

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1108 (Delegates Charles and Henson)
Environment and Transportation

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

This bill makes various changes to the requirements for land installment contracts, including those relating to (1) title searches; (2) required inclusions within contracts; and (3) the applicable threshold for when a purchaser may demand a grant of the property, subject to specified conditions. The bill also includes numerous technical and stylistic changes.

Fiscal Summary

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

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

Small Business Effect: Minimal.

Analysis

Bill Summary/Current Law: Generally, a “land installment contract” is a legally binding executory agreement under which (1) the seller agrees to sell an interest in property and the purchaser agrees to pay the purchase price in five or more subsequent payments, exclusive of any down payment and (2) the seller retains title as security for the purchaser’s obligation.

The bill specifies that a land installment contract must include, among other requirements, the date on which each party signed the contract. The bill also requires that the vendor (seller) provide the purchaser under a land installment contract with the results of a title

search for the property – which must be performed by a qualified disinterested party at the vendor’s expense – at or before the time the purchaser signs the contract.

Under current law, in addition to other required items, every land installment contract must contain the following:

- the full name, the place of residence, and post office address of every party to the contract;
- the date when signed by the purchaser;
- a legal description of the property covered by the contract (the bill specifies that the physical address must be included);
- a disclosure, with respect to the six-month period prior to the date of purchase, of every transfer of title to the property, the sale price of each transfer, and the substantiated cost to the vendor of repairs or improvements;
- a provision that the vendee has the right to accelerate any installment payment;
- provisions stating clearly (1) any collateral security taken for the purchaser’s obligation under the contract and (2) whether or not the vendor has received any written notice from any public agency requiring any repairs or improvements to be made to the property described in the contract; and
- specific notices alerting a purchaser to the purchaser’s right to have a copy of the contract at the time it is signed and a purchaser’s potential liability under a default judgment.

The bill repeals the above provision related to the disclosure of title information and instead requires a land installment contract to include an attestation that the vendor provided the purchaser with the results of a title search (as required by the bill); this must be signed by the purchaser. Furthermore, if the title to the subject property is not free and clear of all encumbrances, the contract must include a separate notice by the vendor that the purchaser has been informed that liens exist on the subject property and may negatively affect the purchaser’s rights to the property (this must also be signed by the purchaser).

The bill further requires that the contract clearly state the rights of the purchaser and seller to cure a default. Under current law, the contract must also include specified information regarding each installment payment; the bill requires such information to be broken out by principal owed and interest owed and to also include the disclosure of any balloon payments.

Under current law, unless an earlier period is specified in the contract, when 40% or more of the original cash price of the property is paid, the purchaser may demand a grant of the subject premises on the condition that the purchaser execute a purchase money mortgage to the vendor or to a mortgagee procured by the purchaser. The bill reduces this threshold

to 20%. The bill similarly reduces the threshold for when a seller under a land installment contract is required to mail or deliver specified statements to the purchaser. The bill prohibits a vendor from executing an agreement with a purchaser that assigns to the purchaser an outstanding mortgage or other lien secured by the property that is subject to the land installment contract without granting the purchaser deed to the property, as specified.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Department of Labor; Department of Housing and Community Development; Judiciary (Administrative Office of the Courts); Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2022
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