

**SAMPLE**  
**LETTER OF CREDIT**  
(Non-Negotiable)

Date: \_\_\_\_\_  
Credit No.: \_\_\_\_\_

Dear Sir(s) :

We hereby issue in favor of the State of Maryland, Beneficiary, this documentary credit which is available by negotiation of your draft at sight drawn on (NAME OF FINANCIAL INSTITUTION), Issuer, in the Amount of \$ \_\_\_\_\_ ( \_\_\_\_\_ ), on the account of (Name of Home Builder<sup>1</sup> , MHBR # \_\_\_\_\_ or Seller<sup>2</sup>).

**Covered Entities:** This letter of credit has been undertaken by (Name of Home Builder or Seller) to secure the obligation of itself, and, unless expressly excluded below, any sole proprietorship, corporation, limited liability company, partnership, joint venture, or other entity, including all subsidiaries, successors and assigns, through which the Home Builder or Seller, directly or indirectly, builds or sells new homes in Maryland, under Real Property Article, Title 10, Subtitles 3 or 5, Annotated Code of Maryland.

Legal name and address of each Excluded Entity:

**Term:** The term of this letter of credit commences on (date), and is in full force and effect until canceled as provided herein.

**Cancellations and Amendments:** The Issuer shall give forty five (45) days written notice to the Consumer Protection Division by certified mail, return receipt requested, at the notice address provided herein, before canceling, reducing the amount, or reducing the coverage of this Letter of Credit. The Issuer shall promptly notify the Consumer Protection Division by certified mail, return receipt requested, at the notice address provided herein, of any other amendments or increases in the amount or coverage of this Letter of Credit.

**Draws Upon Letter of Credit:** The State of Maryland shall make one or more draws upon this Letter of Credit, up to and including the full amount of this Letter of Credit, by written demand to the Issuer no later than one year (1) after the cancellation of the letter of credit. Each draw shall be accompanied by a written certification, executed by the Consumer Protection Division, that the Consumer Protection Division has reason to believe that consumer deposits are at risk because:

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<sup>1</sup> “Home builder” has the meaning stated in Business Regulation Article §4.5-101(f), Annotated Code of Maryland.

<sup>2</sup> “Seller” means a vendor subject to Real Property Article, Title 10, Subtitle 3, Annotated Code of Maryland.

(1) A consumer is entitled to the return of sums of money paid to the Home Builder or Seller as provided under Real Property Article, Title 10, Subtitles 3 or 5, Annotated Code of Maryland; or

(2) The Home Builder or Seller has violated the provisions of Real Property Article, Title 10, Subtitles 3 or 5, Annotated Code of Maryland; or

(3) The Home Builder or Seller has filed for bankruptcy, or

(4) The Home Builder or Seller has ceased operations in the State of Maryland; or

(5) The Consumer Protection Division has received notice that the Letter of Credit will be canceled and will not be renewed, and the Home Builder or Seller has not secured the consumers' payments as required by Real Property Title 10, Subtitles 3 or 5, Annotated Code of Maryland.

Within thirty (30) days of receipt of a written demand for payment and certification, the Issuer shall pay the draw, up to and including the full amount of this Letter of Credit, to the State of Maryland. Upon payment of the full amount of this Letter of Credit to the State of Maryland, the Issuer is relieved of its liabilities under this Letter of Credit.

**Notices:** Any written notices or communications shall be provided to the following persons:

FOR THE ISSUER: (Legal Name, Address, City, State, Zip. Contact Person or Office, Telephone, Fax, Email)

For the HOME BUILDER or SELLER: (Legal Name, Address, City, State, Zip. Contact Person or Office, Telephone, Fax, Email)

FOR THE STATE OF MARYLAND: Administrator, Home Builder Registration Unit, Consumer Protection Division, Office of the Attorney General, 200 St. Paul Place, Baltimore, Maryland 21202, Telephone: (410) 576-6573, Fax: (410) 576-6566, Email: homebuilder@oag.state.md.us.

Signed, Sealed and Dated this \_\_\_\_\_ day of \_\_\_\_\_, in the year of \_\_\_\_\_.

Authorized Signature of Issuer: \_\_\_\_\_

Printed Name and Title of Signatory : \_\_\_\_\_