

Department of Legislative Services  
Maryland General Assembly  
2021 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 972

(Delegate C. Branch)

Economic Matters

Education, Health, and Environmental Affairs

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**Real Estate - Workgroup to Study Real Estate Trust Money Distribution**

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This bill establishes the Workgroup to Study Real Estate Trust Money Distribution, staffed by the Maryland Department of Labor (MDL). A member of the workgroup may not receive compensation as a member of the workgroup, but is entitled to reimbursement for expenses. The workgroup must (1) study the issues presented in this bill, as introduced, including the timely disposition of deposit money when a dispute arises between a seller and a buyer and (2) make recommendations regarding any legislation needed to provide more specificity about the way in which real estate trust money is distributed. By December 1, 2021, the workgroup must report its recommendations to the Senate Education, Health, and Environmental Affairs Committee and the House Economic Matters Committee. **The bill takes effect July 1, 2021, and terminates December 31, 2021.**

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**Fiscal Summary**

**State Effect:** Expense reimbursements for workgroup members are assumed to be minimal and absorbable within existing budgeted resources. MDL can staff the workgroup with existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** “Trust money” means a deposit, payment, or other money that a person entrusts to a real estate broker or, on behalf of a real estate broker, to an associate real estate broker or a real estate salesperson to hold for (1) the benefit of the owner or beneficial

owner of the trust money and (2) a purpose that relates to a real estate transaction involving real estate in the State. “Beneficial owner” means a person, other than the owner of the trust money, for whose benefit a real estate broker or, on behalf of a real estate broker, an associate real estate broker or a real estate salesperson is entrusted to hold trust money.

A real estate broker must maintain trust money in an authorized account until:

- the real estate transaction for which the trust money was entrusted is consummated or terminated;
- the real estate broker receives proper written instructions from the owner and beneficial owner directing withdrawal or other disposition of the trust money;
- on an interpleader filed by the real estate broker, a court orders a different disposition; or
- the owner or beneficial owner of the trust money fails to complete the real estate transaction for which the trust money was entrusted and the real estate broker, in the real estate broker’s sole discretion, decides to distribute the trust money, subject to notification requirements.

The notice in the event of a failed transaction must be in writing and include (1) a statement of whether the trust money will be paid to the owner or the beneficial owner and (2) disclosure to the owner and the beneficial owner that either party may prevent distribution of the funds by submitting a written protest within 30 days of the notice being sent. If a written protest is received, then funds must be distributed through one of the other three processes described above. If no written protest is received, then the funds may be disbursed as described in the notice. A real estate broker may not be liable to an owner or beneficial owner of the trust money for a good faith decision to distribute the trust money or a decision to not distribute the trust money under these circumstances.

An agreement under which a real estate broker is entrusted with the trust money must contain a statement that the real estate broker may distribute the trust money as described above if the owner or beneficial owner of the trust money fails to complete the real estate transaction for which the trust money was entrusted.

**Additional Comments:** This bill, as introduced, would have prohibited a real estate broker from providing brokerage services relating to any new transaction involving a particular property in certain circumstances. Specifically, if the owner or the beneficial owner of trust money failed to complete a real estate transaction for which trust money had been entrusted, the real estate broker would not have been able to provide brokerage services for the same property until the trust money had been distributed.

## Additional Information

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Maryland Department of Labor; Department of Legislative Services

**Fiscal Note History:** First Reader - February 26, 2021  
rh/mcr Third Reader - April 8, 2021  
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