

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 691

(Senator McKay)

Judicial Proceedings

Economic Matters

Real Property - Termination of Residential Real Estate Contracts - Contingency
Clauses

This bill alters the time period within which a holder of trust money must distribute trust money to a purchaser following termination of a residential real estate contract under a contingency clause. It also alters the definition of “contingency clause” that is applicable to the circumstances under which a residential real estate contract may be terminated by a purchaser.

Fiscal Summary

State Effect: The bill does not affect State operations or finances.

Local Effect: The bill does not affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary/Current Law: Under current law, “contingency” means a clause included in a contract of sale for residential real estate that (1) requires a specific event or action to occur for the contract to be enforceable and (2) entitles a party exercising the contingency to terminate the contract and receive distribution of the trust money.

Section 10-803 of the Real Property Article lists numerous examples of contingencies, including clauses relating to appraisals; conservation easements; home or environmental inspections; property condition disclosures and disclaimer act notices; short sales; and water and sewer assessments notices. The bill repeals the specific examples.

Under current law, a real estate broker or an escrow agent holding trust money must release the funds to the purchaser if the purchaser terminates a residential real estate contract in accordance with the terms of a contingency clause. The purchaser must provide written notice requesting the return of the funds to both the holder of the trust money and the seller.

Under current law, within 10 days after receiving this notice, the seller must provide the holder of the trust money with (1) a copy of a complaint filed in the District Court or (2) a notarized, written request for mediation relating to the distribution of the trust money. The bill specifies that the seller must provide *a copy* of a notarized, written request for mediation *provided to a mediator* regarding to the distribution of the trust money.

On receipt of a complaint/request for mediation, existing statute requires the holder of trust money to continue to hold the trust money until a court order or mediation agreement authorizes the distribution or the holder files an interpleader action in the District Court.

Conversely, under current law, if the holder of the trust money does *not* receive a copy of a complaint or a request for mediation within 30 days after a request has been made for the return of the trust money, the holder must distribute the trust money to the purchaser and notify the purchaser and seller of the distribution. The bill repeals the existing requirement that the trust money holder wait up to 30 days after a purchaser's request, instead requiring the holder, if no complaint or mediation request was received within the 10-day period referenced above, to return the trust money to the purchaser within 5 days and to notify both the purchaser and the seller of the distribution.

A holder of trust money may not be held liable for a decision to distribute the trust money in accordance with State statute. A claimant aggrieved by a distribution of trust money may file an action in the District Court, as specified.

Additional Information

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

Designated Cross File: HB 1029 (Delegate Roberts, *et al.*) - Economic Matters.

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 2, 2026
js/jkb Third Reader - March 21, 2026

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