Department of Legislative Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 56 (Chairman, Judicial Proceedings Committee)
(Departmental - Labor, Licensing, and Regulation)
Judicial Proceedings

Real Property - Deposits on New Homes - Surety Bonds

This departmental bill requires surety bonds associated with the sale of new single-family residential homes to be deposited with the Department of Labor, Licensing and Regulation (DLLR), rather than the Maryland Insurance Administration (MIA). Additionally, the bill authorizes DLLR to approve the form of the surety bond.

Fiscal Summary

State Effect: None. Transferring responsibility for the deposit of surety bonds from MIA to DLLR will not materially affect the workload of either agency.

Local Effect: None.

Small Business Effect: The Department of Labor, Licensing, and Regulation has determined that this bill has minimal or no impact on small businesses (attached). Legislative Services concurs with this assessment.

Fiscal Analysis

State Effect: This bill relates to the seller's obligation under current law to hold funds in escrow, obtain a corporate surety bond, or obtain an irrevocable letter of credit when the buyer of a new single-family residential home makes a payment before the home is completely built. Under current law, surety bonds are filed with the MIA and irrevocable letters of credit are filed with DLLR.

MIA estimates that only 25 surety bonds are filed per year because most builders prefer an irrevocable letter of credit to a surety bond. Currently, MIA does not collect filing fees for the surety bonds it holds, and the costs associated with processing the bonds are minimal. Therefore, transferring responsibility for the bonds will not materially affect MIA finances.

Likewise, the costs to DLLR associated with its new responsibilities will be minimal. The small number of bonds deposited per year combined with DLLR's current regulatory role in new construction projects will permit DLLR to manage surety bond filings with existing resources.

Furthermore, the bill partially codifies existing practice because DLLR already approves the form of the bonds.

Information Source(s): Department of Labor, Licensing, and Regulation; Maryland Insurance Administration

Fiscal Note History: First Reader - January 14, 1998
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Analysis by: Jo Ellan Jordan
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710