

Department of Legislative Services  
Maryland General Assembly  
2018 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 1257

(Delegate Rosenberg)

Environment and Transportation

Judicial Proceedings

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**Residential Leases - Lease Option Agreements - Required Statements**

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This bill requires a lease option agreement to purchase improved residential property, if executed on or after July 1, 2018, to include a specified statement in capital letters and in close proximity to the tenant's signature line that the agreement is an integral part of the tenant's lease and is governed by Title 8 of the Real Property Article, and a tenant or prospective tenant must have all rights and remedies provided under those provisions. **The bill takes effect July 1, 2018.**

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**Fiscal Summary**

**State Effect:** The bill is not anticipated to impact State operations or finances.

**Local Effect:** The bill is not anticipated to impact local government operations or finances.

**Small Business Effect:** None.

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**Analysis**

**Current Law/Background:** Generally, "lease" means any oral or written agreement, express or implied, creating a landlord and tenant relationship, including any "sublease."

*Lease Option Agreement*

A "lease option agreement" means any clause in a lease agreement or separate document that confers on the tenant some power, either qualified or unqualified, to purchase the landlord's interest in the property. A lease option agreement to purchase improved residential property must contain the statement, in capital letters, "THIS IS NOT A

CONTRACT TO BUY.” The lease option agreement must also contain a clear statement of its purpose and effect, with respect to the ultimate purchase of the property that is the subject of the lease option. If a lease option agreement does not comply with these requirements and is otherwise enforceable, the lease, the lease option agreement, or both may be voided at the option of the party that did not draft the lease option agreement.

*Real Property Article*

Title 8 of the Real Property Article governs landlord and tenant relationships. The title generally includes provisions related to residential leases, actions for distress for rent, a landlord’s other remedies when a tenant fails to pay rent, a tenant’s remedies, demands for jury trials, and the registration and regulation of residential ground leases.

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**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 Legislative Services

**Fiscal Note History:** First Reader - March 4, 2018  
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