

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 657

(Senator Peters)

Judicial Proceedings

Environmental Matters

Real Property - New Home Sales Contracts - Financing Contingency Clauses

This bill requires a contract for the initial sale of a new home to be contingent on the purchaser obtaining a written commitment for a loan secured by the property, unless the contract expressly states otherwise. If the contract is contingent on the purchaser obtaining financing, the contract must state the maximum interest rate the purchaser is obligated to accept.

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: None.

Analysis

Current Law: A contract for the initial sale of a new home, as defined in the Maryland Home Builder Registration Act, must include:

- the builder registration number of the seller of the new home;
- a provision stating that the new home must be built according to all applicable building codes in effect at the time of construction;
- a provision referencing all performance standards or guidelines that the seller must comply with in the construction of the new home and that prevail in the

performance of the contract and any arbitration or claim arising from the contract;
and

- a provision detailing the purchaser's right to receive a consumer information pamphlet as provided by the Home Builder Registration Act.

“New home,” as defined in the Maryland Home Builder Registration Act, means a newly constructed residential dwelling unit in the State and the fixtures and structures that are made a part of the unit at the time of construction.

Background: Home builders operating in the State, except those building exclusively in Montgomery County, must register with the Home Builder Registration Unit within the Consumer Protection Division of the Office of the Attorney General. Additionally, all contracts in the State must incorporate building performance standards that describe acceptable levels of quality and finish as well as the builder's or homeowner's obligation to repair any defects. The minimum performance standards in Maryland are those established by the National Association of Home Builders or those under the federal National Manufactured Housing Construction and Safety Standards Act, if applicable. The builder, along with any city or county government, may adopt higher standards.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Carroll, Harford, Montgomery, and St. Mary's counties; Office of the Attorney General (Consumer Protection Division); Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2009
mlm/kdm Revised - Senate Third Reader - March 31, 2009

Analysis by: Jason F. Weintraub

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