

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1421
Economic Matters

(Delegates Angel and Hayes)

Real Property - Real Estate Sales Contracts - Required Notice

This bill requires that a real estate contract submitted to a party by a real estate broker, an associate real estate broker, or a real estate salesperson for use in the sale of a single-family dwelling contain a specified notice about the importance of careful consideration of the contract before it is finalized. The required notice advises both the buyer and seller to seek additional advice and counsel as needed. In addition, a real estate broker, associate real estate broker, or real estate salesperson involved in the sale of a single-family dwelling must *orally* inform the buyer of his or her right to have the contract reviewed by an attorney of the buyer's choice.

The bill's requirements apply to any contract for the sale of a single-family dwelling entered into on or after the bill's October 1, 2016 effective date.

Fiscal Summary

State Effect: The bill is not anticipated to materially impact State operations or finances. The Office of the Attorney General, Consumer Protection Division, can handle the bill's requirements with existing resources, assuming 50 or fewer new complaints are generated by the bill.

Local Effect: The bill is not anticipated to impact the operations or finances of local governments.

Small Business Effect: Minimal.

Analysis

Current Law: Each real estate contract submitted to a party by a real estate broker, an associate real estate broker, or a real estate salesperson for the sale of a single-family dwelling is required to contain a statement that the buyer has the right to select the buyer's own (1) title insurance company; (2) settlement company; (3) escrow company; (4) mortgage lender or financial institution; or (5) title lawyer. It must also contain a statement that a seller may not be prohibited from offering owner financing as a condition of settlement. A contract is *not* rendered invalid by the omission of any of these statements.

Contracts for the sale of property more generally are also required to contain numerous other disclosures and notices. These include:

- notice of estimated deferred water and sewer charges;
- notice of costs of recordation or transfer taxes;
- notice that the subject property may be located in a "critical area" of the Chesapeake Bay and Atlantic Coastal Bays;
- notice of specified development impact fees;
- notice of protection by the Real Estate Guaranty Fund; and
- notices related to deposits, specified contractual provisions, and warranties.

Additional notice and disclosure requirements apply to contracts for the sale of new homes. Unless otherwise specifically established, a contract of sale is not rendered invalid by the omission of any statement, disclosure, or notice.

Background: The Maryland Association of Realtors reports that 73,044 housing units were sold in 2015.

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; Maryland Association of Realtors; Department of Legislative Services

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md/kdm

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