

Chapter 590

(House Bill 19)

AN ACT concerning

Residential Real Estate Transactions – Escrow Agents and Trust Money

FOR the purpose of altering the definitions of “escrow agent” and “trust money” for purposes of a requirement that an escrow agent enter into a certain agreement with the seller and the buyer of residential real estate when the escrow agent agrees to hold trust money; repealing a certain definition; defining a certain term; making certain stylistic changes; and generally relating to escrow agents and trust money for residential real estate transactions.

BY repealing and reenacting, with amendments,
Article – Real Property
Section 10–802
Annotated Code of Maryland
(2015 Replacement Volume and 2020 Supplement)

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

Article – Real Property

10–802.

(a) (1) In this section the following words have the meanings indicated.

(2) [“Beneficial owner” means a person other than the owner of the trust money for whose benefit an escrow agent is entrusted to hold trust money.

(3) [“Escrow agent” means a person engaged in the business of [receiving escrows for deposit or delivery] **RESIDENTIAL REAL ESTATE SETTLEMENTS WHO RECEIVES TRUST MONEY.**

(3) “RESIDENTIAL REAL ESTATE” MEANS:

(I) REAL PROPERTY IMPROVED BY FOUR OR FEWER SINGLE-FAMILY DWELLING UNITS THAT ARE DESIGNED PRINCIPALLY AND ARE INTENDED FOR HUMAN HABITATION; AND

(II) UNIMPROVED REAL PROPERTY ZONED FOR RESIDENTIAL USE BY THE LOCAL ZONING AUTHORITY OF THE COUNTY OR MUNICIPALITY IN WHICH THE REAL PROPERTY IS LOCATED.

(4) “Trust money” means a deposit[, an additional deposit, or a down payment] made by a purchaser **IN CONNECTION WITH A RESIDENTIAL REAL ESTATE SALES TRANSACTION** that the purchaser [entrusts] **DELIVERS** to an escrow agent to hold for[:

(i) The benefit of the owner or beneficial owner of the trust money;
and

(ii) A purpose that relates to the purchase or sale of residential real estate in the State] **THE BENEFIT OF THE PURCHASER AND THE SELLER.**

(b) [(1) This section applies only to:

(i) Real property improved by four or fewer single-family dwelling units that are designed principally and are intended for human habitation; and

(ii) Unimproved real property zoned for residential use by the local zoning authority of the county or municipality in which the real property is located.

(2)] This section does not apply to:

[(i)] (1) Banks, trust companies, savings and loan associations, savings banks, or credit unions;

[(ii)] (2) A homebuilder registered under Title 4.5 of the Business Regulation Article who is engaged in the initial sale of residential real estate; or

[(iii)] (3) A real estate salesperson, associate real estate broker, or real estate broker licensed under Title 17 of the Business Occupations and Professions Article.

(c) [(1)] When an escrow agent agrees to hold trust money [in escrow for a residential real estate transaction], the escrow agent shall enter into a written agreement with the purchaser and seller of the residential real estate[.

(2) The written agreement under this subsection must contain] **THAT CONTAINS** the following information:

[(i)] (1) The amount of the trust money [entrusted] **DELIVERED** to the escrow agent;

[(ii)] (2) The date the trust money was [entrusted] **DELIVERED** to the escrow agent;

[(iii)] (3) The responsibility of the escrow agent to notify the purchaser and seller of trust money returned due to dishonored funds;

[(iv)] (4) The conditions under which the escrow agent may release the trust money; and

[(v)] (5) The process to address disputes over the release of the trust money.

(d) Nothing in this section may be construed to prohibit an escrow agent from transferring trust money to another escrow agent if the purchaser of the residential real estate for which the trust money is held chooses the escrow agent to whom the trust money is transferred.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2021.

Enacted under Article II, § 17(c) of the Maryland Constitution, May 30, 2021.