

# HOUSE BILL 425

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HB 1108/22 – ENT

3lr1034

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By: **Delegates Taylor, Charles, Grossman, Harris, Henson, Holmes, Ivey, Taveras,  
and Toles**

Introduced and read first time: January 30, 2023

Assigned to: Environment and Transportation

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 1, 2023

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Real Property – Land Installment Contracts – Requirements and Vendor Duties**  
3 **and Limitations**

4 FOR the purpose of requiring that certain signatures for the parties to a land installment  
5 contract be acknowledged and include the date that the party signed the contract;  
6 requiring the vendor to provide a purchaser under a land installment contract with  
7 the results of a title search for the property at or before the time the purchaser signs  
8 the contract; requiring the inclusion of certain notice, terms, and recitals in a land  
9 installment contract; altering the percentage of the original cash price of a land  
10 installment contract that the purchaser must pay before the purchaser may demand  
11 a grant of the deed to the property to the purchaser; prohibiting a vendor from  
12 executing an agreement with the purchaser to assign an outstanding mortgage or  
13 lien secured by the property to the purchaser without granting the purchaser deed  
14 to the property; and generally relating to purchases of real property by land  
15 installment contract.

16 BY repealing and reenacting, without amendments,  
17 Article – Real Property  
18 Section 10–101(a) and (c)  
19 Annotated Code of Maryland  
20 (2015 Replacement Volume and 2022 Supplement)

21 BY repealing and reenacting, with amendments,  
22 Article – Real Property

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### 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 Section 10–102, 10–103, 10–105, and 10–107  
2 Annotated Code of Maryland  
3 (2015 Replacement Volume and 2022 Supplement)

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

6 **Article – Real Property**

7 10–101.

8 (a) In this subtitle the following words have the meanings indicated unless  
9 otherwise apparent from context.

10 (c) “Land installment contract” means a legally binding executory agreement  
11 under which:

12 (1) The vendor agrees to sell an interest in property to the purchaser and  
13 the purchaser agrees to pay the purchase price in five or more subsequent payments  
14 exclusive of the down payment, if any; and

15 (2) The vendor retains title as security for the purchaser’s obligation.

16 10–102.

17 (a) [Every] **A** land installment contract shall be evidenced by [a contract] **AN**  
18 **INSTRUMENT DULY** signed **AND ACKNOWLEDGED** by all parties to [it] **THE**  
19 **INSTRUMENT, THAT INCLUDES THE DATE ON WHICH EACH PARTY SIGNED THE**  
20 **INSTRUMENT** and [containing] **CONTAINS** all the terms to which [they] **THE PARTIES**  
21 have agreed.

22 (b) **(1) (I)** At or before the time the purchaser signs the instrument, the  
23 vendor shall deliver to [him] **THE PURCHASER** an exact copy **OF THE INSTRUMENT AND,**  
24 **SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE RESULTS OF A TITLE**  
25 **SEARCH FOR THE PROPERTY SUBJECT TO THE LAND INSTALLMENT CONTRACT,** and  
26 the purchaser shall give the vendor a receipt showing that [he] **THE PURCHASER** has  
27 received the copy of the instrument.

28 **(II) THE TITLE SEARCH SHALL BE PERFORMED BY A QUALIFIED,**  
29 **DISINTERESTED PARTY AT THE VENDOR’S EXPENSE.**

30 **(2) (I)** If the copy **OF THE INSTRUMENT** was not executed by the  
31 vendor at the time the purchaser signed, the vendor shall deliver a copy of the instrument  
32 signed by [him] **THE VENDOR** within 15 days after [he] **THE VENDOR** receives notice that  
33 the purchaser has signed and the purchaser shall give the vendor a receipt showing that  
34 [he] **THE PURCHASER** has received the copy.

1           **(II)** If the vendor fails to deliver the copy within 15 days, the contract  
2 signed by the purchaser is void at [his] **THE PURCHASER'S** option, and the vendor,  
3 immediately, on demand, shall refund to the purchaser all payments and deposits that have  
4 been made.

5           **(c) (1)** The receipt for the delivery of a copy of a contract shall be printed in  
6 12–point bold type or larger, typewritten or written in legible handwriting.

7           **(2)** If contained in the contract, the receipt shall be printed, typewritten, or  
8 written immediately below the signature on the contract and shall be signed separately.

9           **(3) IF NOT CONTAINED IN THE CONTRACT, THE RECEIPT SHALL BE**  
10 **SIGNED AND ACKNOWLEDGED BY THE PURCHASER AND INCLUDE THE DATE THAT**  
11 **THE PURCHASER SIGNED THE CONTRACT.**

12           **(d)** Until the purchaser signs a land installment contract and receives a copy  
13 signed by the vendor, the purchaser has an unconditional right to cancel the contract and  
14 to receive immediate refund of all payments and deposits made on account of or in  
15 contemplation of the contract. A request for a refund operates to cancel the contract.

16           **(e)** When any payment or deposit is accepted by the vendor from a purchaser,  
17 before the purchaser signs a land installment contract and receives a copy, the vendor  
18 immediately shall deliver to [him] **THE PURCHASER** a receipt, which clearly states in  
19 12–point type or larger, in typewriting or in legible handwriting, [his] **THE PURCHASER'S**  
20 rights under subsection (d) of this section.

21           **(f) (1)** Within 15 days after the contract is signed by both the vendor and  
22 purchaser, the vendor shall cause the contract to be recorded among the land records of the  
23 county where the property lies and shall mail the recorder's receipt to the purchaser. [This]

24           **(2) THE** duty of recordation and mailing of receipt shall be written clearly  
25 or printed on the contract. [Failure to do so, or to record as required under this section  
26 within the time stipulated,]

27           **(3) A VENDOR'S FAILURE TO MEET THE REQUIREMENTS OF**  
28 **PARAGRAPHS (1) AND (2) OF THIS SUBSECTION** gives the purchaser the unconditional  
29 right to cancel the contract and to receive AN immediate refund of all payments and  
30 deposits made on account of or in contemplation of the contract, if the purchaser exercises  
31 the right to cancel before the vendor records the contract.

32 10–103.

33           **(a)** Every land installment contract shall contain all the following information:

1 (1) The full name, the place of residence, and post office address of every  
2 party to the contract;

3 (2) The date when signed by the purchaser;

4 (3) A legal description **AND THE PHYSICAL ADDRESS** of the property  
5 covered by the contract;

6 ~~¶(4)~~ A disclosure, with respect to the six-month period prior to the date of  
7 purchase, of ~~every transfer of title to the property, the sale price of each transfer,~~ **THE SALE**  
8 **PRICE FOR EVERY TRANSFER OF TITLE TO THE PROPERTY** and the substantiated cost  
9 to the vendor of repairs or improvements **TO THE PROPERTY;**

10 ~~(4)~~ **(5) (I) AN ATTESTATION THAT THE VENDOR PROVIDED THE**  
11 **PURCHASER WITH THE RESULTS OF A TITLE SEARCH FOR THE PROPERTY SUBJECT**  
12 **TO THE LAND INSTALLMENT CONTRACT AS REQUIRED UNDER § 10-102 OF THIS**  
13 **SUBTITLE, SIGNED BY THE PURCHASER; AND**

14 **(II) IF TITLE TO THE PROPERTY SUBJECT TO THE LAND**  
15 **INSTALLMENT CONTRACT IS NOT FREE AND CLEAR OF ALL ENCUMBRANCES, A**  
16 **SEPARATE NOTICE BY THE VENDOR THAT THE PURCHASER HAS BEEN INFORMED**  
17 **THAT LIENS EXIST ON THE PROPERTY SUBJECT TO THE LAND INSTALLMENT**  
18 **CONTRACT AND THAT THIS MAY NEGATIVELY IMPACT THE PURCHASER'S RIGHTS TO**  
19 **THE PROPERTY THAT IS SIGNED BY THE PURCHASER;**

20 ~~(5)~~ **(6)** A provision that the [vendee] **PURCHASER** has the right to  
21 accelerate any installment payment;

22 ~~(6)~~ **(7)** Provisions stating clearly (i) any collateral security taken for the  
23 purchaser's obligation under the contract, and (ii) whether or not the vendor has received  
24 any written notice from any public agency requiring any repairs or improvements to be  
25 made to the property described in the contract;

26 ~~(7)~~ **(8)** The following notice in 12-point bold type or larger, typewritten  
27 or handwritten legibly directly above the space reserved in the contract for the signature  
28 of the purchaser:

29 Notice to Purchaser

30 You are entitled to a copy of this contract at the time you sign it;

31 ~~(8)~~ **(9)** The following notice, in 12-point bold type or larger, typewritten  
32 or handwritten legibly, directly below the space reserved in the contract for the signature  
33 of the purchaser acknowledging the receipt of a copy of the contract:

1           [In] **SUBJECT TO THE ABILITY OF A PURCHASER TO CURE A DEFAULT UNDER**  
2 **§ 10-106 OF THE REAL PROPERTY ARTICLE, ANNOTATED CODE OF MARYLAND, IN**  
3 the event of default, the purchaser may be liable to a default judgment; **AND**

4           ~~(9)~~ **(10) PROVISIONS STATING CLEARLY THE RIGHTS OF THE**  
5 **PURCHASER AND SELLER TO CURE A DEFAULT.**

6           (b) The contract also shall recite in simple tabular form, the following separate  
7 items in the following order:

8           (1) The cash price of the property sold;

9           (2) Any charge or fee for any service which is included in the contract  
10 separate from the cash price;

11           (3) The cost to the purchaser of any insurance coverage from the date of  
12 the contract, for the payment of which credit is to be extended to the purchaser, the amount  
13 or extent and expiration date of the coverage, a concise description of the type of coverage,  
14 and every party to whom the insurance is payable;

15           (4) The sum of items (1), (2), and (3) **OF THIS SUBSECTION;**

16           (5) The amount of any down payment on behalf of the purchaser;

17           (6) The principal balance owed, which is the sum of item (4) **OF THIS**  
18 **SUBSECTION** less item (5) **OF THIS SUBSECTION;**

19           (7) **(I)** The amount and [time] **DUE DATE** of each installment payment  
20 **[and the], BROKEN OUT BY:**

21                           **1. THE AMOUNT OF PRINCIPAL OWED FOR THE**  
22 **INSTALLMENT PAYMENT; AND**

23                           **2. THE AMOUNT OF INTEREST OWED FOR THE**  
24 **INSTALLMENT PAYMENT;**

25                           **(II) THE total number of periodic [installments] INSTALLMENT**  
26 **PAYMENTS; AND**

27                           **(III) DISCLOSURE OF ANY BALLOON PAYMENTS;**

28           (8) The interest on the unpaid balance not exceeding the percentage per  
29 annum allowed by § 12-404(b) of the Commercial Law Article, provided that points may  
30 not be charged; **AND**

1 (9) Any ground rent, taxes, and other public charges.

2 (c) The installment payments first shall be applied by the vendor to the payment  
3 of:

4 (1) Taxes, assessments, and other public charges levied or assessed against  
5 the property and paid by the vendor;

6 (2) Any ground rent paid by the vendor;

7 (3) Insurance premiums on the property paid by the vendor;

8 (4) Interest on unpaid balance owed by the purchaser at a rate not  
9 exceeding the percentage per annum allowed by § 12-404(b) of the Commercial Law Article;  
10 **AND**

11 (5) Principal balance owed by purchaser.

12 (d) No vendor may place or hold any mortgage on any property sold under a land  
13 installment contract in any amount greater than the balance due under the contract, nor  
14 may any mortgage require payments in excess of the periodic payments required under the  
15 contract.

16 10-105.

17 (a) If the **LAND INSTALLMENT** contract fixes no earlier period, when [40 percent]  
18 **20%** or more of the original cash price of the property is paid, the purchaser may demand  
19 a grant of the [premises mentioned in] **PROPERTY SUBJECT TO** the contract, on the  
20 condition that [he] **THE PURCHASER** execute a purchase money mortgage to the vendor,  
21 or to a mortgage procured by the purchaser. If any mortgage is executed [pursuant to] **IN**  
22 **ACCORDANCE WITH** the purchaser's demand for grant under this subsection, the  
23 purchaser is liable for expenses, such as title search, drawing deed and mortgage, one half  
24 of cost of federal and State revenue stamps, notary fees, recording, reasonable building  
25 association fees, judgment reports, and tax lien report.

26 (b) The periodic principal and interest payments required by the mortgage may  
27 not exceed the periodic principal and interest payments otherwise required by the land  
28 installment contract, except with the consent of the mortgagor. This consent may be  
29 evidenced by the execution of a mortgage.

30 (c) The mortgagee may require the usual covenants by the mortgagor for the  
31 payment of the mortgage debt, the taxes on the mortgaged property, any ground rent, and  
32 the premiums on fire and extended coverage insurance in an amount equal to the mortgage  
33 indebtedness, if obtainable, and if not, then in the highest amount of insurance obtainable.  
34 The mortgage also may require the usual remedies on default by way of a power of sale to

1 the mortgagee, [his] THE MORTGAGEE’S assigns, or [his] THE MORTGAGEE’S attorney or  
2 assent to a decree for sale by the mortgagor pursuant to the Maryland Rules, or both.

3 (d) The deed and mortgage executed pursuant to this section shall supersede  
4 entirely the land installment contract.

5 (E) A VENDOR MAY NOT EXECUTE AN AGREEMENT WITH A PURCHASER  
6 ASSIGNING TO THE PURCHASER AN OUTSTANDING MORTGAGE OR OTHER LIEN  
7 SECURED BY THE PROPERTY THAT IS SUBJECT TO THE LAND INSTALLMENT  
8 CONTRACT WITHOUT GRANTING THE PURCHASER DEED TO THE PROPERTY IN  
9 ACCORDANCE WITH THIS SECTION.

10 10–107.

11 (a) Every vendor under a land installment contract shall mail or deliver a  
12 statement to the purchaser:

13 (1) When [40 percent] 20% of the original cash price has been paid; and

14 (2) (i) Annually within 30 days of January 1; or

15 (ii) On demand of the purchaser no more than twice a year.

16 (b) The statement shall show:

17 (1) The total amount paid for any ground rent, insurance, taxes, and any  
18 other periodic charge;

19 (2) The amount credited to principal and interest; and

20 (3) The balance due.

21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
22 October 1, 2023.

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.