

HOUSE BILL 19

N1

11r0819

(PRE-FILED)

By: **Delegate Holmes**

Requested: October 2, 2020

Introduced and read first time: January 13, 2021

Assigned to: Environment and Transportation

Committee Report: Favorable

House action: Adopted

Read second time: February 11, 2021

CHAPTER _____

1 AN ACT concerning

2 **Residential Real Estate Transactions – Escrow Agents and Trust Money**

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

9 BY repealing and reenacting, with amendments,
10 Article – Real Property
11 Section 10–802
12 Annotated Code of Maryland
13 (2015 Replacement Volume and 2020 Supplement)

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

16 **Article – Real Property**

17 10–802.

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



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

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

6 **(3) “RESIDENTIAL REAL ESTATE” MEANS:**

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

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

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

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

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

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

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

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

26 (2)] This section does not apply to:

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

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

31 [(iii)] **(3)** A real estate salesperson, associate real estate broker, or

1 real estate broker licensed under Title 17 of the Business Occupations and Professions
2 Article.

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

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

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

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

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

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

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

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

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

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.