

SENATE BILL 321

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2003 Regular Session
(3lr1775)

ENROLLED BILL

-- *Judicial Proceedings/Environmental Matters* --

Introduced by **Senators Conway, Della, Hughes, Jones, and ~~McFadden~~
McFadden, and Giannetti**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

President.

CHAPTER 80

1 AN ACT concerning

2 **Real Property - Ground ~~Rent~~ Rents - ~~Limit on Costs~~ Reimbursement for
3 Costs and Expenses**

4 FOR the purpose of prohibiting a person from collecting ~~more than a certain amount~~
5 ~~in~~ any additional costs or expenses relating to collection of past due ground rent
6 unless certain notice requirements are met; providing that a holder of a ground
7 rent is entitled to reimbursement for certain expenses not exceeding a certain
8 amount incurred in collecting a certain past due ground rent and complying
9 with certain notice requirements; providing that a certain plaintiff or holder of a
10 ground rent is entitled to reimbursement for certain reasonable expenses
11 incurred in the preparation and filing of a certain action for ejectment if certain
12 notice requirements are met; defining a certain term; and generally relating to
13 ground ~~rent~~ rents.

14 BY renumbering

15 Article - Real Property

1 Section 8-402.3
 2 to be Section 8-402.4
 3 Annotated Code of Maryland
 4 (1996 Replacement Volume and 2002 Supplement)

5 BY repealing and reenacting, with amendments,
 6 Article - Real Property
 7 Section 8-111.1 and 8-402.2
 8 Annotated Code of Maryland
 9 (1996 Replacement Volume and 2002 Supplement)

10 BY adding to
 11 Article - Real Property
 12 Section 8-402.3
 13 Annotated Code of Maryland
 14 (1996 Replacement Volume and 2002 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 16 MARYLAND, That Section(s) 8-402.3 of Article - Real Property of the Annotated
 17 Code of Maryland be renumbered to be Section(s) 8-402.4.

18 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
 19 read as follows:

20 **Article - Real Property**

21 8-111.1.

22 (a) This section applies to all residential leases or subleases in effect on or
 23 after October 1, 1999, which have an initial term of 99 years and which create a
 24 leasehold estate, or subleasehold estate, subject to the payment of an annual ground
 25 rent.

26 (b) In any suit, action, or proceeding by a landlord, or the transferee of the
 27 reversion in leased property, to recover back rent, the landlord, or the transferee of
 28 the reversion in leased property is entitled to demand or recover not more than 3
 29 years back rent.

30 (C) IN ADDITION TO RENT PAYABLE UNDER SUBSECTION (B) OF THIS
 31 SECTION, A LANDLORD MAY NOT RECEIVE REIMBURSEMENT FOR ANY ADDITIONAL
 32 COSTS OR EXPENSES RELATED TO COLLECTION OF THE BACK RENT ~~THAT EXCEED~~
 33 ~~THE LESSER OF:~~

34 (1) ~~ACTUAL EXPENSES; OR~~

35 (2) ~~\$400 UNLESS THE NOTICE REQUIREMENTS OF §§ 8-402.2 AND 8-403.3~~
 36 8-402.3 OF THIS TITLE ARE MET.

1 8-402.2.

2 (a) Whenever, in a case that involves a 99-year ground lease renewable
3 forever, at least 6 months ground rent is in arrears and the landlord has the lawful
4 right to reenter for the nonpayment of the rent, the landlord, no less than ~~30~~ 45 days
5 after sending to the tenant by certified mail, return receipt requested, at the tenant's
6 last known address, AND ALSO BY FIRST CLASS MAIL TO THE TITLE AGENT OR
7 ATTORNEY LISTED ON THE DEED TO THE PROPERTY OR THE INTAKE SHEET
8 RECORDED WITH THE DEED, a bill for the ground rent due, may bring an action for
9 possession of the property under § 14-108.1 of this article; if the tenant cannot be
10 personally served or there is no tenant in actual possession of the property, service by
11 posting notice on the property may be made in accordance with the Maryland Rules.
12 Personal service or posting in accordance with the Maryland Rules shall stand in the
13 place of a demand and reentry.

14 (b) (1) Before entry of a judgment the landlord shall give written notice of
15 the pending entry of judgment to each mortgagee of the lease, or any part of the lease,
16 who before entry of the judgment has recorded in the land records of each county
17 where the property is located a timely request for notice of judgment. A request for
18 notice of judgment shall:

19 (i) Be recorded in a separate docket or book that is indexed under
20 the name of the mortgagor;

21 (ii) Identify the property on which the mortgage is held and refer to
22 the date and recording reference of that mortgage;

23 (iii) State the name and address of the holder of the mortgage; and

24 (iv) Identify the ground lease by stating:

25 1. The name of the original lessor;

26 2. The date the ground lease was recorded; and

27 3. The office, docket or book, and page where the ground
28 lease is recorded.

29 (2) The landlord shall mail the notice by certified mail return receipt
30 requested to the mortgagee at the address stated in the recorded request for notice of
31 judgment. If the notice is not given, judgment in favor of the landlord does not impair
32 the lien of the mortgagee. Except as otherwise provided in subsection (b) of this
33 section, the property is discharged from the lease and the rights of all persons
34 claiming under the lease are foreclosed unless, within 6 calendar months after
35 execution of the judgment for possession, the tenant or any other person claiming
36 under the lease:

37 (i) Pays the ground rent, arrears, and all costs awarded against
38 that person; and

1 (ii) Commences a proceeding to obtain relief from the judgment.

2 (c) This section does not bar the right of any mortgagee of the lease, or any
3 part of the lease, who is not in possession at any time before expiration of 6 calendar
4 months after execution of the judgment awarding the landlord possession, to pay all
5 costs and damages sustained by the landlord and to perform all the covenants and
6 agreements that are to be performed by the tenant.

7 (D) EXCEPT AS OTHERWISE PROVIDED BY LAW, A LANDLORD MAY NOT
8 RECEIVE REIMBURSEMENT FOR ANY ADDITIONAL COSTS OR EXPENSES RELATED TO
9 COLLECTION OF THE BACK RENT ~~THAT EXCEED THE LESSER OF:~~

10 ~~(1) ACTUAL EXPENSES; OR~~

11 ~~(2) \$400 UNLESS THE NOTICE REQUIREMENTS OF THIS SECTION AND §~~
12 ~~8-403.3 8-402.3 OF THIS SUBTITLE ARE MET.~~

13 8-402.3.

14 (A) IN THIS SECTION, "GROUND RENT" MEANS A RESIDENTIAL LEASE OR
15 SUBLEASE IN EFFECT ON OR AFTER OCTOBER 1, 2003, THAT HAS AN INITIAL TERM OF
16 99 YEARS RENEWABLE FOREVER AND CREATES A LEASEHOLD ESTATE SUBJECT TO
17 THE PAYMENT OF SEMIANNUAL INSTALLMENTS OF AN ANNUAL LEASE AMOUNT.

18 (B) (1) A HOLDER OF A GROUND RENT THAT IS AT LEAST 6 MONTHS IN
19 ARREARS IS ENTITLED TO REIMBURSEMENT FOR ACTUAL EXPENSES NOT
20 EXCEEDING \$500 INCURRED IN THE COLLECTION OF THAT PAST DUE GROUND RENT
21 AND IN COMPLYING WITH THE NOTICE REQUIREMENTS UNDER § 8-402.2(A) OF THIS
22 SUBTITLE, INCLUDING:

23 (I) TITLE ABSTRACT AND EXAMINATION FEES;

24 (II) JUDGMENT REPORT FEES;

25 (III) PHOTOCOPYING AND POSTAGE FEES; AND

26 (IV) ATTORNEY'S FEES.

27 (2) UPON FILING AN ACTION FOR EJECTMENT, THE PLAINTIFF OR
28 HOLDER OF A GROUND RENT IS ENTITLED TO REIMBURSEMENT FOR REASONABLE
29 EXPENSES INCURRED IN THE PREPARATION AND FILING OF THE EJECTMENT
30 ACTION, INCLUDING:

31 (I) FILING FEES AND COURT COSTS;

32 (II) EXPENSES INCURRED IN THE SERVICE OF PROCESS OR
33 OTHERWISE PROVIDING NOTICE;

34 (III) TITLE ABSTRACT AND EXAMINATION FEES NOT INCLUDED
35 UNDER PARAGRAPH (1) OF THIS SUBSECTION, NOT EXCEEDING \$300;

1 (IV) REASONABLE ATTORNEY'S FEES NOT EXCEEDING \$700; AND

2 (V) TAXES, INCLUDING INTEREST AND PENALTIES, THAT HAVE
3 BEEN PAID BY THE PLAINTIFF OR HOLDER OF A GROUND RENT.

4 (C) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION OR IN §
5 8-402.2(C) OF THIS SUBTITLE, THE PLAINTIFF OR HOLDER OF A GROUND RENT IS NOT
6 ENTITLED TO REIMBURSEMENT FOR ANY OTHER EXPENSES INCURRED IN THE
7 COLLECTION OF A GROUND RENT.

8 (D) (1) THE HOLDER OF A GROUND RENT MAY NOT BE REIMBURSED FOR
9 EXPENSES UNDER SUBSECTION (B) OF THIS SECTION UNLESS THE HOLDER SENDS
10 THE TENANT AS IDENTIFIED IN THE RECORDS OF THE STATE DEPARTMENT OF
11 ASSESSMENTS AND TAXATION WRITTEN NOTICE AT LEAST 30 DAYS BEFORE TAKING
12 ANY ACTION IN ACCORDANCE WITH § 8-402.2(A) OF THIS SUBTITLE AND § 14-108.1 OF
13 THIS ARTICLE.

14 (2) THE NOTICE SHALL BE IN 14 POINT, BOLD FONT, AND CONTAIN THE
15 FOLLOWING:

16 (I) THE AMOUNT OF THE PAST DUE GROUND RENT;

17 (II) A STATEMENT THAT UNLESS THE PAST DUE GROUND RENT IS
18 PAID WITHIN 30 DAYS, FURTHER ACTION WILL BE TAKEN IN ACCORDANCE WITH §
19 8-402.2(A) OF THIS SUBTITLE AND § 14-108.1 OF THIS ARTICLE AND THE TENANT WILL
20 BE LIABLE FOR THE EXPENSES AND FEES INCURRED IN CONNECTION WITH THE
21 COLLECTION OF THE PAST DUE GROUND RENT AS PROVIDED IN THIS SECTION.

22 (3) THE HOLDER OF THE GROUND RENT SHALL:

23 (I) MAIL THE NOTICE BY FIRST CLASS MAIL TO THE TENANT'S
24 LAST KNOWN ADDRESS AS SHOWN IN THE RECORDS OF THE STATE DEPARTMENT OF
25 ASSESSMENTS AND TAXATION; AND

26 (II) OBTAIN A CERTIFICATE OF MAILING FROM THE UNITED
27 STATES POSTAL SERVICE.

28 SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take
29 effect October 1, 2003.