



House Bill 241 – Real Property – Ground Leases – Past Due Ground Rent

Position: Support

Maryland REALTORS® support HB 241 which eliminates an escrow requirement for certain home sales if the homeowner's property is subject to an unregistered ground rent.

Ground rents are payments made by a homeowner to a person or entity who owns the land on which the home was built. Ground rents are most common in Baltimore but exist throughout the state of Maryland. Under current law, the ground rent holder (the person who owns the land) is entitled to ground rent from the owner of the home that is located on the ground rent holder's land. The rent is typically a small payment paid one to two times a year. Although state law requires ground rent holders to register their ground rents, many do not. As a result, some ground rent holders may never contact the homeowner about how much is owed and where to send the ground rent payment.

If a homeowner fails to pay the ground rent—regardless of whether it was their fault—a ground rent holder may collect up to three year's unpaid rent plus certain expenses. If that homeowner does not pay, the homeowner may be evicted from the land and the home on which the homeowner was paying the mortgage.

HB 241 addresses the situation when a ground rent is unregistered and the home is sold. Currently, title companies will escrow up to a maximum of three years of rent that can be collected. This escrow payment is a cash requirement that the home seller pays in order to settle on the property. Because this escrow money is rarely claimed by the unregistered ground rent holder, title companies hold the money for three years and then return the money to the seller. Sometimes, it is difficult for a title company to track the seller down and return the escrow money.

The REALTORS® believe the ground rent holder should at least make the effort to be paid before home sellers are required to escrow money and title companies are required to track and administer these funds. HB 241 will save home sellers some cash during the settlement of their property and reduce an administrative burden for many title companies. Last year, this bill passed the House of Delegates by 139-0 and the House Environment and Transportation Committee by 22-0. We urge the Committee to report this bill favorably again.

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