

HOUSE BILL 1108

N1

2lr2510

By: **Delegates Charles and Henson**

Introduced and read first time: February 10, 2022

Assigned to: Environment and Transportation

A BILL ENTITLED

1 AN ACT concerning

2 **Real Property – Land Installment Contracts – Requirements and Vendor Duties**
3 **and Limitations**

4 FOR the purpose of requiring that certain signatures for the parties to a land installment
5 contract be acknowledged and include the date that the party signed the contract;
6 requiring the vendor to provide a purchaser under a land installment contract with
7 the results of a title search for the property at or before the time the purchaser signs
8 the contract; requiring the inclusion of certain notice, terms, and recitals in a land
9 installment contract; altering the percentage of the original cash price of a land
10 installment contract that the purchaser must pay before the purchaser may demand
11 a grant of the deed to the property to the purchaser; prohibiting a vendor from
12 executing an agreement with the purchaser to assign an outstanding mortgage or
13 lien secured by the property to the purchaser without granting the purchaser deed
14 to the property; and generally relating to purchases of real property by land
15 installment contract.

16 BY repealing and reenacting, without amendments,
17 Article – Real Property
18 Section 10–101(a) and (c)
19 Annotated Code of Maryland
20 (2015 Replacement Volume and 2021 Supplement)

21 BY repealing and reenacting, with amendments,
22 Article – Real Property
23 Section 10–102, 10–103, 10–105, and 10–107
24 Annotated Code of Maryland
25 (2015 Replacement Volume and 2021 Supplement)

26 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
27 That the Laws of Maryland read as follows:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 **Article – Real Property**

2 10–101.

3 (a) In this subtitle the following words have the meanings indicated unless
4 otherwise apparent from context.

5 (c) “Land installment contract” means a legally binding executory agreement
6 under which:

7 (1) The vendor agrees to sell an interest in property to the purchaser and
8 the purchaser agrees to pay the purchase price in five or more subsequent payments
9 exclusive of the down payment, if any; and

10 (2) The vendor retains title as security for the purchaser’s obligation.

11 10–102.

12 (a) [Every] A land installment contract shall be evidenced by [a contract] **AN**
13 **INSTRUMENT DULY signed AND ACKNOWLEDGED** by all parties to [it] **THE**
14 **INSTRUMENT, INCLUDING THE DATE ON WHICH EACH PARTY SIGNED THE**
15 **INSTRUMENT**, and containing all the terms to which [they] **THE PARTIES** have agreed.

16 (b) (1) (I) At or before the time the purchaser signs the instrument, the
17 vendor shall deliver to [him] **THE PURCHASER** an exact copy **OF THE INSTRUMENT AND,**
18 **SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE RESULTS OF A TITLE**
19 **SEARCH FOR THE PROPERTY SUBJECT TO THE LAND INSTALLMENT CONTRACT**, and
20 the purchaser shall give the vendor a receipt showing that [he] **THE PURCHASER** has
21 received the copy of the instrument.

22 (II) **THE TITLE SEARCH SHALL BE PERFORMED BY A QUALIFIED,**
23 **DISINTERESTED PARTY AT THE VENDOR’S EXPENSE.**

24 (2) (I) If the copy **OF THE INSTRUMENT** was not executed by the
25 vendor at the time the purchaser signed, the vendor shall deliver a copy of the instrument
26 signed by [him] **THE VENDOR** within 15 days after [he] **THE VENDOR** receives notice that
27 the purchaser has signed and the purchaser shall give the vendor a receipt showing that
28 [he] **THE PURCHASER** has received the copy.

29 (II) If the vendor fails to deliver the copy within 15 days, the contract
30 signed by the purchaser is void at [his] **THE PURCHASER’S** option, and the vendor,
31 immediately, on demand, shall refund to the purchaser all payments and deposits that have
32 been made.

33 (c) (1) The receipt for the delivery of a copy of a contract shall be printed in
34 12–point bold type or larger, typewritten or written in legible handwriting.

1 (2) If contained in the contract, the receipt shall be printed, typewritten, or
2 written immediately below the signature on the contract and shall be signed separately.

3 (3) **IF NOT CONTAINED IN THE CONTRACT, THE RECEIPT SHALL BE**
4 **SIGNED AND ACKNOWLEDGED BY THE PURCHASER AND INCLUDE THE DATE THAT**
5 **THE PURCHASER SIGNED THE CONTRACT.**

6 (d) Until the purchaser signs a land installment contract and receives a copy
7 signed by the vendor, the purchaser has an unconditional right to cancel the contract and
8 to receive immediate refund of all payments and deposits made on account of or in
9 contemplation of the contract. A request for a refund operates to cancel the contract.

10 (e) When any payment or deposit is accepted by the vendor from a purchaser,
11 before the purchaser signs a land installment contract and receives a copy, the vendor
12 immediately shall deliver to [him] **THE PURCHASER** a receipt, which clearly states in
13 12–point type or larger, in typewriting or in legible handwriting, [his] **THE PURCHASER’S**
14 rights under subsection (d) of this section.

15 (f) (1) Within 15 days after the contract is signed by both the vendor and
16 purchaser, the vendor shall cause the contract to be recorded among the land records of the
17 county where the property lies and shall mail the recorder’s receipt to the purchaser.

18 (2) [This] **THE** duty of recordation and mailing of receipt shall be written
19 clearly or printed on the contract. [Failure to do so, or to record as required under this
20 section within the time stipulated,]

21 (3) **THE FAILURE OF A VENDOR TO MEET THE REQUIREMENTS OF**
22 **PARAGRAPHS (1) AND (2) OF THIS SUBSECTION** gives the purchaser the unconditional
23 right to cancel the contract and to receive immediate refund of all payments and deposits
24 made on account of or in contemplation of the contract, if the purchaser exercises the right
25 to cancel before the vendor records the contract.

26 10–103.

27 (a) Every land installment contract shall contain all the following information:

28 (1) The full name, the place of residence, and post office address of every
29 party to the contract;

30 (2) The date when signed by the purchaser;

31 (3) A legal description **AND THE PHYSICAL ADDRESS** of the property
32 covered by the contract;

33 (4) (I) [A disclosure, with respect to the six–month period prior to the

1 date of purchase, of every transfer of title to the property, the sale price of each transfer,
 2 and the substantiated cost to the vendor of repairs or improvements;] **AN ATTESTATION**
 3 **THAT THE VENDOR PROVIDED THE PURCHASER WITH THE RESULTS OF A TITLE**
 4 **SEARCH FOR THE PROPERTY SUBJECT TO THE LAND INSTALLMENT CONTRACT AS**
 5 **REQUIRED UNDER § 10–102 OF THIS SUBTITLE, SIGNED BY THE PURCHASER; AND**

6 **(II) IF TITLE TO THE PROPERTY SUBJECT TO THE LAND**
 7 **INSTALLMENT CONTRACT IS NOT FREE AND CLEAR OF ALL ENCUMBRANCES, A**
 8 **SEPARATE NOTICE BY THE VENDOR THAT THE PURCHASER HAS BEEN INFORMED**
 9 **THAT LIENS EXIST ON THE PROPERTY SUBJECT TO THE LAND INSTALLMENT**
 10 **CONTRACT AND THAT THIS MAY NEGATIVELY IMPACT THE PURCHASER’S RIGHTS TO**
 11 **THE PROPERTY THAT IS SIGNED BY THE PURCHASER;**

12 (5) A provision that the [vendee] **PURCHASER** has the right to accelerate
 13 any installment payment;

14 (6) Provisions stating clearly (i) any collateral security taken for the
 15 purchaser’s obligation under the contract, and (ii) whether or not the vendor has received
 16 any written notice from any public agency requiring any repairs or improvements to be
 17 made to the property described in the contract;

18 (7) The following notice in 12–point bold type or larger, typewritten or
 19 handwritten legibly directly above the space reserved in the contract for the signature of
 20 the purchaser:

21 Notice to Purchaser

22 You are entitled to a copy of this contract at the time you sign it;

23 (8) The following notice, in 12–point bold type or larger, typewritten or
 24 handwritten legibly, directly below the space reserved in the contract for the signature of
 25 the purchaser acknowledging the receipt of a copy of the contract:

26 **[In] SUBJECT TO THE ABILITY TO CURE A DEFAULT UNDER § 10–106 OF THIS**
 27 **SUBTITLE, IN the event of default, the purchaser may be liable to a default judgment;**

28 **(9) PROVISIONS STATING CLEARLY THE RIGHTS OF THE PURCHASER**
 29 **AND SELLER TO CURE A DEFAULT.**

30 (b) The contract also shall recite in simple tabular form, the following separate
 31 items in the following order:

32 (1) The cash price of the property sold;

33 (2) Any charge or fee for any service which is included in the contract
 34 separate from the cash price;

1 (3) The cost to the purchaser of any insurance coverage from the date of
2 the contract, for the payment of which credit is to be extended to the purchaser, the amount
3 or extent and expiration date of the coverage, a concise description of the type of coverage,
4 and every party to whom the insurance is payable;

5 (4) The sum of items (1), (2), and (3);

6 (5) The amount of any down payment on behalf of the purchaser;

7 (6) The principal balance owed, which is the sum of item (4) less item (5);

8 (7) **(I)** The amount and [time] **DUE DATE** of each installment payment
9 [and the], **BROKEN OUT BY:**

10 **1. THE AMOUNT OF PRINCIPAL OWED FOR THE**
11 **INSTALLMENT PAYMENT; AND**

12 **2. THE AMOUNT OF INTEREST OWED FOR THE**
13 **INSTALLMENT PAYMENT;**

14 **(II) THE total number of periodic [installments] INSTALLMENT**
15 **PAYMENTS; AND**

16 **(III) DISCLOSURE OF ANY BALLOON PAYMENTS;**

17 (8) The interest on the unpaid balance not exceeding the percentage per
18 annum allowed by § 12-404(b) of the Commercial Law Article, provided that points may
19 not be charged;

20 (9) Any ground rent, taxes, and other public charges.

21 (c) The installment payments first shall be applied by the vendor to the payment
22 of:

23 (1) Taxes, assessments, and other public charges levied or assessed against
24 the property and paid by the vendor;

25 (2) Any ground rent paid by the vendor;

26 (3) Insurance premiums on the property paid by the vendor;

27 (4) Interest on unpaid balance owed by the purchaser at a rate not
28 exceeding the percentage per annum allowed by § 12-404(b) of the Commercial Law Article;

29 (5) Principal balance owed by purchaser.

1 (d) No vendor may place or hold any mortgage on any property sold under a land
2 installment contract in any amount greater than the balance due under the contract, nor
3 may any mortgage require payments in excess of the periodic payments required under the
4 contract.

5 10–105.

6 (a) If the **LAND INSTALLMENT** contract fixes no earlier period, when [40 percent]
7 **20%** or more of the original cash price of the property is paid, the purchaser may demand
8 a grant of the [premises mentioned in] **PROPERTY SUBJECT TO** the contract, on the
9 condition that [he] **THE PURCHASER** execute a purchase money mortgage to the vendor,
10 or to a mortgagee procured by the purchaser. If any mortgage is executed [pursuant to] **IN**
11 **ACCORDANCE WITH** the purchaser's demand for grant under this subsection, the
12 purchaser is liable for expenses, such as title search, drawing deed and mortgage, one half
13 of cost of federal and State revenue stamps, notary fees, recording, reasonable building
14 association fees, judgment reports, and tax lien report.

15 (b) The periodic principal and interest payments required by the mortgage may
16 not exceed the periodic principal and interest payments otherwise required by the land
17 installment contract, except with the consent of the mortgagor. This consent may be
18 evidenced by the execution of a mortgage.

19 (c) The mortgagee may require the usual covenants by the mortgagor for the
20 payment of the mortgage debt, the taxes on the mortgaged property, any ground rent, and
21 the premiums on fire and extended coverage insurance in an amount equal to the mortgage
22 indebtedness, if obtainable, and if not, then in the highest amount of insurance obtainable.
23 The mortgage also may require the usual remedies on default by way of a power of sale to
24 the mortgagee, [his] **THE MORTGAGEE'S** assigns, or [his] **THE MORTGAGEE'S** attorney or
25 assent to a decree for sale by the mortgagor pursuant to the Maryland Rules, or both.

26 (d) The deed and mortgage executed pursuant to this section shall supersede
27 entirely the land installment contract.

28 **(E) A VENDOR MAY NOT EXECUTE AN AGREEMENT WITH A PURCHASER**
29 **ASSIGNING TO THE PURCHASER AN OUTSTANDING MORTGAGE OR OTHER LIEN**
30 **SECURED BY THE PROPERTY THAT IS SUBJECT TO THE LAND INSTALLMENT**
31 **CONTRACT WITHOUT GRANTING THE PURCHASER DEED TO THE PROPERTY IN**
32 **ACCORDANCE WITH THIS SECTION.**

33 10–107.

34 (a) Every vendor under a land installment contract shall mail or deliver a
35 statement to the purchaser:

36 (1) When [40 percent] **20%** of the original cash price has been paid; and

- 1 (2) (i) Annually within 30 days of January 1; or
- 2 (ii) On demand of the purchaser no more than twice a year.
- 3 (b) The statement shall show:
 - 4 (1) The total amount paid for any ground rent, insurance, taxes, and any
 - 5 other periodic charge;
 - 6 (2) The amount credited to principal and interest; and
 - 7 (3) The balance due.

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
9 October 1, 2022.