



**MARYLAND COMMISSIONER OF
FINANCIAL REGULATION
INDUSTRY ADVISORY
REGULATORY GUIDANCE**



July 31, 2023

Guidance on Residential Property Service Agreements

The Maryland Office of Financial Regulation (OFR) issues this guidance to alert industry about the June 1, 2023 effectiveness of the recently passed [Senate Bill 579](#), codified at Real Property Code section 14, Subtitle 8 (RP 14-801 et seq.), prohibiting certain residential service agreements and to provide our Office’s interpretation of that new law.

What is a Residential Service Agreement?

A “Residential Service Agreement” as it is now defined in Maryland Real Property Code 14-801(D)1 refers to “an agreement where a service provider agrees to provide an individual services for (i) the maintenance of residential property that an individual owns; or (ii) the purchase or sale of residential property.”

Who is a Service Provider?

Maryland Real Property Code 14-801(E) defines a “Service Provider” as a person who provides either maintenance services to an individually owned property or services to aid in the purchase or sale of a residential property.

What activities are prohibited?

The new law extends beyond listing agreements and maintains its focus on several activities that are to be prohibited:

- 1) Service Agreements that are effective for more than one year;
- 2) Service Agreements that bind subsequent bona-fide purchasers;
- 3) Service Agreements that grant a lien or other security interest in the residential property to a Service Provider; or
- 4) Service Agreements that allow the Service Provider to transfer their rights under the agreement to a third part without notice to the homeowner.

Are there any services excluded from the law?

The new law excludes several products from the definition of a Service Agreement. Among others, these include: home warranties, utility providers, and mechanics liens. See [the legislation](#) for the complete list of exclusions.

What are the penalties?

Any violation of the law is considered an Unfair, Abusive, or Deceptive Trade Practice as defined in Maryland Commercial Law 13-301 and carries the penalties outlined in [Maryland Commercial Law 13-410](#) which include potential fines of up to \$10,000 for each violation.

OFR View of Service Agreements

This new law does not expressly void any agreements executed prior to the law's effective date. However, OFR has serious concerns regarding the legality of these types of agreements. Notwithstanding the new law, in addition to potentially being deemed unfair, abuse or deceptive, these types of existing agreements may also be deemed to be loans or extensions of credit. To the extent these transactions constitute a loan or extension of credit under Maryland law, they become subject to licensing laws enforced by the OFR. If the entity that offered or is offering the product was or is unlicensed and not exempt from licensing and the agreement is determined to be a loan or extension of credit, that agreement may be void and unenforceable and the entity making the agreement could be subject to penalties and other enforcement actions from OFR. OFR is advising consumers who have previously entered into one of these agreements to seek legal counsel or to file a complaint with OFR if they have concerns over the legality of the transaction.

Contact

If you would like to discuss whether your product would be considered a loan or extension of credit, please contact Assistant Commissioner Shereefat Balogun of the Office of Financial Regulation at 410-230-6390, or by email at shereefat.balogun@maryland.gov.

The Office of Financial Regulation, a division of the Maryland Department of Labor, is Maryland's consumer financial protection agency and financial services regulator. For more information, please visit our website at www.labor.maryland.gov/finance.



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