

# **SB 664\_Consumer Protection Division\_Support\_2024\_F**

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Position: FAV

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February 15, 2024

To: The Honorable William C. Smith, Jr.  
Chair, Judicial Proceedings Committee

From: Kira Wilpone-Welborn, Assistant Attorney General  
Consumer Protection Division

Re: Senate Bill 664 – Real Property - Land Installment Contracts - Requirements and Vendor  
Duties and Limitations (SUPPORT)

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The Consumer Protection Division of the Office of the Attorney General (the "Division") supports Senate Bill 664 sponsored by Senator Nick Charles. The Division receives and investigates complaints of unfair, abusive, and deceptive trade practices related to land installment contracts that misrepresent or omit material facts about the transaction. Senate Bill 664 provides additional protections for consumers that could reduce unfair, deceptive, and abusive trade practices in land installment contracts.

First, Senate Bill 664 would require written land installment contracts to be duly signed *and* acknowledged by all parties *and* to include the date on which each party signed the contract. Moreover, at or before the time the purchaser signs the written land installment contract, the vendor would be required to provide the prospective purchaser of the property subject to the land installment contract the results of a title search performed by a qualified, disinterested party at the vendor's expense. Senate Bill 664 would also require the land installment contract to include the physical address of the subject property and, if the title search reveals that title to the subject property is not free and clear of all encumbrances, a separate notice by the vendor that the purchaser has been informed that liens exist on the subject property that may negatively impact the purchaser's rights to the property. The fact that a subject property may be encumbered is a

material fact the omission of which denies a consumer the opportunity to fully evaluate the transaction before entering into it. Should a vendor fail to provide the property free from encumbrances, House Bill 425 protects consumers by enabling the consumer to cancel the land installment contract and recoup any payments and deposits that have been made.

Second, Senate Bill 664 would require the land installment contract to recite, among other required information, the due date of each installment payment broken out by (1) the amount of principal owed for the installment payment and (2) the amount of interest owed for the installment payment. Additionally, Senate Bill 664 would require the land installment contract to recite the total number of periodic installment payments that are due and disclose any balloon payments. Land installment contracts that do not precisely identify how consumer payments apply to principal and interest obligations, or fail to disclose balloon payments, have the capacity to mislead and harm consumers entering into such contracts. Without this information, consumers may believe they are making payments on a property that will result in their eventual ownership of the property not understanding that at the end of the contract term they must also pay a balloon payment, which they may not be able to afford, to complete the purchase. Senate Bill 664 would protect consumers by ensuring they understand when and how their payments will be applied toward the principal and whether the proposed land installment contract is financially feasible.

Third, if a land installment contract fixes no earlier period, Senate Bill 664 would permit consumers to complete the purchase once they have paid 20% of the original cash value, rather than 40% as is currently required. This change would allow consumers to purchase properties subject to land installment contracts earlier, thereby decreasing the overall cost of the land installment contract and increasing the equity the consumer would realize by owning the property.

Finally, Senate Bill 664 maintains the obligation that a land installment contract include the sale price of any transfer and “the substantiated cost to the vendor of repairs or improvements” in the preceding six months. Requiring vendors to disclose any previous transfers and costs of improvements provides consumers with valuable information on the value of the property and can prevent consumers from overpaying for a flipped property.

For these reasons, the Division requests the Judicial Proceedings Committee issue a favorable report on Senate Bill 664.

cc: The Honorable Nick Charles  
Members, Judicial Proceedings Committee

# **SB664 Testimony.pdf**

Uploaded by: Senator Nick Charles

Position: FAV

NICK CHARLES  
Legislative District 25  
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Judicial Proceedings Committee



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THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

**SB664: Real Property - Land Installment Contracts - Requirements and Vendor Duties and Limitations- Favorable**

Good afternoon, Chair Smith, Vice Chairman Waldstreicher and honorable members of the Judicial Proceedings Committee,

For the record, I am Senator Nick Charles testifying in support of Senate Bill 664. This Bill aims to enhance the safeguards for individuals engaged in Land Installment Contracts in Maryland. These contracts are non-traditional property financing arrangements where a seller finances a buyer, instead of a bank, with the buyer managing the property and making payments until the full purchase price is met. Land Installment Contracts serve as vital pathways to homeownership, particularly for those facing credit challenges or emergency housing crises.

Benefits exist for both parties engaged in these contracts. However, historically, these types of contracts have been associated with predatory selling practices that exploit vulnerable and unsophisticated buyers. Maryland's current regulation framework provides *some* protections for buyers, however, there remains critical gaps that expose Land Installment Contract buyers to abusive seller practices.

SB664 proposes essential amendments to Maryland's code governing Land Installment Contracts, aimed at providing greater protection for buyers. The proposed provisions outlined in this legislation include requiring comprehensive documentation of the contract, including signatures, dates, and copies for both parties and mandatory title searches and disclosure of findings. It also reduces the threshold for consumers to complete purchases from 40% to 20% of the property's original value, facilitating earlier ownership and access to property equity.

This Bill received a unanimous vote in the House during last year's Session, but was scheduled for a Judicial Proceedings Hearing on the 23<sup>rd</sup> of March and did not have enough time to move forward.

By strengthening the language and closing these regulatory gaps, SB664 will enhance safeguards for Land Installment Contract buyers, mitigating the risk of exploitation and abuse.

I urge a favorable report. Thank you,  
Senator Nick Charles

A handwritten signature in black ink that reads "Nick Charles".

**SB 664\_realtors\_fav.pdf**

Uploaded by: William Castelli

Position: FAV



**Senate Bill 664** – Real Property – Land Installment Contracts – Requirements and Vendor Duties and Limitations

**Position: Favorable**

Maryland REALTORS® represents approximately 30,000 real estate licensees in Maryland and supports SB 664 which seeks to provide greater disclosure and a quicker transition in land installment contracts.

Although not common in real estate, land installment contracts can be good tools for renters seeking to purchase a home but not yet in a position financially to afford it. Land installment contracts are agreements between a renter and owner of the property that will allow the renter to pay toward the purchase of the rental property while still a tenant of that property.

SB 664 would make some important changes to the law, including: providing a title search at the time the renter/purchaser enters into the land installment contract; separate notice of liens that may exist on the property; disclosing the amount of the principal and interest for each installment payment; as well as notice about any balloon payment.

Finally, under current law once a purchaser pays more than 40% of the original cash price of the property, the purchaser may demand grant of the premises if the purchaser obtains financing. That 40% trigger would be lowered to 20% under the bill.

Land installment contacts can be useful tools for renters seeking to be homeowners and SB 664 will create a more transparent and fair process. The REALTORS® encourage a favorable report.

**For more information contact [lisa.may@mdrealtor.org](mailto:lisa.may@mdrealtor.org) or  
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