, strike “, and accounts”

### AMENDMENT NO. 3

On page 1, line 23, after “books” insert AND and after records, strike “, and accounts”

### AMENDMENT NO. 4

On page 1, line 25, after “books” insert AND and after records, strike “, and accounts”

### AMENDMENT NO. 5

On page 7, line 16, after “books” insert AND and after records, strike “, and accounts”

### AMENDMENT NO. 6

On page 7, line 19, after “books” insert AND and after records, strike “, and accounts”

### AMENDMENT NO. 7

On page 7, line 23, after “books” insert AND and after records, strike “, and accounts”

### AMENDMENT NO. 8

On page 7, line 28, after “books” insert AND and after records, strike “, and accounts”

### AMENDMENT NO. 9

On page 7, line 33, after “books” insert AND and after records, strike “, and accounts”

### AMENDMENT NO. 10

On page 7, line 35, after “books” insert AND and after records, strike “, and accounts”

### AMENDMENT NO. 11

On page 8, line 12, after “books” insert AND and after records, strike “, and accounts”

**AMENDMENT NO. 12**

On page 8, line 16, after “books” insert AND and after records, strike “, and accounts”

**AMENDMENT NO. 13**

On page 8, line 34, after “books” insert AND and after records, strike “, and accounts”

**AMENDMENT NO. 14**

On page 9, line 2, after “books” insert AND and after records, strike “, and accounts”

**AMENDMENT NO. 15**

On page 9, line 10, after “books” insert AND and after records, strike “, and accounts”

**AMENDMENT NO. 16**

On page 11, line 8, after “books” insert AND and after records, strike “, and accounts”

**AMENDMENT NO. 17**

On page 14, line 19, after “books” insert AND and after records, strike “, and accounts”

**AMENDMENT NO. 18**

On page 14, line 22, after “books” insert AND and after records, strike “, and accounts”

**AMENDMENT NO. 19**

On page 14, line 24, after “books” insert AND and after records, strike “, and accounts”

**AMENDMENT NO. 20**

On page 14, line 27, after “books” insert AND and after records, strike “, and accounts”

**AMENDMENT NO. 21**

On page 14, line 31, after “books” insert AND and after records, strike “, and accounts”

**AMENDMENT NO. 22**

On page 15, line 1, after “books” insert AND and after records, strike “, and accounts”

**AMENDMENT NO. 23**

On page 15, line 13, after “books” insert AND and after records, strike “, and accounts”