

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 885 (Delegate Healey, *et al.*)
Environmental Matters

**Real Property - Rescission of Contract for Sale or Transfer of Residence in
Default - Notice to Purchaser**

This bill allows a homeowner of a residence in default to rescind a contract for the sale or transfer of the residence within five days after executing the contract if the homeowner provides the purchaser with written notice prior to the execution of the contract that the property is a residence in default.

Fiscal Summary

State Effect: The bill does not directly affect State finances or operations.

Local Effect: The bill does not directly affect local finances or operations.

Small Business Effect: Potential minimal.

Analysis

Current Law/Background: Chapters 5 and 6 of 2008, designated as the Protection of Homeowners in Foreclosure Act, establishes violations that constitute unfair or deceptive trade practices under the Maryland Consumer Protection Act. The Protection of Homeowners in Foreclosure Act applies to residences in default as well as residences in foreclosure. A “residence in default” is defined as residential real property in the State on which the mortgage is at least 60 days in default. The property also must consist of four or fewer single-family dwelling units, one of which is occupied by the owner, the owner’s spouse, or the owner’s former spouse under a use and possession order, as the individual’s principal place of residence.

The notice required in all foreclosure consulting contracts must inform the homeowner about the right to rescind the contract at any time and the homeowner's liability after rescission. In addition, Chapters 5 and 6 of 2008 extended the rescission period for contracts to sell or transfer property in foreclosure from three to five days after signing. After either type of rescission, the homeowner must repay any money spent under the agreement on the homeowner's behalf, within 60 days, along with interest calculated at 8% per year.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division); Judiciary (Administrative Office of the Courts); Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2009
mlm/kdm

Analysis by: Jason F. Weintraub

Direct Inquiries to:
(410) 946-5510
(301) 970-5510