

**Department of Legislative Services**  
Maryland General Assembly  
2022 Session

**FISCAL AND POLICY NOTE**  
**Third Reader**

Senate Bill 425

(Senator Reilly)

Education, Health, and Environmental Affairs

Economic Matters

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**Real Estate Associate Brokers and Salespersons - Compensation - Payment From  
Title Insurance Producer**

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This bill authorizes a licensed title insurance producer to pay compensation for the provision of real estate brokerage services to associate real estate brokers, real estate salespersons, or certain business entities on behalf of a real estate broker during a property settlement.

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**Fiscal Summary**

**State Effect:** The bill is not anticipated to materially affect State finances or operations.

**Local Effect:** The bill is not anticipated to materially affect local government finances or operations.

**Small Business Effect:** Potential meaningful.

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**Analysis**

**Bill Summary:** During the settlement of property, a licensed title insurance producer may, on behalf of a real estate broker (and in accordance with a written disbursement authorization provided by the real estate broker), pay compensation to (1) an associate real estate broker; (2) a real estate salesperson; or (3) a business entity formed by salespersons and associate brokers.

## **Current Law:**

### *Denials, Reprimands, Suspensions, Revocations, and Penalties*

The Maryland Real Estate Commission is authorized to deny a license to any applicant, reprimand any licensee, or suspend or revoke a license if, among other things, the applicant or licensee for real estate brokerage services provided by an associate real estate broker (or a real estate salesperson) accepts a commission or other valuable consideration from any person other than a real estate broker with whom the associate broker or the salesperson is affiliated. However, any such disciplinary actions may only be taken after the required hearing.

### *Payment of Compensation*

Generally, a real estate broker, an associate real estate broker, or a real estate salesperson may not pay compensation (in any form) for real estate brokerage services to any person who is not properly licensed under provisions of State law governing real estate brokers. However, this requirement does not prohibit the payment of compensation to an individual who is licensed in another state (and meets the relevant requirements under Maryland law) or to specified business entities formed by salespersons and associate real estate brokers.

**Small Business Effect:** The entities affected by the bill (*i.e.*, title insurance producers, real estate brokers, associate real estate brokers, real estate salespersons, and certain business entities formed by salespersons and associate brokers) may benefit from greater payment flexibility during property settlements.

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## **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 568 (Delegate Carey) - Economic Matters.

**Information Source(s):** Maryland Department of Labor; Maryland Insurance Administration; Department of Legislative Services

**Fiscal Note History:** First Reader - February 15, 2022  
rh/mcr Third Reader - March 9, 2022

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