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To: Honorable Chair and Members of the Environment and Transportation Committee

From: MLTA Legislative Committee

Date: March 16, 2024 [Hearing date: March 20, 2024]

Subject: **HB 0693** – Environment and Transportation Committee

Position: **Favorable With Amendments**

The Maryland Land Title Association (MLTA) asks that you return a **favorable with amendments recommendation for House Bill 693** – Renters' Rights and Stabilization Act of 2024.

The MLTA, while acknowledging that the Bill has laudable objectives initially opposed the Bill, particularly the addition of Section 8-119 to the Real Property Code of Maryland. This section, referred to as the tenants right of first refusal, in its present form could adversely affect the title held by owners of real estate, cause delays in the settlement process and increase risks to title insurers, leading to increased premiums for title insurance.

The MLTA has met with the Governor's office and it is our understanding that the MLTA's concerns have been or are being addressed in a revised version of the bill before this Committee. These forthcoming amendments have allowed the MLTA to change its initial position on HB 693 from unfavorable to favorable with amendments. Below, however, are the MLTA's concerns with the legislation presently before you.

By way of background, interests in real property are conveyed by deeds that are recorded in the county land records in the county in which the real property is located. When real property is sold, our industry is charged with the responsibility of reviewing the public records such as land records, tax records, and court records to determine that owners and lenders have good, insurable title.

The Bill as presently introduced, has laudable objectives, but it creates myriad problems for the title industry as (i) most residential leases, being under 7 years, are not public record and (ii) it establishes no third-party entity from which title professionals can verify compliance with the Bill's requirements. It instead, requires that title insurers rely upon an affidavit from an interested party, namely the seller/landlord, to state that the law has been complied with and that the tenants did not express an interest in exercising their right of first refusal. As non-compliance with the law may delay settlement or prevent settlement from happening, a non-complying seller has a financial incentive to be less than forthcoming in their affidavit to us; our industry would have no means to verify the veracity of the seller's/landlord's statement.

Non-compliance with the law could result in an aggrieved tenant being able to unwind a real estate transaction. This would obviously harm unknowing purchasers, but it also harms title insurers and lenders that have accepted liability and expended money through the closing process. Additionally, should a tenant challenge title because the landlord failed to comply with the law, the title insurer under its title insurance policy has a duty to defend the unknowing purchaser.

Because our industry is unable to independently verify compliance with the law and failure to comply with the law would be exorbitantly costly to our industry (having to pay for lawsuits and possible loss of title), our industry most likely would take exception to the law in its title policies. When a title policy has an exception that means that matter that is excepted to will not be covered by the title policy. This would result in home purchasers having to come up with tens of thousands of dollars to defend the title to their homes. Further, the exception also would appear in the lender's title insurance policy and most lender's will not

accept an exception in the policy that could up end their loan and will not loan money under those circumstances. Meaning that if the purchasers is financing their home purchase, they would not be able to obtain financing.

It is important to note that the District of Columbia, after implementing a far more rigorous program for over 30 years, chose to substantially amend its tenant opportunity laws with respect to single family dwellings and, in the process removed the ability to challenge title or the title professional involved once a transaction is complete.

The Maryland Land Title Association is unable to support the bill in its present form, but has offered amendments that, like the law passed by the District of Columbia, would allow tenants a right of first refusal without non-compliance affecting the orderly transfer of title.

The MLTA has therefore changed its stance on HB 0693 and respectfully request that you return a **favorable with amendments recommendation for House Bill 0693.**

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