

HOUSE BILL 1519

N1

0lr2893

By: **Delegates Johnson, Arian, Jalisi, and Shetty**

Introduced and read first time: February 7, 2020

Assigned to: Environment and Transportation

A BILL ENTITLED

1 AN ACT concerning

2 **Homeowners Associations – Assessments – Lien Priority**

3 FOR the purpose of clarifying that a certain portion of a homeowners association's lien on
4 a lot shall be enforced in accordance with a certain provision of the Maryland
5 Contract Lien Act; requiring the amount of certain liens to be paid to the governing
6 body of a homeowners association before the disposition of funds to a lot owner under
7 certain circumstances; and generally relating to liens for homeowners association
8 assessments and charges.

9 BY repealing and reenacting, with amendments,
10 Article – Real Property
11 Section 11B–117
12 Annotated Code of Maryland
13 (2015 Replacement Volume and 2019 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
15 That the Laws of Maryland read as follows:

16 **Article – Real Property**

17 11B–117.

18 (a) As provided in the declaration, a lot owner shall be liable for all homeowners
19 association assessments and charges that come due during the time that the lot owner owns
20 the lot.

21 (b) In addition to any other remedies available at law, a homeowners association
22 may enforce the payment of the assessments and charges provided in the declaration by
23 the imposition of a lien on a lot in accordance with the Maryland Contract Lien Act.

24 (c) (1) This subsection does not limit or affect the priority of:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(i) A lien for the annual charge provided first priority over a deed of trust or mortgage by the deed, agreement, and declaration of covenants, easements, charges, and liens dated December 13, 1966, and recorded in the land records of Howard County (the Columbia Association Declaration); or

(ii) Any lien, secured interest, or other encumbrance with priority that is held by or for the benefit of, purchased by, assigned to, or securing any indebtedness to:

1. The State or any county or municipal corporation in the State;

2. Any unit of State government or the government of any county or municipal corporation in the State; or

3. An instrumentality of the State or any county or municipal corporation in the State.

(2) In the case of a foreclosure of a mortgage or deed of trust on a lot in a homeowners association, a portion of the homeowners association's liens on the lot, as prescribed in paragraph (3) of this subsection, shall have priority over a claim of the holder of a first mortgage or a first deed of trust that is recorded against the lot on or after October 1, 2011.

(3) The portion of the homeowners association's liens that has priority under paragraph (2) of this subsection:

(i) Shall consist solely of not more than 4 months, or the equivalent of 4 months, of unpaid regular assessments for common expenses that are levied by the homeowners association in accordance with the requirements of the declaration or bylaws of the homeowners association;

(ii) May not include:

1. Interest;

2. Costs of collection;

3. Late charges;

4. Fines;

5. Attorney's fees;

6. Special assessments; or

1 7. Any other costs or sums due under the declaration or
2 bylaws of the homeowners association or as provided under any contract, law, or court
3 order; and

4 (iii) May not exceed a maximum of \$1,200.

5 (4) (i) Subject to subparagraph (ii) of this paragraph, at the request of
6 the holder of a first mortgage or first deed of trust on a lot in a homeowners association,
7 the governing body shall provide to the holder written information about the portion of any
8 lien filed under the Maryland Contract Lien Act that has priority as prescribed under
9 paragraph (3) of this subsection, including information that is sufficient to allow the holder
10 to determine the basis for the portion of the lien that has priority.

11 (ii) At the time of making a request under subparagraph (i) of this
12 paragraph, the holder shall provide the governing body of the homeowners association with
13 the written contact information of the holder.

14 (iii) If the governing body of the homeowners association fails to
15 provide written information to the holder under subparagraph (i) of this paragraph within
16 30 days after the filing of the statement of lien among the land records of each county in
17 which the homeowners association is located, the portion of the homeowners association's
18 liens does not have priority as prescribed under paragraph (2) of this subsection.

19 **(D) IN THE EVENT OF A FORECLOSURE OF A MORTGAGE OR DEED OF TRUST**
20 **ON A LOT IN A HOMEOWNERS ASSOCIATION:**

21 **(1) THE PORTION OF THE HOMEOWNERS ASSOCIATION'S LIENS ON**
22 **THE LOT THAT IS NOT SUBJECT TO ENFORCEMENT IN ACCORDANCE WITH**
23 **SUBSECTION (C) OF THIS SECTION SHALL BE ENFORCED IN ACCORDANCE WITH §**
24 **14-204(D) OF THIS ARTICLE; AND**

25 **(2) THE AMOUNT OF THE REMAINING LIENS SHALL BE PAID TO THE**
26 **GOVERNING BODY OF THE HOMEOWNERS ASSOCIATION BEFORE THE DISPOSITION**
27 **OF ANY FUNDS TO THE LOT OWNER.**

28 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
29 October 1, 2020.