
Senate Bill 579

Date: 03/30/2023
Committee: Environment & Transportation
Bill Title: Residential Property - Service Agreements - Prohibitions
Re: **Letter of Support**

The Maryland Department of Labor (MDL) and Maryland Real Estate Commission (MREC) supports SB 579 as it seeks to remedy an emerging business practice that overall is harmful to consumers.

Currently it is legal for a licensed brokerage to provide a cash benefit to a property owner to enter into a contract where the property owner agrees to sign a future listing agreement with a brokerage if the property is listed for sale even many years in the future. It is also legal to have in the contract that it runs with the property and can be recorded against the deed.

While the practice provides an immediate cash benefit to a property owner, the result is essentially a lien on the title to the property that runs with the property, often for 40 years.

MREC is aware of situations in Maryland where consumers have essentially had to pay two commissions. In those instances, unsuspecting heirs or executors, unaware of the agreement, list the property with a real estate brokerage of their choice. Once the property goes to settlement, the title company finds the agreement recorded against the property. When the breach of contract is discovered it is too late, and the estate now owes the first brokerage who the agreement was with the negotiated sum. In some cases, no brokerage services were even performed. This is particularly egregious as it damages consumers during what oftentimes is a period of grief.

Other states have sought to address this practice through varying means. For example, California has proposed to regulate this type of service agreement as a financial product as it offers a loan or credit and thus it would fall under the jurisdiction of their financial industry regulator. However, MDL and MREC believe SB 579, as amended by the Senate, provides the needed consumer protections that are currently lacking with respect to this practice.

For all of these reasons we ask this committee for a **Favorable Report on Senate Bill 579**.