

HOUSE BILL 45

N1
HB 1529/16 – ENV

(PRE-FILED)

7lr0419

By: **Delegate Holmes**

Requested: July 14, 2016

Introduced and read first time: January 11, 2017

Assigned to: Environment and Transportation

A BILL ENTITLED

1 AN ACT concerning

2 **Real Property – Redeemable Ground Rents – Required Redemption**

3 FOR the purpose of requiring a redeemable ground rent to be redeemed on the occurrence
4 of certain events; requiring a certain default to be cured before a ground rent is
5 redeemed under certain circumstances; requiring a certain person to request a
6 redemption statement from the ground lease holder if the ground lease is registered
7 with the State Department of Assessments and Taxation; requiring the ground lease
8 holder to send a redemption statement containing certain information within a
9 certain time after receiving a request; providing that a redemption statement shall
10 be void under certain circumstances; requiring a ground lease to be redeemed in
11 accordance with certain provisions of law if the ground lease is not registered with
12 the State Department of Assessments and Taxation; requiring the Commissioner of
13 Financial Regulation to develop a certain outreach program; requiring the
14 Department of Housing and Community Development and the State Department of
15 Assessments and Taxation to coordinate a certain public awareness campaign;
16 providing for the application of this Act; and generally relating to redeemable ground
17 rents.

18 BY renumbering

19 Article – Real Property
20 Section 8–804(c) through (f), respectively
21 to be Section 8–804(d) through (g), respectively
22 Annotated Code of Maryland
23 (2015 Replacement Volume and 2016 Supplement)

24 BY repealing and reenacting, with amendments,

25 Article – Real Property
26 Section 8–804(a)
27 Annotated Code of Maryland
28 (2015 Replacement Volume and 2016 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY repealing and reenacting, without amendments,
 2 Article – Real Property
 3 Section 8–804(b)
 4 Annotated Code of Maryland
 5 (2015 Replacement Volume and 2016 Supplement)

6 BY adding to
 7 Article – Real Property
 8 Section 8–804(c)
 9 Annotated Code of Maryland
 10 (2015 Replacement Volume and 2016 Supplement)

11 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
 12 That Section(s) 8–804(c) through (f), respectively, of Article – Real Property of the
 13 Annotated Code of Maryland be renumbered to be Section(s) 8–804(d) through (g),
 14 respectively.

15 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read
 16 as follows:

17 **Article – Real Property**

18 8–804.

19 (a) (1) Except as provided in subsection [(f)] (G) of this section, this section
 20 does not apply to irredeemable ground leases preserved under § 8–805 of this subtitle.

21 (2) This section does not apply to an affordable housing land trust
 22 agreement executed under Title 14, Subtitle 5 of this article.

23 (b) (1) Except for apartment and cooperative leases, any reversion reserved in
 24 a ground lease for longer than 15 years is redeemable at any time, at the option of the
 25 leasehold tenant, after 30 days' notice to the ground lease holder. Notice shall be given by
 26 certified mail, return receipt requested, and by first–class mail to the last known address
 27 of the ground lease holder.

28 (2) The reversion is redeemable:

29 (i) For a sum equal to the annual ground rent reserved multiplied
 30 by:

31 1. 25, which is capitalization at 4 percent, if the ground lease
 32 was executed from April 8, 1884 to April 5, 1888, both inclusive;

33 2. 8.33, which is capitalization at 12 percent, if the ground
 34 lease was or is created after July 1, 1982; or

1 3. 16.66, which is capitalization at 6 percent, if the ground
2 lease was created at any other time;

3 (ii) For a lesser sum if specified in the ground lease; or

4 (iii) For a sum to which the parties may agree at the time of
5 redemption.

6 (3) (i) If the leasehold tenant is in default under a security instrument,
7 the holder of the secured interest in the property that is subject to a ground lease, or any
8 portion of a ground lease, that is recorded in the land records of the county in which the
9 property is located may apply to the State Department of Assessments and Taxation to
10 redeem the reversion as provided under this section.

11 (ii) If a holder of a secured interest applies to redeem a reversion as
12 authorized under subparagraph (i) of this paragraph, the holder also shall pay to the
13 ground lease holder the outstanding amount due, including, if authorized under the ground
14 lease, reasonable late fees, interest, collection costs, and expenses as provided under §
15 8–807 of this subtitle.

16 **(C) (1) THIS SUBSECTION DOES NOT APPLY TO:**

17 **(I) A TRANSFER BY FORECLOSURE SALE TO THE SECURED**
18 **PARTY OF THE SECURITY INSTRUMENT BEING FORECLOSED;**

19 **(II) A TRANSFER TO A LENDER BY DEED IN LIEU OF**
20 **FORECLOSURE;**

21 **(III) A TRANSFER BY A FIDUCIARY IN THE COURSE OF THE**
22 **ADMINISTRATION OF A DECEDENT’S ESTATE OR TRUST TO AN HEIR OR LEGATEE OF**
23 **THE ESTATE OR A BENEFICIARY OF THE TRUST;**

24 **(IV) A TRANSFER TO A SPOUSE OR FORMER SPOUSE IN**
25 **ACCORDANCE WITH A PROPERTY SETTLEMENT AGREEMENT OR ORDER OF COURT IN**
26 **AN ACTION FOR DIVORCE OR ANNULMENT; OR**

27 **(V) A LOAN SECURED BY A HOME EQUITY LINE OF CREDIT.**

28 **(2) A REDEEMABLE GROUND RENT SHALL BE REDEEMED ON THE**
29 **OCCURRENCE OF THE EARLIER OF THE FOLLOWING EVENTS:**

30 **(I) THE PROPERTY SUBJECT TO THE REDEEMABLE GROUND**
31 **RENT IS TRANSFERRED FOR ARM’S LENGTH CONSIDERATION; OR**

1 **(II) THE LEASEHOLD TENANT OBTAINS OR REFINANCES A LOAN**
2 **SECURED BY A MORTGAGE OR DEED OF TRUST ON THE PROPERTY SUBJECT TO THE**
3 **REDEEMABLE GROUND RENT.**

4 **(3) IF A COLLECTION OR ENFORCEMENT PROCEDURE HAS BEEN**
5 **INSTITUTED TO COLLECT A PAST DUE GROUND RENT, THE DEFAULT MUST BE CURED**
6 **BEFORE THE GROUND RENT IS REDEEMED.**

7 **(4) (I) IF THE GROUND LEASE IS REGISTERED WITH THE STATE**
8 **DEPARTMENT OF ASSESSMENTS AND TAXATION UNDER SUBTITLE 7 OF THIS TITLE,**
9 **THE TRANSFEREE OR BORROWER OR AN AGENT OF THE TRANSFEREE OR BORROWER**
10 **SHALL REQUEST A REDEMPTION STATEMENT FROM THE GROUND LEASE HOLDER AT**
11 **THE ADDRESS OF THE GROUND LEASE HOLDER LISTED IN THE ONLINE REGISTRY.**

12 **(II) WITHIN 60 DAYS AFTER RECEIVING THE REQUEST, THE**
13 **GROUND LEASE HOLDER SHALL SEND TO THE REQUESTOR A REDEMPTION**
14 **STATEMENT CONTAINING:**

- 15 1. **THE AMOUNT AND DUE DATES OF THE GROUND RENT;**
- 16 2. **THE AMOUNT AND DUE DATES OF ANY PAST DUE**
17 **GROUND RENT;**
- 18 3. **THE STATUTORY REDEMPTION AMOUNT;**
- 19 4. **IF ANY COLLECTION EXPENSES ARE CLAIMED, THE**
20 **AMOUNT AND BASIS OF THE EXPENSES;**
- 21 5. **A STATEMENT THAT REDEMPTION IS AT THE SOLE**
22 **EXPENSE OF THE TRANSFEREE OR BORROWER; AND**
- 23 6. **ANY OTHER INFORMATION NECESSARY TO EXPEDITE**
24 **SETTLEMENT OF THE TRANSFER OR LOAN.**

25 **(III) IF SETTLEMENT OF THE TRANSFER OR LOAN DOES NOT**
26 **OCCUR WITHIN 30 DAYS AFTER THE GROUND LEASE HOLDER DELIVERS THE**
27 **REDEMPTION STATEMENT, THE REDEMPTION STATEMENT SHALL BE VOID UNLESS**
28 **EXTENDED BY THE GROUND LEASE HOLDER.**

29 **(5) IF THE GROUND LEASE IS NOT REGISTERED WITH THE STATE**
30 **DEPARTMENT OF ASSESSMENTS AND TAXATION UNDER SUBTITLE 7 OF THIS TITLE,**
31 **THE GROUND LEASE SHALL BE REDEEMED IN ACCORDANCE WITH SUBSECTION (G)**
32 **OF THIS SECTION.**

1 SECTION 3. AND BE IT FURTHER ENACTED, That the Commissioner of
2 Financial Regulation shall develop an outreach program to contact lending institutions that
3 lend money secured by a mortgage or deed of trust on residential property in the State to
4 inform the institutions of the requirements of this Act and obtain the assistance of the
5 institutions to implement consumer friendly procedures for including ground rent
6 redemption in the process of purchasing or refinancing a home.

7 SECTION 4. AND BE IT FURTHER ENACTED, That the Department of Housing
8 and Community Development and the State Department of Assessments and Taxation
9 shall coordinate a public awareness campaign to inform the public of the requirements of
10 this Act and the procedures for redeeming a ground rent when purchasing or refinancing a
11 home.

12 SECTION 5. AND BE IT FURTHER ENACTED, That this Act shall take effect
13 October 1, 2017.