

**Real Property**  
**Title 10. Sales of Property**  
**Subtitle 3. Deposits on New Homes**

**§ 10-301. Escrow accounts, surety bonds or irrevocable letters of credit to be maintained by vendor or builder receiving deposit.**

(a) If, in connection with the sale and purchase of a new single-family residential unit which is not completed at the time of contracting the sale, the vendor or builder obligates the purchaser to pay and the vendor or builder receives any sum of money before completion of the unit and grant of the realty to the purchaser, the builder or vendor shall:

(1) Deposit or hold the sum in an escrow account segregated from all other funds of the vendor or builder to assure the return of the sum to the purchaser in the event the purchaser becomes entitled to a return of the sum;

(2) Obtain and maintain a corporate surety bond in the form and in the amounts set forth in § 10-302 of this subtitle, conditioned on the return of the sum to the purchaser in the event the purchaser becomes entitled to the return of the money; or

(3) Obtain and maintain an irrevocable letter of credit issued by a Maryland bank in the form and in the amounts set forth in § 10-303 of this subtitle.

(b) The vendor or builder shall maintain the escrow account, surety bond, or irrevocable letter of credit until the happening of the earlier of:

(1) The granting of a deed to the property on which the residential unit is located to the purchaser;

(2) The return of the sum of money to the purchaser; or

(3) The forfeiture of the sum by the purchaser, under the terms of the contract of sale relating to the purchase of the residential unit.

**§ 10-301.1. Interest on and investment of trust moneys.**

(a) A vendor or builder may deposit trust moneys in:

(1) A noninterest bearing checking account;

(2) One or more savings accounts; or

(3) Any combination of accounts in any bank or savings and loan association authorized by federal or State law to do business in the State.

(b) Trust moneys in the hands of the vendor or builder may be invested in any other investment vehicle specified by the client or beneficial owner or as they and the licensee may agree.

**§ 10-302. Bond payable to State; form of bond; penalty of blanket bond.**

(a) The bond shall be payable to the State for the use and benefit of every person protected by the provisions of this subtitle. The vendor or purchaser shall deposit the bond with the Consumer Protection Division of the Office of the Attorney General.

(b) The corporate surety bond obtained pursuant to the provisions of § 10-301(a) shall be in a form approved by the Consumer Protection Division of the Office of the Attorney General. The bond may be either in the form of an individual bond for each deposit accepted by a vendor or builder or if the total amount of money and deposits accepted by the builder or vendor exceeds \$10,000, it may be in the form of a blanket bond assuring the return of the deposits received by the vendor or builder.

(c) If the bond is a blanket bond, the penalty of the bond shall be in accordance with the following schedule:

Total Amount of Deposits Held	Penalty of Bond
(1) \$10,000 to \$75,000	Full amount of deposit held
(2) \$75,000 to \$200,000	\$75,000
(3) \$200,000 to \$500,000	\$200,000
(4) Over \$500,000	\$500,000

(d) For the purpose of determining the penalty of any blanket bond which the vendor or builder maintains in any calendar year, the total amount of deposits considered held by a vendor or builder shall be determined as of May 31 of any given calendar year and the penalty of the bond shall be in accordance with the amount of deposits held as of May 31.

**§ 10-303. Irrevocable letters of credit.**

(a) An irrevocable letter of credit obtained under § 10-301 of this subtitle shall be:

(1) Payable to the Office of the Attorney General for the use and benefit of every person protected by the provisions of this subtitle; and

(2) In a form approved by the Consumer Protection Division of the Office of the Attorney General.

(b) An irrevocable letter of credit may be either in the form of an individual letter of credit for each deposit accepted by a vendor or builder or if the total amount of money and deposits accepted by the builder exceeds \$10,000, the letter of credit may be in the form of a blanket letter of credit assuring the return of the deposits received by the vendor or builder.

(c) If the letter of credit is a blanket letter of credit, the amount of the letter of credit shall be in accordance with the following schedule:

Total Amount of Deposits Held	Amount of Letter of Credit
(1) \$10,000 to \$75,000	Full amount of deposit held
(2) \$75,000 to \$200,000	\$75,000
(3) \$200,000 to \$500,000	\$200,000
(4) Over \$500,000	\$500,000

(d) For the purpose of determining the amount of any blanket letter of credit which the vendor or builder maintains in any calendar year, the total amount of deposits considered held by a vendor or builder shall be determined as of May 31 of any given calendar year and the amount of the letter of credit shall be in accordance with the amount of deposits held as of May 31.

#### **§ 10-303.1. Regulations.**

The Consumer Protection Division of the Office of the Attorney General shall adopt regulations for the administration of the provisions of this subtitle relating to bonds and letters of credit.

#### **§ 10-304. Sales exempt from subtitle.**

The provisions of this subtitle do not apply to a sale by or through a licensed real estate broker in connection with which all sums of money in the nature of deposits, escrow money, or binder money are paid to a broker to be held in the escrow account of the broker.

#### **§ 10-305. Penalties; unfair or deceptive trade practices.**

(a) If a person willfully and knowingly fails to obtain and maintain a corporate surety bond or irrevocable letter of credit or to hold sums of money in an escrow account as required under this subtitle, the person is guilty of a felony and, on conviction, shall make restitution to the purchaser as determined by the court, and be subject to a fine not exceeding \$10,000 or imprisonment not exceeding 15 years or both.

(b) In addition to any other penalty or relief afforded by law or equity, any conduct that fails to comply with this subtitle is an unfair or deceptive trade practice within the meaning of Title 13 of the Commercial Law Article and is subject to all of the provisions of that title except §13-411 of the Commercial Law Article.

(c) Any officer, director, or employee of a corporation, who knowingly participates in any act or omission which is part of the violation, is subject to the penalties of this section.

**§ 10-306. Disclosure forms.**

(a) The Division of Consumer Protection of the Office of the Attorney General shall develop and make available a standard new home disclosure form that advises purchasers of the purchasers' rights under this subtitle.

(b) Prior to the execution of any contract for the sale of a new home under this subtitle, the vendor or builder shall:

(1) Provide the purchaser with a copy of the new home disclosure form as provided in subsection (a) of this section; and

(2) Obtain the purchaser's signature certifying that the purchaser has received the disclosure form.