

Protecting Maryland Homeowners – Fairness in Foreclosures

Background

The cost-of-living crisis is wreaking havoc for everyday Marylanders. Households across the state are struggling to make ends meet like never before. For many homeowners, their mortgage is the largest expense they have each month. As costs continue to rise, homeowners are falling behind on their mortgages. Maryland foreclosures are increasing. In 2025, 91,076 homeowners faced foreclosure, a 25,000 household increase from 2023.* Nationally, Maryland has the sixth highest foreclosure rate in the country.*

Some Maryland homeowners face the frightening problem of a zombie mortgage foreclosure action. Zombie mortgages are mortgage debts that a homeowner may have thought were forgiven or satisfied long ago but that still exist. In the lead-up to the 2008 Foreclosure Crisis, lenders were marketing toxic 80/20 loans in which a homebuyer takes out a first and second mortgage simultaneously. When the housing bubble burst, these second mortgages became worthless and many homeowners believed they were gone or satisfied long ago. 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.

A Maryland Problem

As noted above, Maryland has the sixth-highest foreclosure rate in the country. In 2025, DHCD noted there was a 25% increase in notices to foreclosure from the previous year.* Prince Georges County, Baltimore City, and Baltimore County are the three jurisdictions with the highest number of foreclosure notices, but Cecil and Somerset counties are experiencing an increase in homeowners missing payments. This is a statewide problem.

An NPR report found more than 700 second mortgages in Maryland where companies have filed Notice of Intention to Foreclose (NOI) – the first step towards foreclosure.* These second mortgages had been inactive for more than a decade.

Notably, the vast majority of these foreclosures on second-mortgages are concentrated in Baltimore City and Prince Georges County*, which means Black and Brown homeowners are disproportionately affected by these foreclosures, just as they were hardest hit by predatory mortgage products.



SOLUTION: SB353/HB523

Protect homeowners and promote fairness in foreclosure.

Protecting Maryland Homeowners – Fairness in Foreclosures

SB353/HB523 expands protections for homeowners in two key ways: 1) establishing a 10 year statute of limitations on foreclosures, and 2) requiring that if a debt collector is pursuing foreclosure on a property that has been delinquent for five years or more, they must follow current Maryland law and provide documents demonstrating they own the loan as well as additional information.

Statutes of limitations on mortgage foreclosures protect homeowners from unexpected foreclosures. 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. The SoL starts the clock for lenders, giving them 10 years to foreclose on a property.

The legislation also requires that if a debt collector acquires a second mortgage and initiates foreclosure procedures the debt collector will have to provide information already required for other debts under Maryland law § 5-1203(b) of the Courts and Judicial Proceedings Article. This requirement will ensure that those trying to foreclose have a clear chain of title and required documents to move forward and will limit the practice of future zombie foreclosures in Maryland.

Maryland lags behind most of the country in establishing a statute of limitations for foreclosures. In fact, only Maryland and Alabama have no statute of limitations for foreclosures. In the Mid-Atlantic region, the proposed 10 year statute of limitations is on par with Virginia and Delaware (CHECK) while providing more time for lenders to foreclose than New Jersey (6 years) West Virginia (5 years).

SB353/HB523 WILL:

- Provide clarity to homeowners and homebuyers about the timeline for a foreclosure.
- Provide clarity and incentivize lenders to act within a reasonable timeline.
- Protect homeowners and stabilize neighborhoods by creating guardrails for zombie foreclosures.

SB353/HB523 WILL NOT:

- Harm banks who pursue foreclosures since they national banks must follow statute of limitation requirements in 48 other states.
- Limit or reduce access to credit in mortgage lending and in the secondary mortgage market. 48 other states have a statute of limitations and access to credit remain competitive in other states.
- Limit or harm debt buyers or debt collectors since they are already required to follow Maryland law § 5-1203(b) for other debts.

End zombie mortgages: Support SB353/HB523



Footnotes:

- <https://www.dlr.state.md.us/finance/consumers/ffforeclosedatatracker.shtml#figure3>
- <https://dhcd.maryland.gov/Documents/ForeclosureRpts/Property-Foreclosure-Events-MD-2025-Q3.pdf>
- <https://dhcd.maryland.gov/Documents/ForeclosureRpts/Property-Foreclosure-Events-MD-2025-Q3.pdf>
- <https://www.npr.org/2024/05/10/1197959049/zombie-second-mortgages-homeowners-foreclosure>
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