

SENATE BILL 691

N1

6lr2484
CF HB 1029

By: **Senator McKay**

Introduced and read first time: February 6, 2026

Assigned to: Judicial Proceedings

Committee Report: Favorable

Senate action: Adopted

Read second time: March 3, 2026

CHAPTER _____

1 AN ACT concerning

2 **Real Property – Termination of Residential Real Estate Contracts –**
3 **Contingency Clauses**

4 FOR the purpose of altering the definition of “contingency clause” as it applies to the
5 circumstances under which a residential real estate contract may be terminated by
6 a purchaser; altering the time period within which a certain holder of trust money
7 must distribute trust money to a purchaser; and generally relating to contingency
8 clauses and residential real estate contracts.

9 BY repealing and reenacting, without amendments,
10 Article – Real Property
11 Section 10–802(a)
12 Annotated Code of Maryland
13 (2023 Replacement Volume and 2025 Supplement)

14 BY repealing and reenacting, with amendments,
15 Article – Real Property
16 Section 10–803
17 Annotated Code of Maryland
18 (2023 Replacement Volume and 2025 Supplement)

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

21 **Article – Real Property**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 10–802.

2 (a) (1) In this section the following words have the meanings indicated.

3 (2) “Escrow agent” means a person engaged in the business of residential
4 real estate settlements who receives trust money.

5 (3) “Residential real estate” means:

6 (i) Real property improved by four or fewer single–family dwelling
7 units that are designed principally and are intended for human habitation; and

8 (ii) Unimproved real property zoned for residential use by the local
9 zoning authority of the county or municipality in which the real property is located.

10 (4) “Trust money” means a deposit made by a purchaser in connection with
11 a residential real estate sales transaction that the purchaser delivers to an escrow agent to
12 hold for the benefit of the purchaser and the seller.

13 10–803.

14 (a) (1) In this section the following words have the meanings indicated.

15 (2) **[(i)]** “Contingency” means a clause included in a contract of sale for
16 residential real estate that:

17 **[1.] (I)** Requires a specific event or action to occur for the
18 contract to be enforceable; and

19 **[2.] (II)** Entitles a party exercising the contingency to
20 terminate the contract and receive distribution of the trust money.

21 **[(ii)]** “Contingency” includes a clause relating to:

22 1. Appraisals;

23 2. Back–up contracts;

24 3. Building permits, feasibility studies, or other
25 contingencies related to condominium notice;

26 4. Conservation easements;

27 5. Cooperative housing notices;

28 6. Deeds and titles;

- 1 7. Home or environmental inspections;
- 2 8. Homeowners association notices;
- 3 9. On-site sewage disposal system inspections;
- 4 10. Property condition disclosures and disclaimer act notices;
- 5 11. Short sales;
- 6 12. Sales of residential unimproved land;
- 7 13. Termite inspections;
- 8 14. Third-party approval not related to financing; or
- 9 15. Water and sewer assessments notices.]

10 (3) “Holder of trust money” means:

11 (i) An escrow agent as defined in § 10–802 of this subtitle; or

12 (ii) A licensed real estate broker as defined in § 17–101 of the
13 Business Occupations and Professions Article.

14 (4) “Residential real estate” has the meaning stated in § 10–802 of this
15 subtitle.

16 (5) “Trust money” has the meaning stated in § 10–802 of this subtitle.

17 (b) (1) (i) If a purchaser terminates a residential real estate contract under
18 the terms of a contingency clause of a contract of sale for residential real estate, the
19 purchaser may request the return of the trust money by providing the holder of the trust
20 money and the seller written notice of the request.

21 (ii) Within 10 days after receiving a request made in accordance with
22 subparagraph (i) of this paragraph, the seller shall provide the holder of the trust money
23 with a copy of a complaint filed in the District Court or a **COPY OF A** notarized, written
24 request for mediation **PROVIDED TO A MEDIATOR** relating to the distribution of the trust
25 money.

26 (iii) [Within 30 days after receiving a request made in accordance
27 with subparagraph (i) of this paragraph, the holder of the trust money, if they have] **IF**
28 **THE HOLDER OF THE TRUST MONEY HAS** not received a copy of a complaint filed, or a

1 request for mediation made, in accordance with subparagraph (ii) of this paragraph, **THE**
2 **HOLDER OF THE TRUST MONEY** shall:

3 1. Distribute the trust money to the purchaser **WITHIN 5**
4 **DAYS AFTER THE EXPIRATION OF THE TIME SPECIFIED IN SUBPARAGRAPH (II) OF**
5 **THIS PARAGRAPH**; and

6 2. Notify the purchaser and seller of the distribution.

7 (iv) If the holder of trust money receives a copy of a complaint filed,
8 or a request for mediation made, in accordance with subparagraph (ii) of this paragraph,
9 they shall hold the trust money until:

10 1. A court order or mediation agreement authorizes the
11 distribution of the money; or

12 2. The holder of the trust money files an interpleader action
13 in the District Court.

14 (2) A holder of trust money may not be liable for a decision to distribute
15 trust money made in accordance with this subsection.

16 (c) A claimant who is aggrieved by a distribution of trust money under this
17 section may file an action in the District Court sitting in the district in which the residential
18 real estate is located.

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
20 October 1, 2026.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.