

HOUSE BILL 1408

N1

4lr2060

By: **Delegate Rosenberg**

Introduced and read first time: February 9, 2024

Assigned to: Environment and Transportation

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 8, 2024

CHAPTER _____

1 AN ACT concerning

2 **Residential Property – Assignment of Contracts of Sale – Disclosure**
3 **Requirements and Rescission**

4 FOR the purpose of authorizing a ~~vendor and purchaser of~~ seller and buyer of certain
5 residential property to rescind a contract of sale under certain circumstances;
6 ~~requiring an escrow agent to distribute trust money in a contract of sale for~~
7 ~~residential property to a certain party that rescinds the contract in accordance with~~
8 ~~this Act;~~ establishing that a buyer is entitled to a refund of any deposit paid for the
9 purchase of residential real property under certain circumstances; requiring that a
10 contract of sale comply with the requirements of this Act; and generally relating to
11 residential property and the assignment and rescission of contracts of sale.

12 BY adding to

13 Article – Real Property
14 Section 10–714 and 14–117(e)(24)
15 Annotated Code of Maryland
16 (2023 Replacement Volume)

17 BY repealing and reenacting, with amendments,

18 Article – Real Property
19 Section 14–117(e)(22) and (23)
20 Annotated Code of Maryland
21 (2023 Replacement Volume)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



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

Article – Real Property

10-714.

(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
INDICATED.

~~(2) “ESCROW AGENT” MEANS A PERSON ENGAGED IN THE BUSINESS
OF RESIDENTIAL PROPERTY SETTLEMENTS WHO RECEIVES TRUST MONEY.~~

~~(3)~~ (2) “RESIDENTIAL PROPERTY” MEANS PROPERTY IMPROVED
BY FOUR OR FEWER SINGLE-FAMILY DWELLING UNITS THAT ARE DESIGNED
PRINCIPALLY AND ARE INTENDED FOR HUMAN HABITATION.

~~(4) “TRUST MONEY” MEANS A DEPOSIT MADE BY A PURCHASER IN
CONNECTION WITH A RESIDENTIAL PROPERTY TRANSACTION THAT THE
PURCHASER DELIVERS TO AN ESCROW AGENT TO HOLD FOR THE BENEFIT OF THE
PURCHASER AND THE VENDOR.~~

~~(B) A VENDOR OF RESIDENTIAL PROPERTY MAY RESCIND A CONTRACT OF
SALE FOR THE PROPERTY AT ANY TIME BEFORE THE DISTRIBUTION OF TRUST
MONEY AT CLOSING IF THE PURCHASER:~~

~~(1) ASSIGNS THE CONTRACT TO ANOTHER PERSON; AND~~

~~(2) FAILED TO DISCLOSE IN WRITING BEFORE THE CONTRACT WAS
ENTERED INTO THAT THE PURCHASER MAY ASSIGN THE CONTRACT TO ANOTHER
PERSON.~~

~~(C) A PURCHASER OF RESIDENTIAL PROPERTY FROM A VENDOR THAT
HOLDS AN EQUITABLE INTEREST IN THE PROPERTY OR OTHERWISE DOES NOT HOLD
LEGAL TITLE TO THE PROPERTY MAY RESCIND A CONTRACT OF SALE FOR THE
PROPERTY AT ANY TIME BEFORE THE DISTRIBUTION OF TRUST MONEY AT CLOSING
IF THE VENDOR:~~

~~(1) ASSIGNS THE CONTRACT TO ANOTHER PERSON; AND~~

~~(2) FAILED TO DISCLOSE IN WRITING BEFORE THE CONTRACT WAS
ENTERED INTO THAT THE VENDOR MAY ASSIGN THE CONTRACT TO ANOTHER
PERSON.~~

~~(D) (1) A VENDOR OR PURCHASER OF RESIDENTIAL PROPERTY MAY NOT BE PENALIZED FOR RESCINDING A CONTRACT IN ACCORDANCE WITH THIS SECTION.~~

~~(2) IF A VENDOR OR PURCHASER RESCINDS A CONTRACT UNDER THIS SECTION, THE ESCROW AGENT SHALL DISTRIBUTE THE TRUST MONEY TO THE PARTY THAT RESCINDED THE CONTRACT.~~

(3) "WHOLESALE BUYER" MEANS A PERSON THAT ENTERS INTO A CONTRACT OF SALE WITH AN OWNER OF OWNER-OCCUPIED RESIDENTIAL PROPERTY IN ORDER TO ASSIGN THE CONTRACT TO ANOTHER PERSON FOR A MONETARY ASSIGNMENT FEE.

(4) "WHOLESALE SELLER" MEANS A PERSON THAT, WITHOUT HOLDING LEGAL TITLE TO OWNER-OCCUPIED RESIDENTIAL PROPERTY:

(I) ENTERS INTO A CONTRACT OF SALE FOR THE PROPERTY;
AND

(II) ASSIGNS THE PERSON'S BENEFICIAL INTEREST IN THE PROPERTY TO ANOTHER.

(B) THIS SECTION DOES NOT APPLY TO A SALES PROCEEDING UNDER § 14-215 OF THE MARYLAND RULES.

(C) (1) BEFORE ENTERING INTO A CONTRACT OF SALE FOR RESIDENTIAL PROPERTY, A WHOLESALE BUYER SHALL DISCLOSE IN WRITING TO THE OWNER OF THE PROPERTY THAT THE WHOLESALE BUYER MAY ASSIGN THE CONTRACT OF SALE TO ANOTHER PERSON.

(2) BEFORE ENTERING INTO A CONTRACT OF SALE FOR RESIDENTIAL PROPERTY, A WHOLESALE SELLER SHALL DISCLOSE IN WRITING TO A PROSPECTIVE BUYER THAT THE WHOLESALE SELLER HOLDS AN EQUITABLE INTEREST IN THE PROPERTY AND MAY NOT BE ABLE TO CONVEY TITLE TO THE PROPERTY.

(D) NOTWITHSTANDING ANY PROVISION OF A CONTRACT OF SALE OR ANY OTHER AGREEMENT, AN OWNER OF RESIDENTIAL PROPERTY MAY RESCIND A CONTRACT OF SALE TO A WHOLESALE BUYER, OR THE ASSIGNEE OR SUCCESSOR OF A WHOLESALE BUYER, WITHOUT PENALTY AT ANY TIME BEFORE CLOSING IF THE WHOLESALE BUYER:

(1) DOES NOT PROVIDE NOTICE IN ACCORDANCE WITH THE REQUIREMENTS OF THIS SECTION; AND

(2) ASSIGNS THE CONTRACT OF SALE.

(E) (1) NOTWITHSTANDING ANY PROVISION OF A CONTRACT OF SALE OR ANY OTHER AGREEMENT, A BUYER MAY RESCIND A CONTRACT OF SALE FOR RESIDENTIAL PROPERTY WITHOUT PENALTY AT ANY TIME BEFORE CLOSING IF A WHOLESALE SELLER DOES NOT PROVIDE NOTICE IN ACCORDANCE WITH THE REQUIREMENTS OF THIS SECTION.

(2) A BUYER THAT RESCINDS A CONTRACT UNDER PARAGRAPH (1) OF THIS SUBSECTION IS ENTITLED TO A REFUND OF ANY DEPOSIT PAID FOR THE PROPERTY.

14–117.

(e) A contract of sale shall also comply with the following provisions, if applicable:

(22) Section 6–824 of the Environment Article (disclosure pertaining to obligations to perform risk reduction); [and]

(23) Section 10–711 of this article (notice on zones of dewatering influence);

AND

(24) SECTION 10–714 OF THIS ARTICLE (DISCLOSURE PERTAINING TO ASSIGNMENT OF CONTRACTS OF SALE BY WHOLESALE BUYERS AND WHOLESALE SELLERS).

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be construed to apply only prospectively and may not be applied or interpreted to have any effect on or application to any contracts of sale for residential property executed before the effective date of this Act.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2024.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.