



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

2024 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**

TABLE OF CONTENTS

I.	Executive Summary.....	1
II.	Registration of Builders	4
	A. The Home Builder Registration Unit.....	4
	B. Builder Registration and Renewal Under the HBRA	4
	C. Who Are Maryland’s Builders?	6
III.	Home Builder Sales Representatives	10
IV.	Law Enforcement.....	10
V.	Communication with Builders and Consumers	13
	A. Outreach to Builders	13
	B. Consumer Education Pamphlet.....	13
	C. HBRU Website	13
VI.	Coordination with Local Permit Offices.....	14
VII.	Evaluating Consumer and Builder Dispute Resolution	15
VIII.	Warranty Program	17
IX.	Home Builder Guaranty Fund.....	18
X.	Legislative Changes Affecting Home Builders	21

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 2024.

The report focuses on the following areas:

- **Registration of Builders:** 2364 builders were registered as of June 30, 2024. 199 of those builders registered for the first time between July 1, 2023 and June 30, 2024. The overall number of registered builders increased by about 2.7% from the previous year.
- **Registration Renewal:** Between July 1, 2023 and June 30, 2024, 1024 builders renewed their registrations.
- **Law Enforcement:** The Unit opened 21 investigations between July 1, 2023 and June 30, 2024, 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. Nine of the investigations resulted in settlements and 12 remained under continuing investigation as of June 30, 2024. The Unit receives information from many sources, including consumers, other builders, subcontractors, and permit offices.

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.

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- **Education of Builders and Consumers:** As of June 30, 2024, the Unit had distributed over 280,500 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, 2023 and June 30, 2024, the Unit distributed 1,537 pamphlets to 52 builders by mail. The pamphlet can also be downloaded from the website.
 - **Coordination with Local Building Permit Offices:** The Unit continues to coordinate with local building permit offices to ensure that unregistered builders do not 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 104 consumer complaints involving 76 home builders between July 1, 2023 and June 30, 2024. 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, 2024, there were 446 registered sales representatives who worked for 121 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, 2023 until June 30, 2024, there were 98 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. HBRA §4.5-304. 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, an Assistant Attorney General 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.

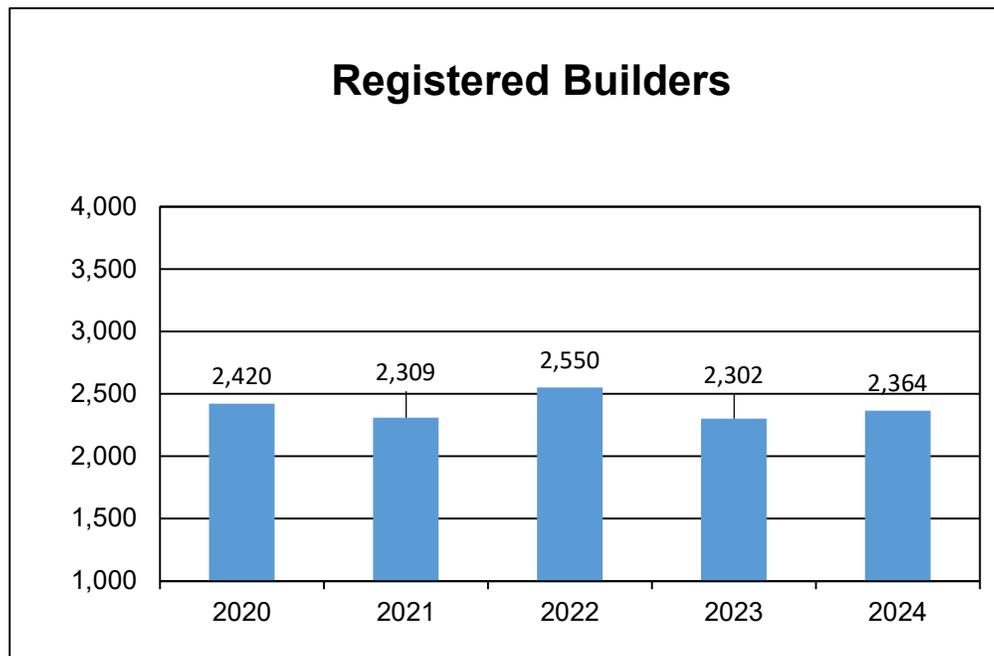
To register, builders are required to complete an application form, provide information about the principals of the company and legal proceedings involving the builder, and pay the registration fee. Each builder's registration lasts two years and expires on one of four quarterly dates based upon the 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, 2024, 2364 home builders were registered with the Unit. 1024 builders were approved for renewal and 199 new builders registered with the Unit between July 1, 2023 and June 30, 2024. Of the 1024 builders that have been renewed, 1007 (98.3%) renewed their registrations over the Internet.

The following chart shows the number of registered builders reported in the Annual Report since 2020:



Source: HBRU

C. WHO ARE MARYLAND'S BUILDERS?

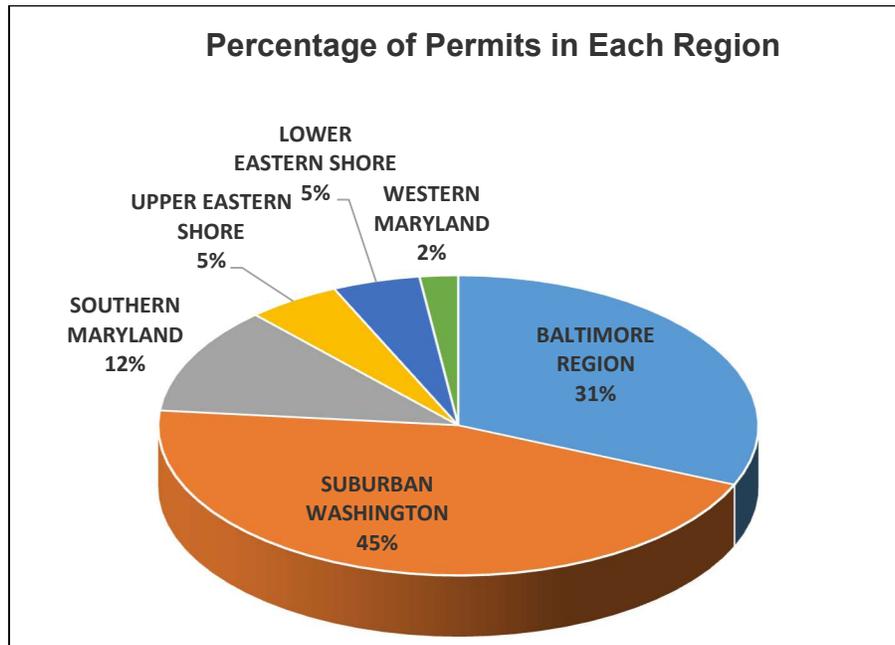
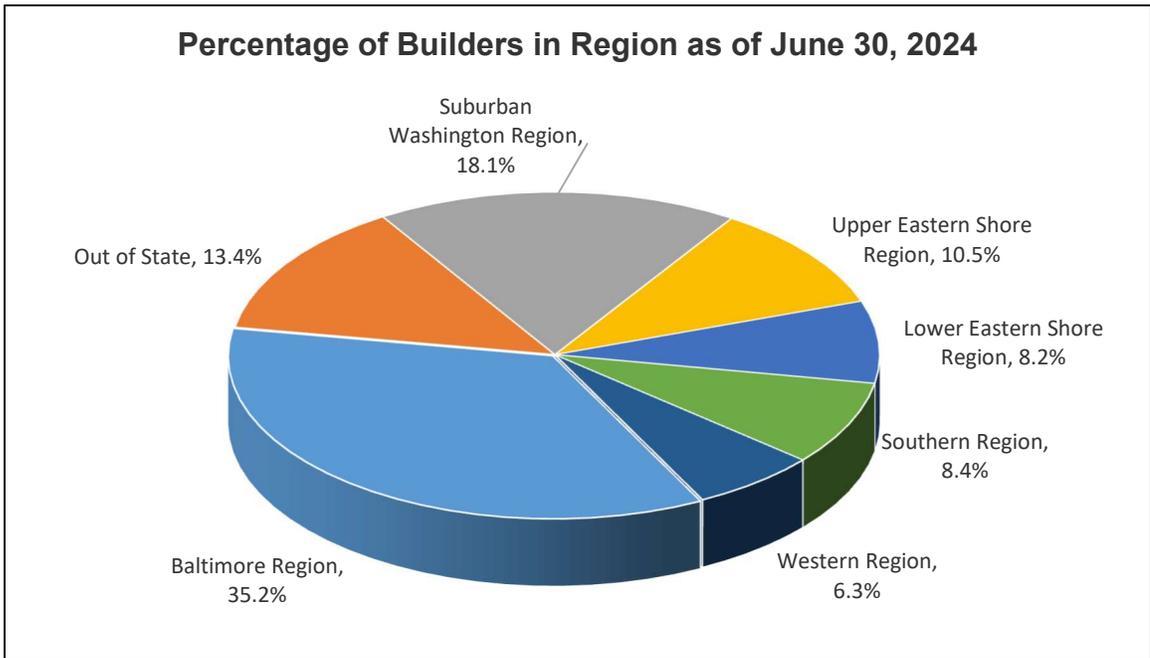
The HBRA defines "home builder" and "new home" broadly to ensure that all new home builders in Maryland must be registered. HBRA §4.5-101(g) and (m). The exceptions to the HBRA are narrowly drawn.³ Information provided by builders in the registration process, combined with other available data, provides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

- **Type of Construction:** Of the 2364 registered builders in Maryland as of June 30, 2024, the vast majority report building either custom homes (79.1%) and/or other new homes (47.7%). Another 9.8% report building condominiums, 9.0% report building industrialized buildings, and 6.9% report selling or installing mobile homes.
- **Location of Builders and Housing Construction:** 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, 2023 through June 30, 2024, and the percentage of the total number of single-family home permits issued in Maryland in each region during that period.

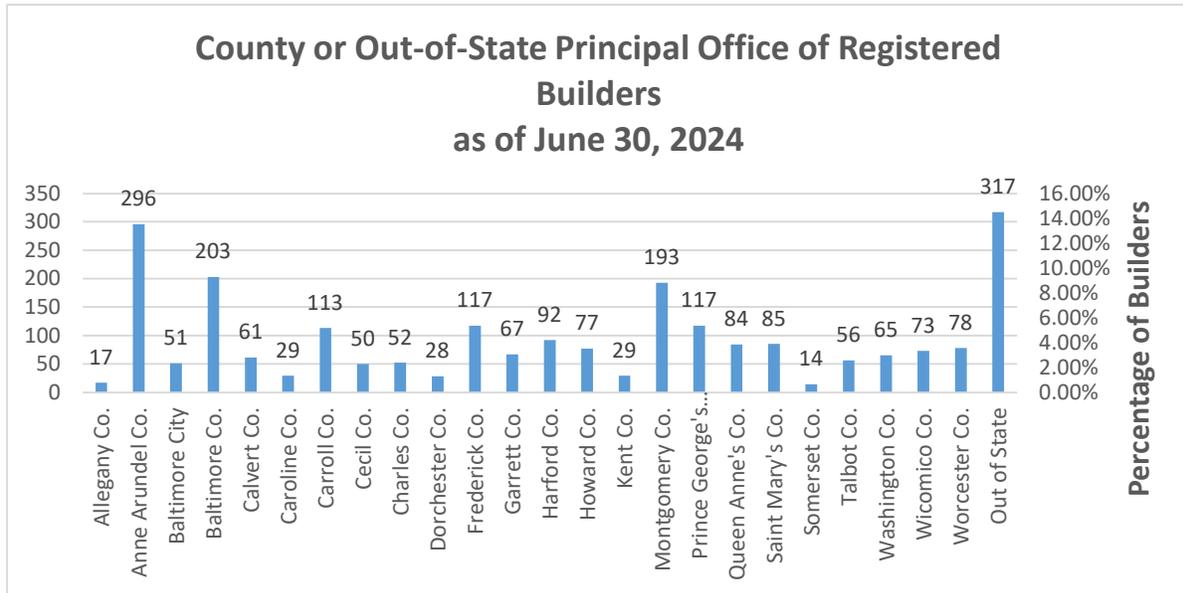
³ The HBRA excludes from registration employees, subcontractors and vendors of a registered home builder; the manufacturer of industrialized buildings unless it also installs the building; real estate developers who do not also contract for or construct homes; construction financiers; and builders who 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 (7/1/23- 6/30/24)	Percentage of State-wide Permits Issued in Region
Baltimore Region (Anne Arundel, Baltimore City, Baltimore County, Carroll, Harford, Howard)	35.2%	5,475	31.5%
Suburban Washington Region (Frederick, Montgomery, Prince George's)	18.1%	7,843	45.1%
Upper Eastern Shore Region (Caroline, Cecil, Kent, Queen Anne's, Talbot)	10.5%	878	5.0%
Southern Region (Calvert, Charles, St. Mary's)	8.4%	2,017	11.6%
Lower Eastern Shore Region (Dorchester, Somerset, Wicomico, Worcester)	8.2%	820	4.7%
Western Region (Allegany, Garrett, Washington)	6.3%	360	2.1%
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)	13.4%		
Totals	100%	17,393	100%

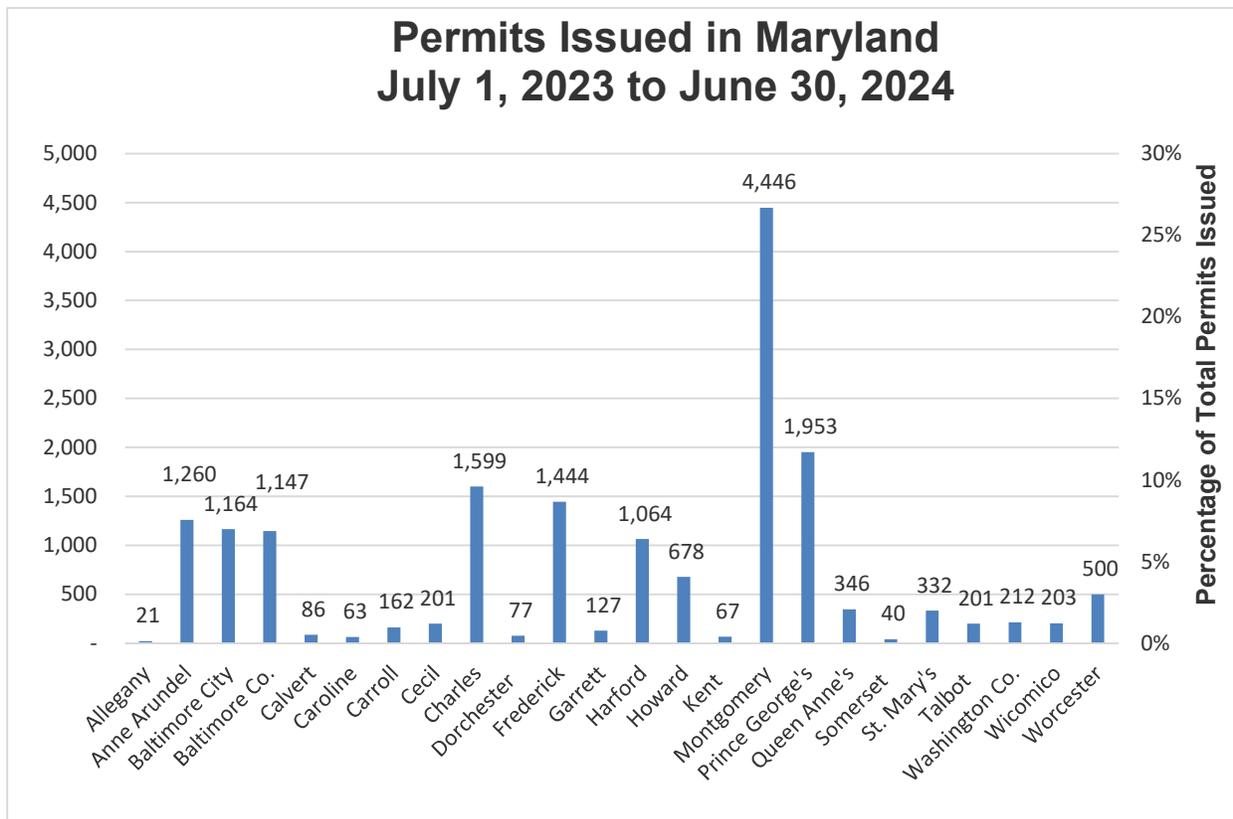
Source: Md. Dept. of Planning for Single Family Permits Issued July 1, 2023 through June 30, 2024.



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, 2023 through June 30, 2024:



Source: HBRU



Source: HBRU and Md. Dept. of Planning, for Single Family Permits Issued July 1, 2023 through June 30, 2024.

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, 2024, there were 446 registered sales representatives who worked for 121 builders. 56 new sales representatives registered with the Unit between July 1, 2023 and June 30, 2024. 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 21 investigations between July 1, 2023 and June 30, 2024, 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. Nine of the investigations resulted in settlements and 12 remained under continuing investigation as of June 30, 2024.

In ongoing investigations that were pending at the beginning of Fiscal Year 2024, the Unit brought charges against 2 builders between July 1, 2023 and June 30, 2024, and the charges were pending a hearing and/or Proposed Decision; settled 1 ongoing investigation without bringing charges; obtained a Final Order finding violations against 2 builders and their principal and a Final Order denying the registration of one of those builders; and a Final Order revoking the registration of a builder.

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 obtained a Final Order against two Prince George's County new home builders and their principal for violating the Consumer Protection Act and related home builder laws by accepting thousands of dollars from consumers, but failing to complete construction or repair defective work, failing to properly protect consumer money, failing to pay subcontractors, and failing to include statutorily required provisions in the contracts. The Final Order requires the builders and their principal to pay at least \$452,360.26 in restitution and \$271,879.77 in economic damages that resulted from the builders' actions. The Final Order also requires them to pay \$57,781.44 in costs, \$235,500.00 in civil penalties, and provide the Division with a \$700,000.00 performance bond, for the benefit of consumers, prior to engaging in any home building activities. To protect consumers and prevent future violations, the Final Order also contains injunctive relief requiring the builders and their principal to submit to binding arbitration any consumer complaint that cannot be resolved through mediation and promptly comply with any arbitration decision entered against them. The Division is defending the Final Order against a challenge on judicial review. The Division also obtained a Final Order denying the registration of one of the builders.

The Consumer Protection Division obtained a Proposed Decision against a Harford County new home builder and its two principals for violating the Consumer Protection Act and related home builder laws by accepting thousands of dollars from consumers, but, in some instances, either failing to begin or complete construction of their homes or failing to repair defects in some of the homes, failing to properly protect consumer money, failing to pay subcontractors, and failing to return money taken from consumers to begin or complete construction of their homes. The Division was seeking a Final Order requiring injunctive relief, restitution, economic damages, civil penalties, and costs against the builder and its principals for the violations of the law.

The Consumer Protection Division filed charges against a Baltimore County builder and home improvement contractor and its two principals for alleged violations of the Consumer Protection Act and related home builder and home improvement laws. The charges alleged that the builder and one of its principals accepted money from consumers, but either failed to complete construction of their homes or failed to complete the homes in a workmanlike manner, failed to properly protect consumer money, failed to pay

subcontractors, despite receiving payment from consumers for work completed on the homes. The charges also alleged that they failed to include required disclosures in its contracts for custom homes. Additionally, the charges alleged that the builder and both principals engaged in home improvement work without complying with state licensing laws and collected thousands of dollars from consumers for home improvements that were not completed. The charges were heard at the Office of Administrative Hearings and the matter was pending a Proposed Decision.

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>

Between July 1, 2023 and June 30, 2024, the Unit distributed 1,537 pamphlets to 52 builders by mail. The pamphlet can also be downloaded from the 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, 2023 and June 30, 2024, the Mediation Unit of the Consumer Protection Division handled 104 written consumer complaints filed against 76 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, 88 (84.6%) of the complaints were mediated, and of those 4 (4.5%) were referred for arbitration. Overall, 4 (4.5%) were filed for information only and 11 (12.5%) 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 \$67,700.00.

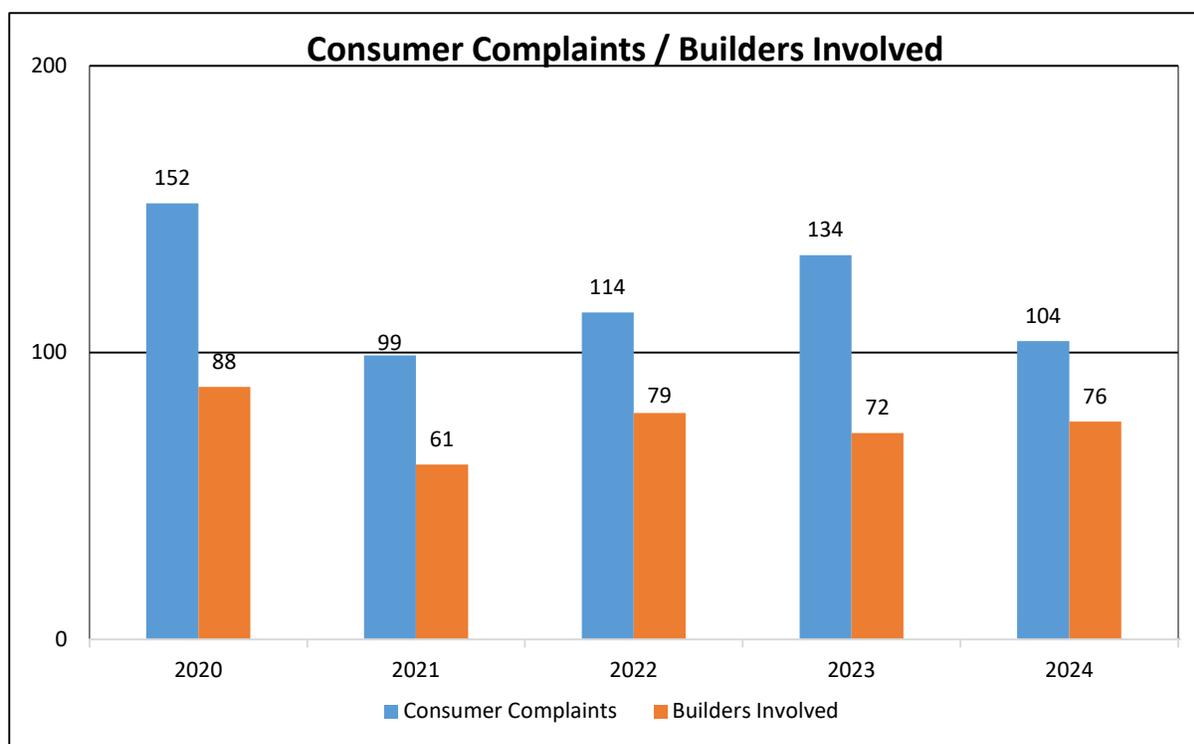
The 104 written complaints raised the following issues:

- *Construction Defect Issues* (52);
- *Incomplete Construction* (14), including disputes between the builder and owner about whether construction had been completed;
- *Other/No Consumer Transaction* (12);
- *Deposit Issues* (6), including consumers seeking return of their deposits after being denied financing or withdrawing from their contracts for other reasons;
- *Warranty Issues* (2);
- *Contract Disputes* (2);
- *Misrepresentation Claims* (10), including claims that the finished home was not constructed in the manner promised by the builder;
- *Unsatisfactory Services/Workmanship* (12);
- *Defective/Damaged Goods* (2);

- *Price Gouging* (1);
- *Failure to Deliver Correct Goods/Services* (6);
- *Billing/Unauthorized Charges* (1); and
- *Operating without a License* (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, 2023 and June 30, 2024, there were 38 complaints filed in Montgomery County. In Howard County, 6 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 2020:



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 2023, the 7 approved plans reported a total statewide enrollment of 51,980 homes. Also, in 2023 the warranty plans enrolled 3,962 new homes, generating \$1,963,949.00 in revenue. The plans reported a total of 196 consumer claims for warranty coverage in 2023. The plans approved 1 claim for coverage and denied 168 claims. The warranty plans reported that 23 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, 2023 to June 30, 2024, the Unit received notice of 132 denied warranty claims. The claims that were denied are categorized with the plan's response as follows:

Table of Reported Claims Since 2022

Type of Claim	Claims Denied in FY 2022	Claims Denied in FY 2023	Claims Denied in FY 2024
Structural Defects ⁴	16	15	27
Material/Workmanship Defects ⁵	69	65	89
Equipment/Appliance/Fixture Defects	7	4	3
Plumbing/Electrical/HVAC Defects	3	6	13

Note: The 196 denied claims that the warranty plans reported were for the 2023 calendar year (January 1, 2023 to December 31, 2023), while the 132 denied claim notices the Unit received were during the fiscal year (July 1, 2023 to June 30, 2024).

⁴ *Structural Defects*, meaning the plan's assertion that the defect did not meet the plan's definition of a structural defect.

⁵ *Material/Workmanship Defects* (89), including the plan's assertion that warranty coverage expired (81), the defect is excluded under plan (8); or there was no defect under plan performance standard (3).

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.

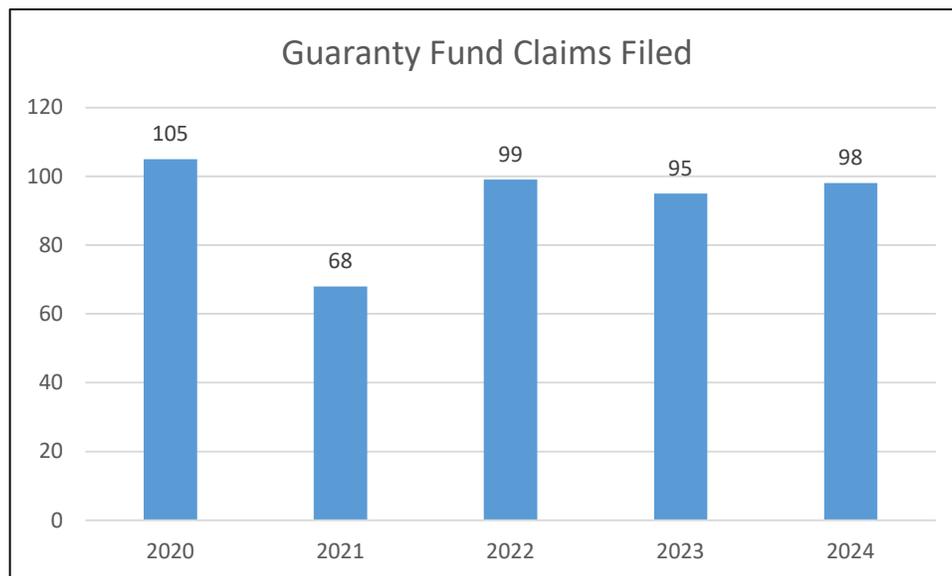
Claims against the Guaranty Fund are limited to not more than \$50,000 to one claimant or not more than \$500,000 to all claimants against a single registered builder. If a consumer is awarded payment from the Guaranty Fund, the builder's registration is suspended until the Guaranty Fund has been repaid.

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, 2023 until June 30, 2024:

- 98 claims were filed with the Guaranty Fund. Of those claims, 9 claims were settled through mediation or after being referred for a Guaranty Fund hearing but before a hearing was scheduled. Out of these, 5 claims led to consumers receiving reimbursement totaling \$74,586.00; 4 claims resolved when the builders agreed to repair the defective work.

The following chart shows the number of Guaranty Fund claims reported in the Annual Reports since 2020:



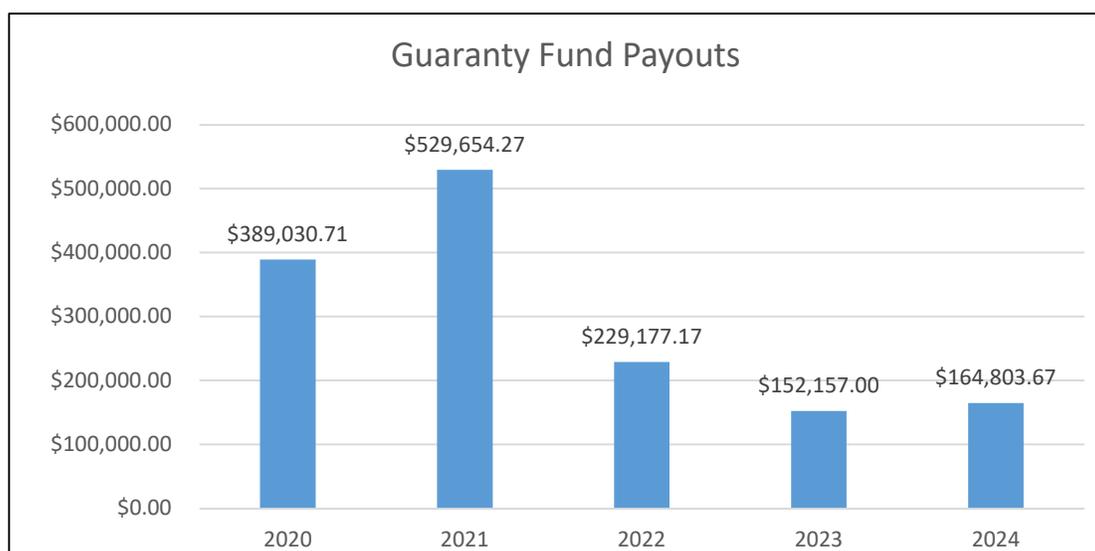
Source: HBRU

- 1 claim is stayed pending an award in arbitration and 2 additional claims are stayed due to pending litigation.
- 4 claims were determined not to be eligible for relief from the Guaranty Fund (e.g., claims against unregistered builders, claims against the wrong builder/party, and claims that do not involve a new home), and 5 were closed because the claimants failed to provide documentation to support their claims.
- 72 claims remain in the process of mediation or investigation.
- 28 claims were scheduled for hearings at the Office of Administrative Hearings. Proposed Decisions were issued by an Administrative Law Judge in 12 claims, 9 claims are pending issuance of Proposed Decisions from the Office of Administrative Hearings, 5 claims are pending hearings at the Office of Administrative Hearings, and 2 claims settled or were withdrawn prior to a hearing at the Office of Administrative Hearings or prior to the issuance of a Proposed Decision.
- Proposed Decisions were issued by an Administrative Law Judge in 2 claims that were heard at the Office of Administrative Hearings during the previous fiscal year.
- One claim was 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 13 Guaranty Fund claims. Final Orders were issued resolving 10 of the 13 claims after hearings at the Office of

Administrative Hearings, while Final Orders were issued in 3 claims based on an arbitration decision or to resolve a claim of less than \$7,500 without a hearing at the Office of Administrative Hearings. Guaranty Fund relief was awarded in 11 of the 13 claims in the amount of \$378,103.88, and no Guaranty Fund relief was awarded in 2 of the claims.

From July 1, 2023 until June 30, 2024, the Guaranty Fund paid a total of \$164,803.67 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 \$1.4 million.

The following chart shows the amount of Guaranty Fund Payouts reported in the Annual Reports since 2020:



Source: HBRU

X. LEGISLATIVE CHANGES AFFECTING HOME BUILDERS

During the 2024 session, the General Assembly enacted the following laws affecting home builders and/or homeowners, which became effective October 1, 2024:

- **SB 46/HB 143 - Condominiums - Sales Contracts - Asbestos Disclosure:** This bill requires a statement as to whether the seller and the council of unit owners have actual knowledge of the presence of asbestos on the site in connection with the initial sale and resale of a unit.
- **SB 465/HB 159 - Common Ownership Communities - Electric Vehicle Recharging Equipment (Electric Vehicle Recharging Equipment Act of 2024):** This bill amends the provisions that govern the installation of electric vehicle charging equipment at condominiums under the Electric Vehicle Recharging Equipment for Multifamily Units Act of 2021. This bill expands the current law to include co-ops, adds provisions for charging stations for electric bicycles, and requires the Maryland Department of Housing and Community Development to provide information to the public on the law via their website and to act as a resource to answer questions. In addition, the bill specifies that the owner of the charger must maintain insurance while it is installed.
- **SB 446/HB 280 - Local Government - Condominium and Homeowners Associations - Repair and Rehabilitation Funds:** This bill authorizes a county or municipality to establish a fund to provide support for the repair of the infrastructure in condominium or homeowners associations. These funds would be supplied by a portion of property tax revenues paid by the members of these associations and would help to provide payments for the maintenance and upkeep of common ownership infrastructure.
- **SB 15/HB 309 - Cooperative Housing Corporations - Dispute Settlement:** This bill alters several notices and procedural requirements for disputes arising under the Maryland Cooperative Housing Corporation Act. These disputes generally concern Co-op residents and their managing boards hearing on alleged Co-op rule violations. Under the new law, a Co-op's governing body must provide a written cease and desist demand for the alleged violation and must specify, among other existing provisions, a time period of at least 15 days (rather than 10 days) to abate the alleged (continuing) violation without further sanction. A member of a cooperative housing corporation has a right to request a hearing to be held by the

governing body. Further, the law establishes more prescriptive procedures for notices and hearings on these matters.

- **SB 125/HB 486 - Residential Property Sales - Contract Disclosures - Superfund Sites:** This bill requires sellers of residential property to provide buyers notice of any superfund site within 1 mile of the property. The notice must be included in an addendum to the sales contract and the buyer has the ability to cancel the contract for a full refund within 5 days of signing. The bill seeks to ensure that buyers enter into purchases with full knowledge of potential health hazards.
- **SB 206/HB 216 - Condominiums - Common Elements - Clean Energy Equipment:** This bill makes it easier for condominium communities to lease clean energy equipment such as solar panels. Under the current law 2/3rds of community owners and mortgage holders are required to approve such leases. This bill would lower that threshold to a simple majority, remove potential blockage from mortgage holders, and give an alternate route of approval through the condominium's Board of Directors. This bill is especially helpful as Congress has just updated federal policy to allow condominiums to receive tax credits for the upgrade of clean energy equipment.
- **SB 542 - Real Estate Brokers - Brokerage Agreements - Requirements:** Brokerage agreements between real estate brokers and sellers are required to include various clauses under the contract such as automatic termination dates, compensation amounts and others. This bill requires that such brokerage agreements include compensation described as a percentage of the purchase price, a specific dollar amount, or a combination of both; and that cancellation may be made by mutual agreement. In addition to these new requirements, the bill extends all requirements for brokerage agreements to contracts between brokers and buyers or lessees. The bill seeks to address potential contract issues arising from the recent federal settlement by the National Association of Realtors.
- **SB 648/HB 211 - Business Regulation - Contractors, Subcontractors, and Brokers - Prohibited Conduct:** This bill prohibits a person from serving as a contractor, subcontractor, or broker between a contractor and subcontractor in the State within five years of being convicted of an offense constituting criminal malfeasance, misfeasance, or nonfeasance under federal or State law.

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- **SB 806/HB 738 - Business Regulation - Licensed Home Improvement Contractors - Liability Insurance:** This bill increases the amount of general liability insurance that home improvement contractors must carry from \$50,000 to \$500,000. This seeks to ensure that homeowners may be covered for potentially high amounts of damage caused by contractors when issues arise.