

## CHAPTER 615

(House Bill 901)

AN ACT to repeal Section 43 of Article 21 of the Annotated Code of Maryland (1969 Supplement), title "Conveyancing," subtitle "Deposits on New Homes," and to enact new Section 43 in lieu thereof, to stand in the place of the section repealed, changing in certain respects the incidence of such section; to provide for the approval by the Attorney General of the surety bond allowed therein; to prescribe in general the form of such surety bond; to provide for the deposit of such surety bond with the Special Assistant Attorney General in charge of consumer protection and to provide a schedule of amounts of such surety bonds; and relating generally to deposits on new homes. PROVIDE FOR THE MAINTENANCE OF A SECURITY BOND OR ESCROW ACCOUNT BY A SELLER OR BUILDER OF NEW SINGLE FAMILY RESIDENTIAL UNITS: TO PROVIDE FOR APPROVAL OF SUCH BOND BY THE STATE INSURANCE DEPARTMENT; TO PROSCRIBE IN GENERAL THE FORM OF SUCH BOND; TO PROSCRIBE IN GENERAL THE FORM OF SUCH SURETY BOND; TO PROVIDE A SCHEDULE OF AMOUNTS OF SUCH BONDS; TO PROVIDE PENALTIES FOR FAILURE TO MAINTAIN SUCH BONDS OR ESCROW ACCOUNTS; AND RELATING GENERALLY TO DEPOSITS ON NEW HOMES.

SECTION 1. *Be it enacted by the General Assembly of Maryland,* That Section 43 of Article 21 of the Annotated Code of Maryland (1969 Supplement), title "Conveyancing," subtitle "Deposits on New Homes," be and it is hereby repealed; and that new Section 43 of said Article, title and subtitle be and it is hereby added, to stand in the place of the section repealed and to read as follows:

[43. Surety bond or escrow account to be maintained by seller receiving deposit.

(a) In any contract of sale, whether verbal or written, for the purchase of a new home which is situated in a development or subdivision containing ten or more new homes under construction and which contract obligates the purchaser to make or pay an initial deposit prior to the completion of the home, the builder or seller shall either obtain a corporate surety bond in an amount equal to the deposit or hold the deposit in an escrow account in order to guarantee return of the deposit to the purchaser in the event the purchaser becomes entitled to a return of such deposit. The surety bond or escrow account shall be maintained until such time as the deed to the new home is delivered to the purchaser, his heirs or assigns or until the deposit is returned to the purchaser, except where deposit is forfeited due to the fault of the buyer.

(b) Failure to obtain and maintain either a corporate surety bond or an escrow account as provided for in subsection (a) of this section is a misdemeanor, and is punishable, upon conviction, by a fine not to exceed five hundred dollars (\$500.00) or imprisonment not to exceed ninety days or both. If the violation [violation] is by a corporation, then any officer, director, or employee who knowingly violates this section is subject to the penalties of this subsection.