

HOUSE BILL 1173

N1

7lr3132

By: **Delegate Rosenberg**

Introduced and read first time: February 9, 2017

Assigned to: Environment and Transportation and Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Real Property – Rent-to-Own Agreements and Contracts – Requirements**

3 FOR the purpose of requiring a landlord who offers a dwelling unit for rent in the State
4 under a rent-to-own agreement on or after a certain date to use a written lease;
5 prohibiting a landlord from entering into or offering to enter into a rent-to-own
6 agreement with a tenant except under certain circumstances; requiring a certain
7 landlord to deliver a copy of a certain attorney certification to a prospective tenant
8 together with a rent-to-own contract; requiring a landlord who offers a dwelling unit
9 for rent in the State under a rent-to-own agreement on or after a certain date to
10 post with the Consumer Protection Division of the Office of the Attorney General a
11 certain performance bond or provide the Division with a certain cash deposit or letter
12 of credit in accordance with certain provisions of law; establishing requirements for
13 a certain performance bond, cash deposit, and letter of credit; establishing certain
14 remedies and penalties for certain violations; providing that a violation of certain
15 provisions of this Act is an unfair or deceptive trade practice and is subject to certain
16 enforcement and penalty provisions; defining certain terms; providing for the
17 application of this Act; and generally relating to rent-to-own agreements and
18 contracts.

19 BY repealing and reenacting, with amendments,
20 Article – Commercial Law
21 Section 13-301(14)(xxix)
22 Annotated Code of Maryland
23 (2013 Replacement Volume and 2016 Supplement)

24 BY repealing and reenacting, without amendments,
25 Article – Commercial Law
26 Section 13-301(14)(xxx) and (15)
27 Annotated Code of Maryland
28 (2013 Replacement Volume and 2016 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY adding to
2 Article – Commercial Law
3 Section 13–301(14)(xxxi)
4 Annotated Code of Maryland
5 (2013 Replacement Volume and 2016 Supplement)

6 BY repealing and reenacting, without amendments,
7 Article – Real Property
8 Section 8–201(a)
9 Annotated Code of Maryland
10 (2015 Replacement Volume and 2016 Supplement)

11 BY repealing and reenacting, with amendments,
12 Article – Real Property
13 Section 8–202 and 8–208(a)
14 Annotated Code of Maryland
15 (2015 Replacement Volume and 2016 Supplement)

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
17 That the Laws of Maryland read as follows:

18 **Article – Commercial Law**

19 13–301.

20 Unfair or deceptive trade practices include any:

21 (14) Violation of a provision of:

22 (xxix) Title 19, Subtitle 7 of the Business Regulation Article; [or]

23 (xxx) Section 15–311.3 of the Transportation Article; or

24 **(XXXI) SECTION 8–202 OF THE REAL PROPERTY ARTICLE; OR**

25 (15) Act or omission that relates to a residential building and that is
26 chargeable as a misdemeanor under or otherwise violates a provision of the Energy
27 Conservation Building Standards Act, Title 7, Subtitle 4 of the Public Utilities Article.

28 **Article – Real Property**

29 8–201.

30 (a) This subtitle is applicable only to residential leases unless otherwise provided.

31 8–202.

1 (a) **(1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS**
2 **INDICATED.**

3 **(2) “DIVISION” MEANS THE CONSUMER PROTECTION DIVISION OF**
4 **THE OFFICE OF THE ATTORNEY GENERAL.**

5 **(3) [For the purposes of this section, a “lease] “LEASE option agreement”**
6 **means any clause in a lease agreement or separate document that confers on the tenant**
7 **some power, either qualified or unqualified, to purchase the landlord’s interest in the**
8 **property.**

9 **(4) “RENT-TO-OWN AGREEMENT” MEANS A LEASE AGREEMENT THAT**
10 **INCLUDES A LEASE OPTION AGREEMENT.**

11 **(5) “RENT-TO-OWN CONTRACT” MEANS ANY WRITTEN DOCUMENT**
12 **EVIDENCING A RENT-TO-OWN AGREEMENT, INCLUDING:**

13 **(I) A WRITTEN LEASE AGREEMENT CONFORMING TO THE**
14 **REQUIREMENTS OF § 8-208 OF THIS SUBTITLE;**

15 **(II) A WRITTEN LEASE OPTION AGREEMENT, IF SEPARATE FROM**
16 **THE WRITTEN LEASE AGREEMENT; AND**

17 **(III) ANY NOTICES OR DISCLOSURES REQUIRED UNDER STATE**
18 **LAW, INCLUDING ANY NOTICES OR DISCLOSURES REQUIRED UNDER § 6-820 OF THE**
19 **ENVIRONMENT ARTICLE.**

20 (b) **(1) A lease option agreement to purchase improved residential property,**
21 **with or without a ground rent, executed after July 1, 1971 shall contain a statement in**
22 **capital letters: THIS IS NOT A CONTRACT TO BUY.**

23 **(2) In addition, the agreement shall contain a clear statement of its**
24 **purpose and effect with respect to the ultimate purchase of the property which is the subject**
25 **of the lease option.**

26 **(C) (1) A LANDLORD MAY NOT ENTER INTO OR OFFER TO ENTER INTO A**
27 **RENT-TO-OWN AGREEMENT WITH A TENANT UNLESS:**

28 **(I) AN ATTORNEY ADMITTED TO PRACTICE LAW IN THE STATE**
29 **REVIEWS THE RENT-TO-OWN CONTRACT AND CERTIFIES THAT THE RENT-TO-OWN**
30 **CONTRACT COMPLIES WITH STATE LAW; AND**

31 **(II) A COPY OF THE RENT-TO-OWN CONTRACT AND THE**
32 **ATTORNEY CERTIFICATION IS SUBMITTED TO THE DIVISION AT LEAST 30 DAYS**

1 BEFORE THE RENT-TO-OWN CONTRACT IS DELIVERED TO THE PROSPECTIVE
2 TENANT.

3 (2) A LANDLORD SHALL PROVIDE A COPY OF THE ATTORNEY
4 CERTIFICATION REQUIRED UNDER PARAGRAPH (1)(I) OF THIS SUBSECTION TO A
5 PROSPECTIVE TENANT, TOGETHER WITH THE RENT-TO-OWN CONTRACT.

6 (D) (1) BEGINNING OCTOBER 1, 2017, ANY LANDLORD WHO OFFERS A
7 DWELLING UNIT FOR RENT IN THE STATE UNDER A RENT-TO-OWN AGREEMENT
8 SHALL POST WITH THE DIVISION A PERFORMANCE BOND OR PROVIDE THE DIVISION
9 WITH A CASH DEPOSIT OR LETTER OF CREDIT IN ACCORDANCE WITH THIS
10 SUBSECTION.

11 (2) THE CASH DEPOSIT, LETTER OF CREDIT, OR PERFORMANCE BOND
12 SHALL BE IN THE AMOUNT OF \$10,000.

13 (3) IF A LANDLORD POSTS WITH THE DIVISION A PERFORMANCE
14 BOND:

15 (I) THE BOND SHALL:

16 1. BE IN A FORM ACCEPTABLE TO THE DIVISION;

17 2. BE ISSUED BY A SURETY LICENSED TO DO BUSINESS
18 IN THE STATE;

19 3. PROVIDE THAT THE LANDLORD AND THE SURETY ARE
20 HELD AND FIRMLY BOUND TO TENANTS WHO SUFFER ANY DAMAGES OR LOSS IN
21 CONNECTION WITH A RENT-TO-OWN AGREEMENT OFFERED BY THE LANDLORD; AND

22 4. AUTHORIZE A TENANT, OR THE DIVISION ACTING ON
23 A TENANT'S BEHALF, TO FILE A CLAIM WITH THE SURETY FOR ANY DAMAGES OR
24 LOSS SUFFERED BY THE TENANT IN CONNECTION WITH A RENT-TO-OWN
25 AGREEMENT OFFERED BY THE LANDLORD AND, IF THE CLAIM IS NOT PAID, TO BRING
26 AN ACTION BASED ON THE BOND IN A COURT OF COMPETENT JURISDICTION AND
27 RECOVER AGAINST THE SURETY ANY DAMAGES OR LOSS SUFFERED BY THE TENANT
28 IN CONNECTION WITH A RENT-TO-OWN AGREEMENT OFFERED BY THE LANDLORD,
29 AS WELL AS THE COSTS OF THE LEGAL ACTION; AND

30 (II) THE LANDLORD SHALL:

31 1. PROVIDE THE DIVISION WITH A COPY OF THE BOND;

1 **2. MAINTAIN ACCURATE RECORDS OF ANY PREMIUM**
2 **PAYMENTS MADE ON THE BOND OR CLAIMS OR PAYMENTS MADE FROM THE BOND;**
3 **AND**

4 **3. PROVIDE COPIES OF THE RECORDS REQUIRED UNDER**
5 **ITEM 2 OF THIS ITEM TO THE DIVISION ONCE A YEAR FOR THE DURATION OF THE**
6 **BOND.**

7 **(4) IF A LANDLORD PROVIDES THE DIVISION WITH A LETTER OF**
8 **CREDIT OR A CASH DEPOSIT:**

9 **(I) THE LETTER OF CREDIT SHALL BE ISSUED BY A STATE OR**
10 **FEDERALLY CHARTERED BANK, IF APPLICABLE;**

11 **(II) A TENANT, OR THE DIVISION ACTING ON A TENANT'S**
12 **BEHALF, MAY FILE A CLAIM AGAINST THE LETTER OF CREDIT OR CASH DEPOSIT FOR**
13 **ANY LOSS SUFFERED BY THE TENANT IN CONNECTION WITH A RENT-TO-OWN**
14 **AGREEMENT OFFERED BY THE LANDLORD;**

15 **(III) THE DIVISION SHALL RESOLVE ALL CLAIMS MADE BY**
16 **TENANTS OR THE DIVISION AGAINST THE LETTER OF CREDIT OR CASH DEPOSIT; AND**

17 **(IV) THE DIVISION SHALL HOLD THE LETTER OF CREDIT OR**
18 **CASH DEPOSIT FOR 5 YEARS FROM THE LAST CLAIM THAT IS MADE AGAINST THE**
19 **LETTER OF CREDIT OR CASH DEPOSIT OR, IF NO CLAIMS ARE MADE, 5 YEARS FROM**
20 **THE DIVISION'S RECEIPT OF THE LETTER OF CREDIT OR CASH DEPOSIT.**

21 **[(c)] (E) (1) If a lease option agreement fails to comply with subsection (b) of**
22 **this section and is otherwise enforceable, the lease, the lease option agreement, or both may**
23 **be voided at the option of the party that did not draft the lease option agreement.**

24 **(2) IF A LANDLORD FAILS TO COMPLY WITH SUBSECTION (C) OF THIS**
25 **SECTION, AND THE RENT-TO-OWN CONTRACT IS OTHERWISE ENFORCEABLE, THE**
26 **LEASE, THE LEASE OPTION AGREEMENT, OR BOTH MAY BE VOIDED AT THE OPTION**
27 **OF THE TENANT.**

28 **(F) A VIOLATION OF THIS SECTION IS AN UNFAIR OR DECEPTIVE TRADE**
29 **PRACTICE WITHIN THE MEANING OF TITLE 13 OF THE COMMERCIAL LAW ARTICLE**
30 **AND IS SUBJECT TO THE ENFORCEMENT AND PENALTY PROVISIONS CONTAINED IN**
31 **TITLE 13 OF THE COMMERCIAL LAW ARTICLE.**

1 (a) (1) On or after October 1, 1999, any landlord who offers 5 or more dwelling
2 units for rent in the State may not rent a residential dwelling unit without using a written
3 lease.

4 (2) **BEGINNING OCTOBER 1, 2017, ANY LANDLORD WHO OFFERS A**
5 **DWELLING UNIT FOR RENT IN THE STATE UNDER A RENT-TO-OWN AGREEMENT, AS**
6 **DEFINED IN § 8-202 OF THIS SUBTITLE, SHALL USE A WRITTEN LEASE**

7 (3) If a landlord fails to comply with [paragraph (1) of] this subsection, the
8 term of the tenancy is presumed to be 1 year from the date of the tenant's first occupancy
9 unless the tenant elects to end the tenancy at an earlier date by giving 1 month's written
10 notice.

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be construed to
12 apply only prospectively and may not be applied or interpreted to have any effect on or
13 application to any rent-to-own agreement entered into before the effective date of this Act.

14 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
15 October 1, 2017.