



House Bill 720 – Real Estate Brokerage Services and Termination of Residential Real Estate Contracts (The Anthony Moorman Act)

Position: Favorable with Amendment

Maryland REALTORS® supports HB 720 which changes the way earnest money deposits are returned to buyers when a buyer exercises a contingency in a real estate contract. The REALTORS® would like to clarify one provision in the bill as written.

Under current law, if a real estate transaction terminates because of a contingency, the buyer may step out of contract and pursue another property. Although the earnest money is legally due to the buyer who exercised their right under law or contract, other sections of the code prohibit the release of the money without the seller's signature. Sometimes, the seller refuses to sign the deposit release because the seller is upset the buyer is pulling out of the contract.

Without the seller's signature, the buyer must go to court to recover their earnest money deposit. If the buyer only put down a couple thousand dollars, many buyers opt not pursue the money due to attorney and court costs. As a result, almost every real estate company and many title companies who hold earnest monies, retain deposits they cannot return. This money can sit in their accounts for years.

HB 720 changes this process so that when a buyer exercises one of the named contingencies in the bill, the holder of the deposit must return the money to the buyer within 30 days after being notified in writing by the buyer.

What type of contingency gives rise to a buyer stepping out of the contract? Maryland law and the standard real estate contract in Maryland include many contingencies. As an example, a buyer may choose to unilaterally terminate the contract if the home does not appraise for the loan amount and the buyer cannot make up the difference. The seller and buyer may agree to inspection contingencies as well.

For the past several years, the percentage of first-time homebuyers has been at an over 30 year low. One of the biggest hurdles these buyers face is saving enough cash to settle on a house. HB 720 will help all buyers, but it will help these cash-strapped first-time buyers the most whose money can be tied up for months and sometimes years.

For these reasons, the REALTORS® recommend a favorable report.

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REALTOR® Amendment to HB 720 – Real Estate– Real Estate Brokerage Services and Termination of Residential Real Estate Contracts (The Anthony Moorman Act)

Amendment 1

On page 7, line 2, strike “INCLUDES” and insert “MEANS”

RATIONALE: The list of contingencies on page 7 is intended to be the list of all contingencies permitted under the bill. If the word “INCLUDES” is used, it can be argued that the statute permits even more contingencies than those stated in the bill. “MEANS” would limit the contingencies to the ones listed in the bill.