

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 814

(Senator Hayes)

Judicial Proceedings

Economic Matters

Residential Property - Service Agreement - Defunct Service Providers

This bill establishes that a service agreement (or any part of a service agreement) entered into before June 1, 2023, may not be effective for more than two years or (1) purport to run with the land or bind subsequent bona fide purchasers; (2) purport to create a lien, encumbrance, or security interest on the residential property of a party to the service agreement; or (3) allow the service provider to assign or transfer the right to provide services under the agreement to another person without notice or the consent of a party to the agreement. Any agreement that violates these restrictions is void and unenforceable. However, the bill is applicable only to agreements with a service provider that has forfeited the right of the provider to conduct business in the State and, on or after June 1, 2026, is defunct and considered not in good standing with the State Department of Assessments and Taxation. The bill also establishes a related cause of action and authority to seek certain relief if an agreement in violation of the bill's prohibitions is recorded, as specified. **The bill takes effect June 1, 2026.**

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.

Analysis

Bill Summary: If an agreement that violates the bill's provisions is recorded, any person with an interest in the residential property that is subject to a lien arising from the agreement may bring an action in the circuit court in which the property is located for a determination

that the service agreement is void and unenforceable. The person may seek compensatory damages and reasonable attorney's fees and costs.

Current Law:

Definitions

“Service agreement” means an agreement where a service provider agrees to provide an individual services for (1) the maintenance of residential property that the individual owns or (2) the purchase or sale of residential property. A service agreement includes any memorandum, notice, agreement, or similar document that is used by a service provider to cause a service agreement to be recorded.

“Service provider” means a person that provides services to an individual through a service agreement for (1) the maintenance of residential property that the individual owns or (2) the purchase or sale of residential property. Service provider includes any person acting as an agent or designee of a service provider.

Prohibition on Service Agreements

Chapter 525 of 2023 prohibits a service agreement (or any part of a service agreement) from (1) being effective for more than one year; (2) purporting to run with the land or bind subsequent *bona fide* purchasers; (3) purporting to create a lien, encumbrance, or security interest on the residential property of a party to the service agreement; or (4) allowing the service provider to assign or transfer the right to provide services under the service agreement to another person without notice or the consent of a party to the service agreement.

Any service agreement that violated these restrictions is void and unenforceable; use of such a service agreement by a service provider is also an unfair, abusive, or deceptive trade practice and subject to the enforcement and penalty provisions within the Maryland Consumer Protection Act. The provisions of Chapter 525 do not prevent an individual from pursuing any other remedy provided by law.

However, the provisions of Chapter 525 do not apply to, among other things:

- a home warranty or similar product that covers the cost of maintenance of a major home system such as plumbing, electrical, or heating, ventilating, and air-conditioning;
- an insurance contract;
- an agreement relating to the sale or rental of personal property; or

- water, sewer, electrical, telephone, cable, or other regulated utility providers.

Chapter 525 prohibits a service provider from submitting a service agreement that is in violation of the prohibitions above to the clerk of a circuit court or a State or local agency for recording. Violators are guilty of a misdemeanor and on conviction subject to imprisonment up to six months and/or a \$1,000 maximum fine.

Additional Information

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

Designated Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts); Maryland Department of Labor; Department of Legislative Services

Fiscal Note History: First Reader - March 10, 2026
caw/jkb Third Reader - March 21, 2026

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