

CLC's Project to End Predatory and Deceptive Real Estate Transactions Working to End LLC's Deceptive Use of Post Office Boxes



Research of numerous dubious real estate transactions has revealed the prevalent use of limited liability companies (LLC's) as a popular entity for holding and disposing of investor controlled properties. Frequently, the investor will file formation papers with the State Department of Assessments and Taxation (SDAT) and shortly thereafter, the entity acquires the property. Our research of SDAT records reveals that these entities are being formed, each with a given street address name, many utilizing the offices of the same few attorneys. Maryland law requires that limited liability companies and corporations be

formed with bona fide "brick & mortar" addresses so principals and resident agents can be located. The law also requires that the principal office be a place where books and records are kept. Our research of SDAT records reveals that many limited liability companies have in fact filed documents indicating private mail box facilities as their principal and/ or resident agent address. One investor has used the same mail box facility for hundreds of such entities. Along with a review of land records documentation, often revealing numerous questionable elements to these transactions, Staff has discovered that this use of limited liability companies is prevalent in the investor community and the worst offenders are often "boot camp Gurus", who not only themselves prey upon the homeowners in economic distress, but are teaching other investors how to do so as well.

Staff persisted in arranging a meeting with SDAT to discuss our findings and possible action by SDAT to enforce prohibitions against use of P.O. Boxes. As a result of our meeting, SDAT has recognized the importance of this issue and has communicated with violators identified by the Community Law Center. SDAT continues to look to the Law Center to provide the names of non-compliant entities and is now in the process of developing a tracking system to notify violators and automatically withdraw "good standing" status, required for lawfully conducting business in the State.