



**STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL**

2022 ANNUAL REPORT

**OF THE
HOME BUILDER REGISTRATION UNIT
CONSUMER PROTECTION DIVISION
OFFICE OF THE ATTORNEY GENERAL**

**SUBMITTED TO THE
GOVERNOR AND GENERAL ASSEMBLY
OF MARYLAND**

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I. **EXECUTIVE SUMMARY**

The Maryland Home Builder Registration Act (“the Act” or “HBRA”) was enacted by the General Assembly in the 2000 Session and became effective January 1, 2001. The HBRA protects new home buyers by requiring builders to register with the State, and by providing an enforcement mechanism that allows the State to prevent builders with a bad track record from continuing to build in Maryland.¹ During the 2008 Session, the General Assembly enacted legislation to provide additional protections for home buyers, establishing a registration requirement for sales representatives for Maryland home builders and a Home Builder Guaranty Fund.

The Home Builder Registration Unit (“Unit” or “HBRU”) of the Consumer Protection Division of the Office of the Attorney General was created by the HBRA to administer and enforce the Act.² The Act requires that the Consumer Protection Division make an annual report of its activities to the Governor and General Assembly. This is the report for Fiscal Year 2022.

The report focuses on the following areas:

- **Registration of Builders:** 2,550 builders were registered as of June 30, 2022. 226 of those builders registered for the first time between July 1, 2021 and June 30, 2022. The overall number of registered builders increased by about 10.4% from the previous year.
- **Registration Renewal:** From July 1, 2021 to June 30, 2022, the Unit mailed renewal notices to 1,187 builders whose registrations were due to expire by June 1, 2022. 960 of those builders renewed their registrations as of June 30, 2022.
- **Law Enforcement:** The Unit opened 28 investigations between July 1, 2021 and June 30, 2022, after receiving reports of unregistered building or potential violations of the Home Builder Registration Act, the Consumer Protection Act, the New Home Warranties Act, or violations of the laws governing deposits on new homes. 13 of the investigations resulted in settlements and 15 remained under continuing investigation as of June 30,

¹ Earlier laws provided partial protections for home buyers by focusing on protection of the buyer’s deposit, required contract provisions and disclosures, and prescribed terms of non-mandatory home warranty security plans. See New Home Deposits Act, Md. Code Ann., Real Property §10-301 through § 10-306, Custom Home Protection Act, Md. Code Ann., Real Property §10-501 through § 10-509, and New Home Warranties Act, Md. Code Ann., Real Property §10-601 through § 10-610.

² Additionally, Montgomery County and Prince George’s County have varying forms of builder licensing or registration.

2022. The Unit receives information from many sources, including consumers, other builders, subcontractors, and permit offices.

• **Education of Builders and Consumers:** As of June 30, 2022, the Unit had distributed over 278,000 copies of *BUYING A NEW HOME - Consumer Rights and Remedies Under Maryland Law*, and maintained and updated its website – <http://www.marylandattorneygeneral.gov/Pages/CPD/Homebuilder/default.aspx> – to provide information to the public, consumers, builders, and permit offices about registered builders, building laws, and home building. Between July 1, 2021 and June 30, 2022, the Unit distributed 1,361 pamphlets to 51 builders by mail; and the pamphlet was downloaded 461 times by 415 unique online users of our website.

• **Coordination with Local Building Permit Offices:** The Unit continues to coordinate with local building permit offices to ensure that unregistered builders cannot obtain building permits and that builders with unresolved building code violations are reported to the Unit. Lists of registered builders are routinely updated and published on the Unit's website. The Unit also coordinates with local permit offices concerning the payment of fees by builders to fund the Home Builder Guaranty Fund.

• **Evaluation of Consumer and Builder Dispute Resolution:** The Division's Mediation Unit handled 114 consumer complaints involving 79 home builders between July 1, 2021 and June 30, 2022. The overwhelming majority of the complaints concerned claims about construction defects or incomplete construction.

• **Warranty Programs:** The Unit monitors information from New Home Warranty Security Plans concerning their operation and claims experience to ensure the plans are continuing to meet the requirements of the new home warranty law.

• **Home Builder Sales Representatives:** Sales representatives for home builders are required to register with the Unit. A home builder sales representative is an individual employed by a home builder as the home builder's representative to consumers regarding the purchase of a new home from the home builder. Sales representatives are required to complete a registration form and pay a \$300 registration fee for a 2-year registration. As of July 1, 2022, there were 751 registered sales representatives who worked for 588 builders.

• **Home Builder Guaranty Fund:** The General Assembly created a Home Builder Guaranty Fund to protect buyers of new homes who purchase a new home from a registered home builder and suffer an actual loss as the result of:

- Incomplete construction of a new home;
- Breach of an express or implied warranty;
- Failure to meet construction standards or guidelines; or
- Failure to return a deposit or other payment to which the home buyer is entitled.

The Division is required to maintain the Guaranty Fund at a level of at least \$1,000,000. The Guaranty Fund is funded through a \$50 fee to be paid by home builders to the permit office together with an application for a permit for a new home. The permit offices remit the fees to the Division monthly and may retain an administrative fee of not more than 2 percent. From July 1, 2021 until June 30, 2022, there were 99 claims filed with the Guaranty Fund by consumers who alleged an actual loss as the result of a new home purchase agreement.

II. REGISTRATION OF BUILDERS

A. THE HOME BUILDER REGISTRATION UNIT

A central requirement of the HBRA is that all new home builders in Maryland, except for those home builders that build exclusively in Montgomery County, register with the Unit. The Home Builder Registration Unit was created by the HBRA to administer and enforce the Act. A special fund was created to fund the Unit's activities, which is paid for through the collection of registration fees. The HBRA sets the initial registration fee paid by builders at \$800 for a two-year registration. The Act further provides for renewal fees for an additional two-year period of \$400 for builders who were issued 10 or fewer building permits during the preceding year; \$800 for builders who were issued 11 to 74 permits during the preceding year; and \$1,200 for builders who were issued 75 or more permits during the preceding year. HBRA §4.5-203, §4.5-303, §4.5-305. The Division's costs for the Unit include salary, benefits, and administrative costs for an eight-person unit; production and distribution of the consumer education pamphlet; continued maintenance of the website and data systems; and perhaps most importantly, enforcement costs. The Unit's eight positions include: a Director/Assistant Attorney General, an Assistant Attorney General who handles cases involving enforcement actions against home builders, a Staff Attorney who is responsible for cases involving the Home Builder Guaranty Fund, an Administrator who oversees registration of builders and sales representatives, an Administrator who oversees the administration of the Home Builder Guaranty Fund, one Investigator, and two Secretaries.

B. BUILDER REGISTRATION AND RENEWAL UNDER THE HBRA

The Act establishes a registration procedure that requires builders to complete a registration form and pay the required registration fee. The Act does not provide for competency testing. The Unit has implemented the registration requirements with the objective of making registration an easy and quick process.

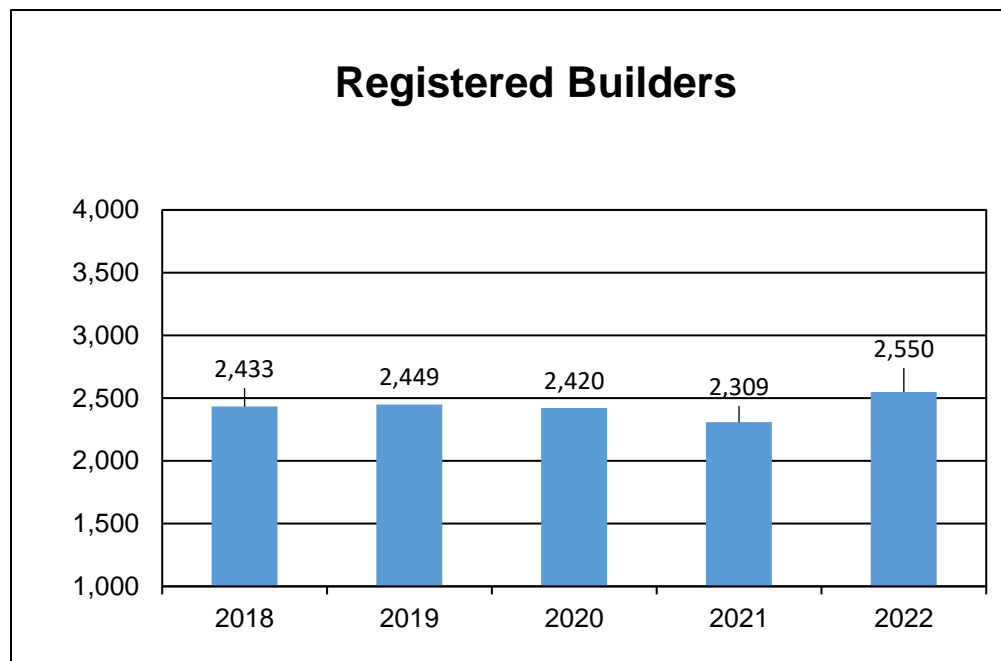
To register, builders are required to complete an application form, provide information about the principals of the company and legal proceedings involving the builder, and pay the registration fee. Each builder's registration lasts two years and expires on one of four quarterly dates based upon the date the builder initially registered: March 1, June 1, September 1, or December 1. Having registrations expire quarterly makes it easier for builders, permit offices, consumers and the Unit to keep track of whether builders are currently registered and when registrations expire. The Unit mails a renewal notice to the builder's last known address at least 60 days before the registration expires.

The application provides the Unit with general information about the company or entity that is registering. It also provides the Unit with information about each "principal" of the company, which the HBRA defines to be persons with at least a 10% ownership

interest, and directors, partners, officers and managers of the company. One of the purposes of the Home Builder Registration Act is to track builders who dissolve entities without meeting their financial obligations and then begin building again under a new company name. Such builders may be subject to denial or revocation of their registration under HBRA §4.5-308. To achieve this goal, the Unit must gather information from the applicants about the principals who own and operate building companies.

As of June 30, 2022, 2,550 home builders were registered with the Unit. 226 new builders registered with the Unit between July 1, 2021 and June 30, 2022.

The following chart shows the number of registered builders reported in the Annual Report since 2018:



Source: HBRU

In the past year, the Unit mailed renewal notices to the 1,187 builders that were registered under the HBRA whose 2-year registrations were due to expire between September 1, 2021 and June 1, 2022. As of June 30, 2022, 960 of these builders have been approved for renewal. 214 builders did not renew their registrations, either notifying the Unit that they were not renewing, failing to send a renewal request, or otherwise notifying the Unit of their intentions. 13 builders' applications are under review. Builders are able to register and renew their registrations over the Internet. Of the 960 builders that have been renewed, 945 (98.4%) renewed their registrations over the Internet.

C. WHO ARE MARYLAND'S BUILDERS?

The HBRA defines "home builder" and "new home" broadly to ensure that all new home builders in Maryland must be registered. HBRA §4.5-101(g) and (m). The exceptions to the HBRA are narrowly drawn.³ Information provided by builders in the registration process, combined with other available data, provides the following profile of Maryland Builders:

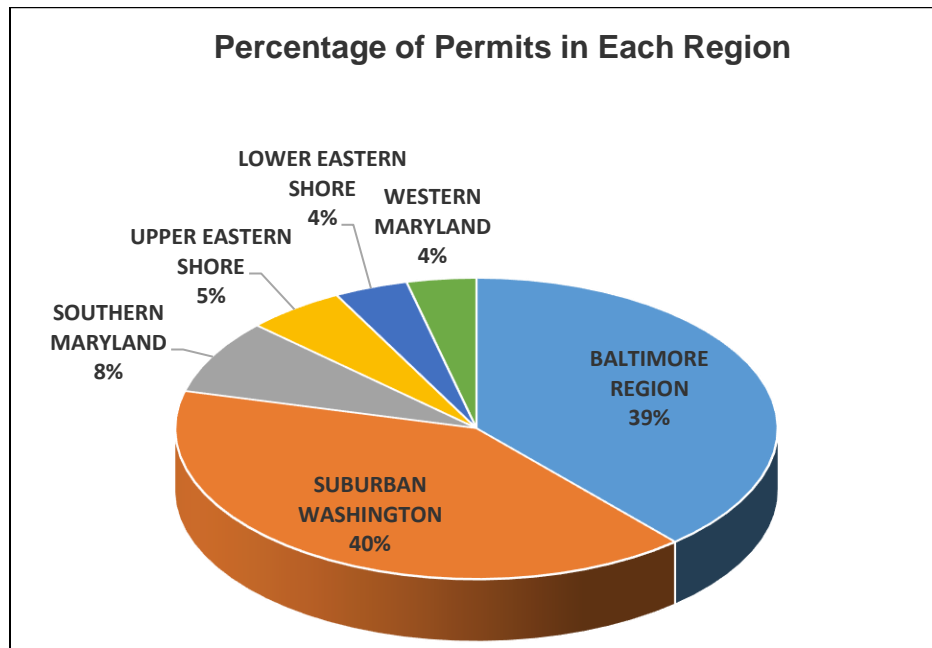
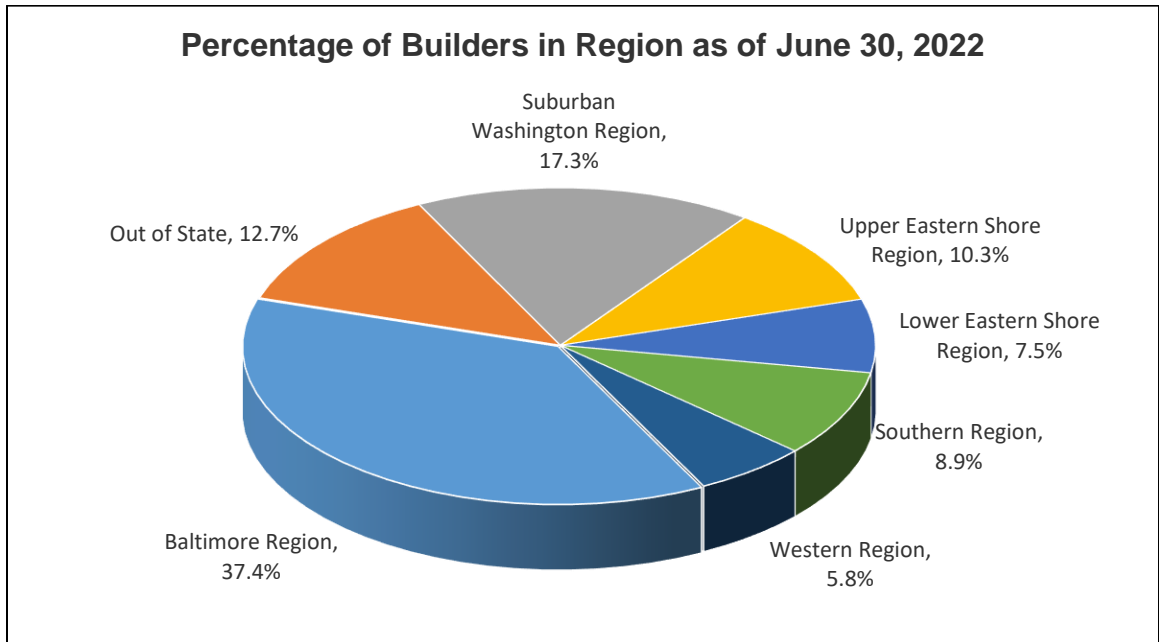
- **Number of Builders:** There were 2,550 registered builders in Maryland as of June 30, 2022. 226 of those builders registered for the first time between July 1, 2021 and June 30, 2022. The Unit continues to receive new applications monthly.
- **Type of Construction:** The vast majority of Maryland's builders report building either custom homes (78%) and/or other new homes (48%). Another 8% report building condominiums, 8% report building industrialized buildings, and 5% report selling or installing mobile homes.
- **Form of Business:** 51% of Maryland's builders use limited liability companies (LLCs) as their form of business organization. Another 39% are corporations, 9% are sole proprietorships, and 1% are partnerships.
- **Location of Builders and Housing Construction:** 38.6% of building permits for single family construction were issued in the Baltimore Region, where 37.4% of Maryland's builders are headquartered, and 40.4% of building permits for single family construction were issued in the Suburban Washington Region, where 17.3% of Maryland's builders are headquartered. 9.3% of building permits were issued in the Eastern Shore Regions, where 17.8% of Maryland's builders are headquartered. The Southern Region had 8.0% of the building permits issued and provided headquarters for 8.9% of Maryland's builders. The Western Region had 3.7% of building permits and provided headquarters for 5.8% of Maryland's builders. 12.7% of builders had headquarters that were out of state.

The following charts show the headquarters of builders in each region, the number of single-family home permits issued in each region from July 1, 2021 through June 30, 2022, and the percentage of the total number of single-family home permits issued in Maryland in each region during that period.

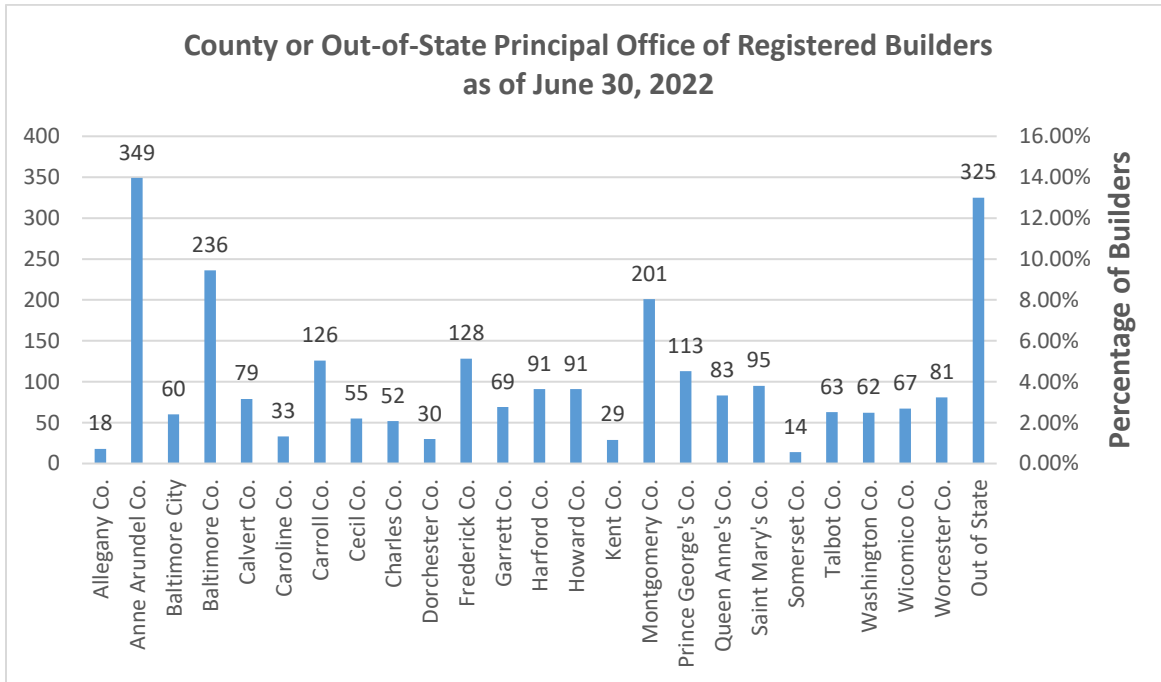
³ The HBRA excludes from registration employees, subcontractors and vendors of a registered home builder; the manufacturer of industrialized buildings unless it also installs the building; real estate developers who do not also contract for or construct homes; construction financiers; and builders who build solely in Montgomery County. HBRA §4.5-101(g)(3). Landowners who obtain building permits in their own name and who directly perform the construction on their own land for their own use are also exempted. HBRA §4.5-601.

Region	Percentage of Builders With Headquarters in Region	Number of Permits Issued in Region (7/1/21- 6/30/22)	Percentage of State-wide Permits Issued in Region
Baltimore Region (Anne Arundel, Baltimore City, Baltimore County, Carroll, Harford, Howard)	37.4%	8092	38.6%
Suburban Washington Region (Frederick, Montgomery, Prince George's)	17.3%	8479	40.4%
Upper Eastern Shore Region (Caroline, Cecil, Kent, Queen Anne's, Talbot)	10.3%	1118	5.3%
Southern Region (Calvert, Charles, St. Mary's)	8.9%	1679	8.0%
Lower Eastern Shore Region (Dorchester, Somerset, Wicomico, Worcester)	7.5%	830	4.0%
Western Region (Allegany, Garrett, Washington)	5.8%	784	3.7%
Out of State (California, Connecticut, Delaware, Florida, Georgia, Illinois, Missouri, New Hampshire, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, Washington, D.C., West Virginia)	12.7%		
Totals	100%	20,982	100%

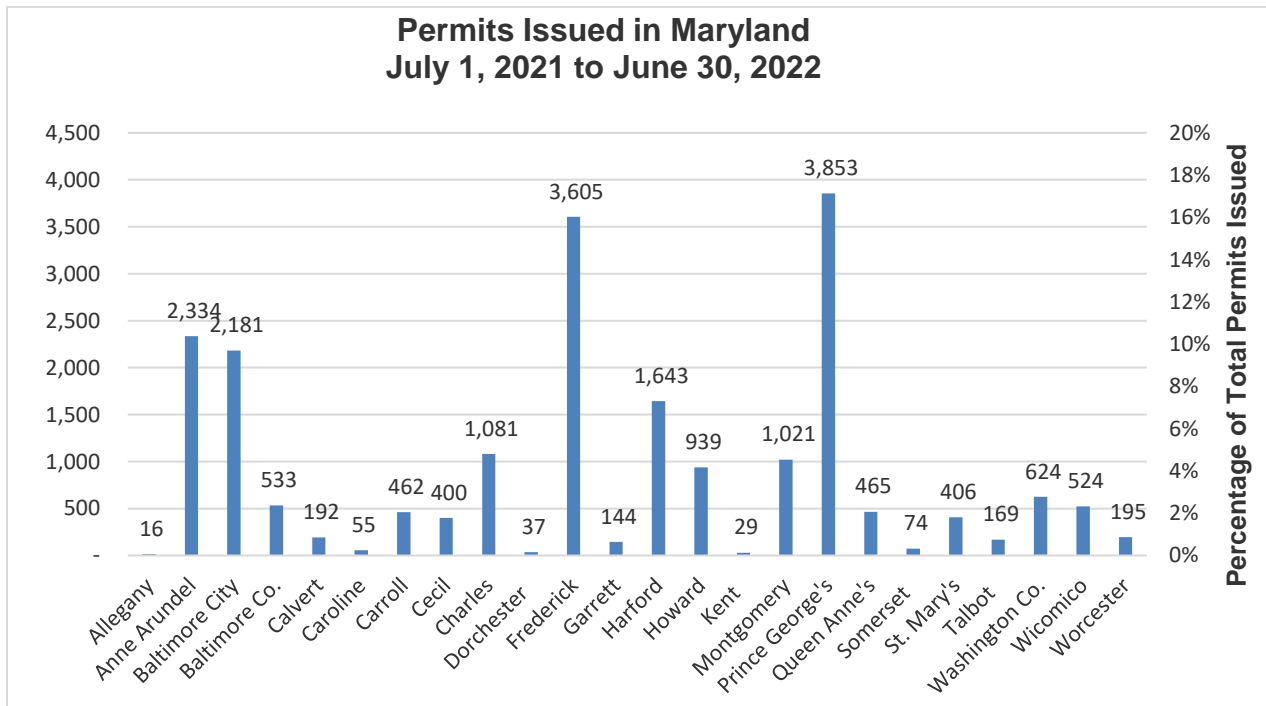
Source: HBRU and Md. Dept. of Planning, and Allegany, Caroline, Dorchester, Kent, & Talbot County Permit Offices for Single Family Permits Issued July 1, 2021 through June 30, 2022.



The following graphs show: (1) the breakdown of builders' headquarters for each county and how many are out of state; and (2) the number of permits issued in each county from July 1, 2021 through June 30, 2022:



Source: HBRU



Source: HBRU and Md. Dept. of Planning, and Allegany, Caroline, Dorchester, Kent, & Talbot County Permit Offices for Single Family Permits Issued July 1, 2021 through June 30, 2022.

III. **HOME BUILDER SALES REPRESENTATIVES**

Effective October 1, 2008, sales representatives for home builders were required to register with the Home Builder Registration Unit. A home builder sales representative is an individual employed by a home builder as the home builder's representative to consumers regarding the purchase of a new home from the home builder. Sales representatives are required to complete a registration form and pay a \$300 registration fee for a 2-year registration.

As of July 1, 2022, there were 751 registered sales representatives who worked for 588 builders. 44 new sales representatives registered with the Unit between July 1, 2021 and June 30, 2022. A registered sales representative may be employed by more than one builder. The Unit issues a Registration Certificate to a registered sales representative, who is required to conspicuously display the Certificate at the location where the sales representative primarily works.

Additionally, home builders are required to disclose to prospective home buyers that the sales representative works for the home builder and that, while the sales representative may assist the buyer in purchasing the property, the sales representative's duty of loyalty is to the home builder.

IV. **LAW ENFORCEMENT**

The Home Builder Registration Act provides an enforcement mechanism with the objectives of (1) keeping unregistered builders from building in Maryland, and (2) preventing registered builders who establish a bad track record or engage in violations of the law from continuing to build in Maryland.

To accomplish these objectives, the HBRA prohibits unregistered builders from building and authorizes the Unit to use civil administrative proceedings to seek a cease and desist order and a civil penalty of up to \$1,000 per day of unregistered practice. HBRA §§ 4.5-501 and 4.5-502. In addition, the HBRA provides that the Unit may deny registration to an applicant, reprimand a registrant, suspend or revoke a registration, or impose a civil penalty if the Unit determines that the applicant or registrant has engaged in any of the specified practices stated in HBRA §4.5-308.

The Unit opened 28 investigations between July 1, 2021 and June 30, 2022, after receiving reports of unregistered building or potential violations of the Home Builder Registration Act, the Consumer Protection Act, the New Home Warranties Act, or violations of the laws governing deposits on new homes. 13 of the investigations resulted in settlements and 15 remained under continuing investigation as of June 30, 2022.

The Unit brought charges against 2 builders between July 1, 2021 and June 30, 2022, and the charges await a hearing; and settled 4 other ongoing investigations that were pending at the beginning of Fiscal Year 2022.

The Unit receives information from many sources, including consumers, other builders, subcontractors, and permit offices. The results of some of the Unit's enforcement actions are summarized as follows:

- The Consumer Protection Division entered into an Assurance of Discontinuance with an Anne Arundel County builder and its principals for engaging in unregistered builder activity by entering into two contracts with consumers to build new homes in Maryland although not registered and accepting deposits from those consumers. Although the builder that entered into the contract with the consumers partnered with a registered builder to build the homes, the builder that entered into the contracts with consumers was also required to be registered and was not. The Assurance required the builder and its principals to maintain a performance bond of \$100,000 for the benefit of consumers and pay \$500 in costs and a civil penalty of \$6,000. However, all but \$2,000 of the penalty will be waived as long as they comply with the terms of the Assurance. The Assurance also required the company to arbitrate any unresolved consumer complaints through the Division's arbitration program.
- The Consumer Protection Division entered into an Assurance of Discontinuance with a Worcester County builder and its principal for engaging in unregistered builder activity by entering into a contract with a consumer to build a new home in Maryland although not registered, accepting money from the consumer, and using an expired home builder registration number in the contract. The Assurance required the builder and its principal to maintain a performance bond of \$50,000 for the benefit of consumers and pay \$2,000 in civil penalties and \$500 in costs. The Assurance also required the company to arbitrate any unresolved consumer complaints through the Division's arbitration program.
- The Consumer Protection Division entered into an Assurance of Discontinuance with a Howard County builder and its principals for engaging in unregistered builder activity by entering into contracts with two consumers to build new homes in Maryland although not registered, and failing to include statutorily required provisions, notices, and disclosures in their contracts. The Assurance required the builder and its principals to maintain a performance bond of \$100,000 for the benefit of consumers and pay \$6,000 in civil penalties and \$500 in costs. The Assurance also required the company to arbitrate any unresolved consumer complaints through the Division's arbitration program.

V. COMMUNICATION WITH BUILDERS AND CONSUMERS**A. OUTREACH TO BUILDERS**

The Unit provides builders with two months' notice that their registrations will be expiring and provides them with the information and forms they will need to renew their registrations. The Unit also handled numerous builder inquiries by phone and by e-mail about the Home Builder Registration Act's registration and renewal processes and corresponded with builders about the requirements of any amendments to the law.

B. CONSUMER EDUCATION PAMPHLET

The HBRA requires that the Unit develop a consumer information pamphlet describing the rights and remedies of consumers in the purchase of a new home and providing any other information that the Division considers reasonably necessary to assist consumers in the purchase of a new home. The law further requires that the consumer information pamphlet be given to consumers by builders before they sign a contract to purchase a new home and that the receipt of the consumer information pamphlet be acknowledged in writing. HBRA §4.5-202(c).

The Unit publishes the consumer education pamphlet, *BUYING A NEW HOME - Consumer Rights and Remedies Under Maryland Law*, which it developed in consultation with the industry. The Unit also drafted and distributes a model form for the consumer to sign to acknowledge receipt of the pamphlet. The Unit regularly updates the pamphlet to reflect changes to the law. A copy of the revised pamphlet is available on our website at <http://www.marylandattorneygeneral.gov/Pages/CPD/Homebuilder/default.aspx>

As of June 30, 2022, the Unit had distributed over 278,000 consumer information pamphlets to builders. Between July 1, 2021 and June 30, 2022, the Unit distributed 1,361 pamphlets to 51 builders by mail; and the pamphlet was downloaded 461 times by 415 unique online users of our website.

C. HBRU WEBSITE

The Home Builder Registration Unit has maintained and updated its website to make information readily available to consumers, builders, and permit offices. The website is a significant mode of outreach and is an educational resource for both consumers and builders. The website provides consumers, permit offices and others the ability to search for registered builders either by the name of the builder or by registration number. The website address is:

<http://www.marylandattorneygeneral.gov/Pages/CPD/Homebuilder/default.aspx>.

The website provides:

- Information about the Home Builder Registration Unit, the Home Builder Registration Act, and the responsibility of builders and sales representatives pursuant to the Act.
- A list of currently registered builders that can be searched either by builder name or by registration number.
- Registration materials including all the registration forms. Builders and sales representatives are able to register and renew their registrations over the Internet.
- The Home Builder Registration Act and other applicable laws, and updates to those laws.
- The consumer information pamphlet developed by the Home Builder Registration Unit, *BUYING A NEW HOME - Consumer Rights and Remedies Under Maryland Law*.
- The Builder New Home Disclosure Form.
- A sample Surety Bond and Letter of Credit that builders can use for the protection of consumer deposits.
- Previous annual reports of the Home Builder Registration Unit.

VI. **COORDINATION WITH LOCAL PERMIT OFFICES**

Permit offices play a pivotal role in implementing the Home Builder Registration Act. First, county building and permit departments may not issue a permit for home building unless the permit includes the home builder registration number of a registrant. HBRA § 4.5-601. This is the critical first line of defense against unregistered builders. Second, local permit offices are required to notify the Unit about any builder who fails to correct a building code violation within a reasonable period of time.

The Unit communicates regularly with local and municipal permit offices across the state. Permit offices are able to check the Unit's website to find out if a builder applying for a permit is registered. The Unit also coordinates with local permit offices regarding the payment of fees by builders to fund the Home Builder Guaranty Fund.

VII. EVALUATING CONSUMER AND BUILDER DISPUTE RESOLUTION

Between July 1, 2021 and June 30, 2022, the Mediation Unit of the Consumer Protection Division handled 114 written consumer complaints filed against 79 different home builders. When a consumer complaint is filed with the Consumer Protection Division, a mediator from the Mediation Unit contacts both the builder and consumer and assists them in resolving their dispute. A mediated agreement is possible only if both parties can agree upon mutually acceptable terms. A mediation is considered successful if it results in an agreement. The Division also offers arbitration at no cost to the parties if the builder and consumer are unable to resolve the complaint through mediation and both the builder and consumer agree to submit their dispute to arbitration. Since January 1, 2009, consumers who are unable to resolve their complaints through mediation have been able to submit their claims to the Home Builder Guaranty Fund.

Of the complaints received by the Division's Mediation Unit, 59.6% of the complaints were mediated, and of those 5.8% were referred for arbitration. Overall, 7.8% were filed for information only and forty (58.8%) of the complaints mediated by the Division resulted in positive relief for consumers, such as the defects being corrected by the builder or money being paid to the consumer. The total amount of money or savings obtained for consumers in these complaints was \$99,731.80.

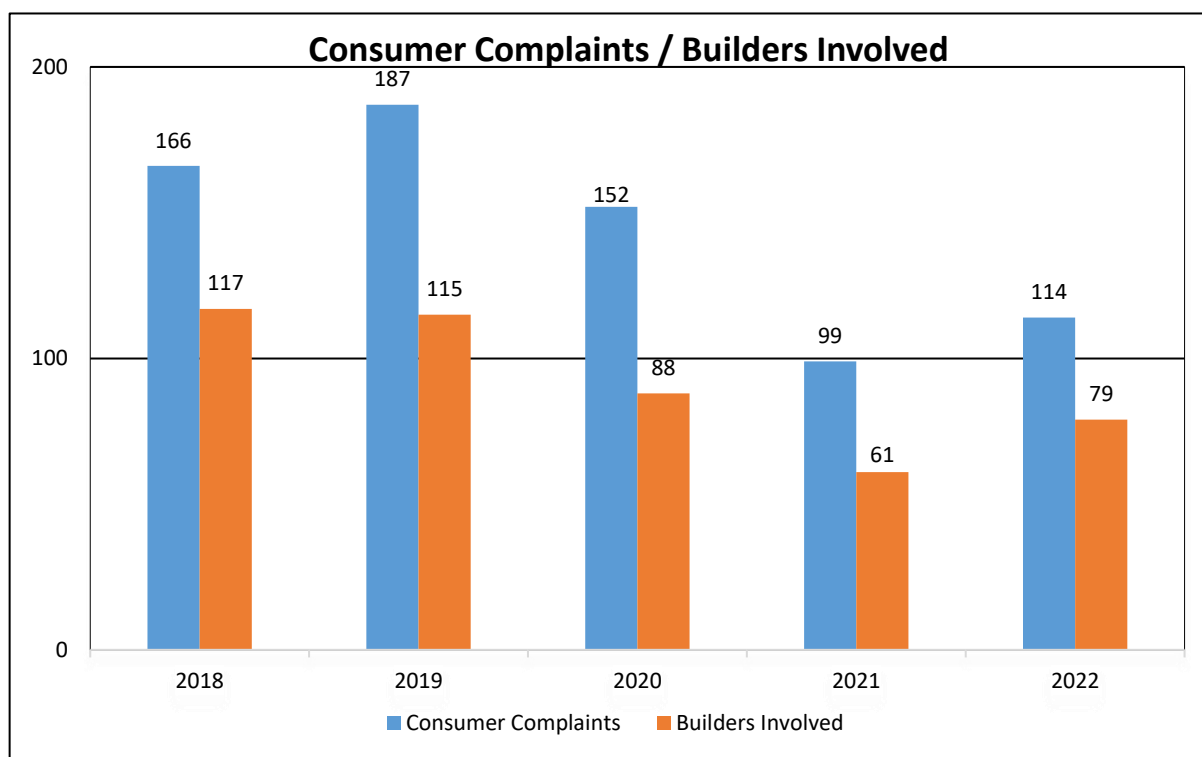
The 114 written complaints raised the following issues:

- *Construction Defect Issues* (56);
- *Incomplete Construction* (24), including disputes between the builder and owner about whether construction had been completed;
- *Other/No Consumer Transaction* (22);
- *Deposit Issues* (15), including consumers seeking return of their deposits after being denied financing or withdrawing from their contracts for other reasons;
- *Warranty Issues* (7);
- *Unsatisfactory Services/Workmanship* (4);
- *Contract Disputes* (2);
- *Misrepresentation Claims* (2), including claims that the finished home was not constructed in the manner promised by the builder;
- *Price Gouging* (1); and

- *Discrimination (1).*

Consumers also filed complaints against builders with the Montgomery County Office of Consumer Protection and with the Howard County Office of Consumer Protection. Between July 1, 2021 and June 30, 2022, there were 30 complaints filed in Montgomery County. In Howard County, 3 were handled during this period.

The following chart shows the number of Consumer Complaints and the number of builders involved in those complaints by year since 2018:



Source: HBRU

VIII. WARRANTY PROGRAM

New Home Warranty Security Plans are required to register with the Home Builder Registration Unit. There are 7 third-party warranty plans approved for operation in Maryland. The Unit requests information from each plan concerning their operations and claims experience to monitor compliance with the requirements of Maryland law.

In calendar year 2021, the 7 approved plans reported a total statewide enrollment of 61,011 homes. Also, in 2021 the warranty plans enrolled 5,801 new homes, generating \$2,846,334.00 in revenue. The plans reported a total of 275 consumer claims for warranty coverage in 2021. The plans approved 14 claims for coverage and denied 162 claims. The warranty plans reported that 33 claims were resolved without action by the plan. The warranty plans settled 1 approved claim by making payment to the consumer.

New Home Warranty Security Plans are required to notify the Home Builder Registration Unit of each decision to deny warranty coverage for a claim or any part of a claim. From July 1, 2021 to June 30, 2022, the Unit received notice of 95 denied warranty claims. The claims that were denied are categorized with the plan's response as follows:

- *Structural Defects* (16), meaning the plan's assertion that the defect did not meet the plan's definition of a structural defect;
- *Material/Workmanship Defects* (69), including the plan's assertion that warranty coverage expired (56), the defect is excluded under plan (9); or there was no defect under plan performance standard (3).
- *Equipment/Appliance/Fixture Defects* (7); and
- *Plumbing/Electrical/HVAC* (3).

Table of Reported Claims Since 2020

Type of Claim	Claims Denied in FY 2020	Claims Denied in FY 2021	Claims Denied in FY 2022
Structural Defects	10	13	16
Material/Workmanship Defects	29	53	69
Equipment/Appliance/Fixture Defects	5	4	7
Plumbing/Electrical/HVAC Defects	2	4	3

Note: The 162 denied claims that the warranty plans reported were for the 2021 calendar year (January 1, 2021 to December 31, 2021), while the 95 denied claim notices the Unit received were during the fiscal year (July 1, 2021 to June 30, 2022).

IX. HOME BUILDER GUARANTY FUND

During the 2008 session, the General Assembly created a Home Builder Guaranty Fund to protect buyers of new homes who purchase a new home from a registered home builder and suffer an actual loss as the result of:

- Incomplete construction of a new home;
- Breach of an express or implied warranty;
- Failure to meet construction standards or guidelines; or
- Failure to return a deposit or other payment to which the home buyer is entitled.

The Division is required to maintain the Guaranty Fund at a level of at least \$1,000,000. The Guaranty Fund is funded through a \$50 fee to be paid by home builders to the permit office together with the application for a permit for a new home. In the case of a multi-family dwelling, such as a condominium, the Guaranty Fund fee must be paid for each unit to be constructed. The permit offices remit the fees to the Division monthly and may retain an administrative fee of not more than two percent. The balance of the Guaranty Fund is currently maintained in an amount consistent with the statutory requirement.

Claims against the Guaranty Fund were limited to not more than \$50,000 to one claimant or not more than \$300,000 to all claimants against a single registered builder.

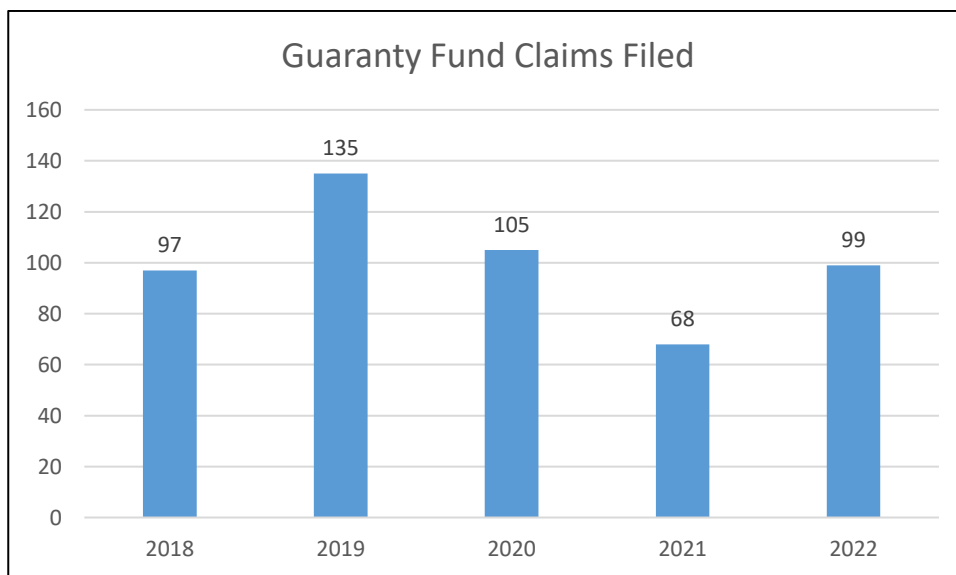
The single builder limit increased to \$500,000, as of October 1, 2020.⁴ If a consumer is awarded payment from the Guaranty Fund, the builder’s registration is suspended until the Guaranty Fund has been repaid.

Under the Guaranty Fund law, consumers and builders are encouraged to resolve any issues voluntarily before a claim against the Guaranty Fund can proceed. First, consumers must give the builder notice and an opportunity to remedy any defects with the new home. Second, if the consumer is still not satisfied, the Division’s Mediation Unit will attempt to resolve the claim through mediation between the consumer and the builder. If the Division’s mediation efforts are unsuccessful, the consumer may proceed with a claim against the Guaranty Fund.

From July 1, 2021 until June 30, 2022:

- 99 claims were filed with the Guaranty Fund. Of those claims, 11 claims were settled through mediation. Out of these, 2 claims led to consumers receiving reimbursement totaling \$19,680.00, 4 claims resolved when the builders agreed to repair the defective work, and 5 claims were settled with consumers receiving unknown results.

The following chart shows the number of Guaranty Fund claims reported in the Annual Reports since 2018:



Source: HBRU

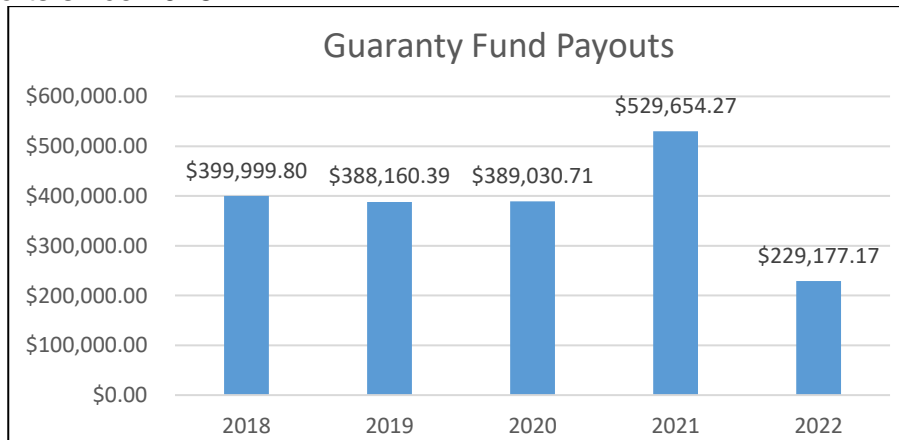
- 4 claims were referred to arbitration and are pending hearings.

⁴ Chapter 58 (HB 116)/Chapter 59 (SB 164) (2020)

- 9 claims were determined not to be eligible for relief from the Guaranty Fund (e.g., claims against unregistered builders and claims that did not involve a new home), and 5 were closed because the claimants failed to provide documentation to support their claims.
- 68 claims remain in the process of mediation or investigation. 1 additional claim is stayed due to pending litigation.
- 15 claims were scheduled for hearings at the Office of Administrative Hearings. Proposed Decisions were issued by an Administrative Law Judge in 13 claims, 9 claims are pending issuance of Proposed Decisions from the Office of Administrative Hearings, and 3 claims settled prior to a hearing at the Office of Administrative Hearings or prior to the issuance of a Proposed Decision.
- 4 claims were submitted to the Agency for final decision without a hearing before the Office of Administrative Hearings based on an arbitration award or court order, or to resolve a claim of less than \$7,500.
- Final Orders were issued by the Agency resolving 18 Guaranty Fund claims. Final Orders were issued resolving 16 of the 18 claims after hearings at the Office of Administrative Hearings, while Final Orders were issued in 2 claims based on arbitration decisions without a hearing at the Office of Administrative Hearings. Guaranty Fund relief was awarded in 9 of the 18 claims in the amount of \$257,299.63, and no Guaranty Fund relief was awarded in 9 of the claims.

From July 1, 2021 until June 30, 2022, the Guaranty Fund paid a total of \$229,177.17 to claimants for actual losses resulting from acts or omissions by a registrant in relation to new home construction. The total payout from the Guaranty Fund to Maryland consumers over the past five years exceeds \$1.9 million.

The following chart shows the amount of Guaranty Fund Payouts reported in the Annual Reports since 2018:



Source: HBRU

X. LEGISLATIVE CHANGES AFFECTING HOME BUILDERS

During the 2022 session, the General Assembly enacted the following laws affecting home builders, which became effective on July 1, 2022:

HB 917 (Chapter 646)/SB 467 (Chapter 647) Business Regulation – Home Improvement Commission – Award Limits: The bill increases the maximum recovery a consumer can receive from the Maryland Home Improvement Commission Guaranty Fund to \$30,000 from the current \$20,000.

During the 2022 session, the General Assembly enacted the following laws affecting home builders, which became effective October 1, 2022:

HB 40 (Chapter 479) Condominiums – Disclosures to Unit Owners and Prohibited Provisions in Instruments: This bill clarifies that certain provisions of law related to closed-door meetings of a board of directors of a condominium do not allow the board to withhold or agree to withhold the terms of certain legal agreements from the unit owners. This bill also requires a board to disclose to the council of unit owners and prospective unit owners any agreement by the board for the purpose of settling a disputed common element warranty claim at least 21 days before the execution of the agreement.

HB 107 (Chapter 664) Cooperative Housing Corporations, Condominiums, and Homeowners Associations – Reserve Studies – Statewide: This bill requires the governing body of certain cooperative housing corporations, condominiums, or homeowners associations to have a reserve study conducted of the common elements of the cooperative housing corporation, condominium, or homeowners association and to update the study every 5 years. Reserves must be budgeted in accordance with the reserve study.

HB 615 (Chapter 282) Real Property – Condominiums and Homeowners Associations – Dispute Settlement: This bill alters the procedures for dispute settlement between a council of unit owners or a board of directors and a resident for an alleged violation under the Maryland Condominium Act or Homeowners Association Act.

HB 927 (Chapter 336)/SB 744 (Chapter 337) Housing and Community Development - Affordable Housing - Excess Real Property: Requiring the Department of Planning to provide a list of excess real property owned by the State to the Department of Housing and Community Development; and requiring the Department of Housing and Community Development to determine whether any of the listed properties are suitable for use or redevelopment as affordable housing.