

**Department of Legislative Services**  
Maryland General Assembly  
2002 Session

**FISCAL NOTE**

House Bill 928  
Economic Matters

(Delegates Franchot and Hixson)

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**Residential Real Property - Right of Purchaser to Renew Existing Title Insurance Policy**

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This bill requires disclosure to a buyer of residential real property that the buyer may renew the seller's title insurance policy. The bill also prohibits a lender, under specified conditions, from requiring a borrower to use a particular title insurance company if the borrower notifies the lender of the borrower's intention to renew the seller's title insurance policy. The bill requires a lender to include a written notice to a borrower of the borrower's right to renew the existing title insurance policy.

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**Fiscal Summary**

**State Effect:** The bill's regulatory requirements could be handled with the existing budgeted resources of the Maryland Real Estate Commission.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** The bill requires the seller of single-family residential real property to include a written statement on a form provided by the Maryland Real Estate Commission that states that the purchaser has the right to: (1) renew the existing title insurance policy subject to the approval of the seller's title insurance company; or (2) choose the purchaser's own title insurance policy and have a new title insurance policy issued. The disclosure must also explain the procedures to follow concerning either option. A purchaser may not rescind a sales contract for failure to include these required

disclosures. The Real Estate Commission must develop a disclosure statement for these required disclosures.

The bill prohibits a lender or credit grantor from conditioning settlement on the use of a particular attorney or title insurance company to perform a title search, title examination, or closing if: (1) the loan is secured by a first mortgage or deed of trust on residential real property used as the borrower's primary residence and is not a commercial loan; (2) the borrower notifies the lender within seven days after the loan application of the name and business address of the seller's title insurance company to have the title insurance policy renewed; and (3) the lender does not reject the borrower's choice of attorney or title insurance company for good cause within seven days after receiving the notice. The bill also requires a lender to include a written notice to a borrower of the borrower's right to renew the existing title insurance policy subject to the approval of the title insurance company.

**Current Law:** Generally, the purchaser of residential real property may renew the seller's title insurance policy. However, no provision requires disclosure of this right, where applicable.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 5, 2002  
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