

**Department of Legislative Services**  
Maryland General Assembly  
2024 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 1408 (Delegate Rosenberg)  
Environment and Transportation

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**Residential Property – Assignment of Contracts of Sale – Disclosure  
Requirements and Rescission**

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This bill (1) authorizes a vendor or purchaser of a residential property to rescind a contract of sale for the property at any time prior to the distribution of trust money at closing under specified circumstances and (2) prohibits a vendor or purchaser from being penalized for rescinding the contract. Furthermore, if a vendor or purchaser rescinds a contract under the bill, the escrow agent must distribute the trust money to the party that rescinded the contract. The bill applies prospectively only and may not be applied or interpreted to have any effect on or application to any contracts of sale for residential property executed before the bill's October 1, 2024 effective date.

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**Fiscal Summary**

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

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

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** Before the distribution of trust money at closing, a vendor of residential property may rescind a contract if the purchaser (1) assigns the contract to another person and (2) failed to provide written disclosure before the contract was entered into that the purchaser may assign the contract to another person. Similarly, a purchaser of residential property from a vendor that holds an equitable interest in the property (or otherwise does

not hold legal title) may rescind a contract for the property at any time before the distribution of trust money at closing if the vendor (1) assigns the contract to another person and (2) failed to disclose in writing before the contract was entered into that the vendor may assign the contract to another person.

**Current Law:** Under § 10-802 of the Real Property Article (and consistent with the definition used in the bill), “trust money” means a deposit made by a purchaser in connection with a residential real estate sales transaction that the purchaser delivers to an escrow agent to hold for the benefit of the purchaser and the seller.

When an escrow agent agrees to hold trust money, the escrow agent must enter into a written agreement with the purchaser and seller of the residential real estate that contains the following information:

- the amount of the trust money delivered to the escrow agent;
- the date the trust money was delivered to the escrow agent;
- the responsibility of the escrow agent to notify the purchaser and seller of trust money returned due to dishonored funds;
- the conditions under which the escrow agent may release the trust money; and
- the process to address disputes over the release of the trust money.

Statute includes specific provisions regarding trust money distribution if the purchaser terminates a residential real estate contract under the terms of a contingency clause.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Office of the Attorney General (Consumer Protection Division); Judiciary (Administrative Office of the Courts); Maryland Department of Labor; Department of Legislative Services

**Fiscal Note History:** First Reader - March 3, 2024  
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