



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

---

# **2005 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.	Law Enforcement . . . . .	10
IV.	Communication with Builders and Consumers . . . . .	12
	a. Outreach to Builders . . . . .	12
	b. Consumer Education Pamphlet . . . . .	13
	c. HBRU Website . . . . .	13
V.	Coordination With Local Permit Offices . . . . .	14
VI.	Evaluating Consumer and Builder Dispute Resolution . . . . .	15
VII.	Warranty Program . . . . .	16
VIII.	Legislative Changes . . . . .	16

## I. EXECUTIVE SUMMARY

Prior to January 1, 2001, home builders were not required to be registered or licensed by the State of Maryland.<sup>1</sup> Existing 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.<sup>2</sup> The General Assembly heard testimony from home buyers about problems they faced with their builders that were not being adequately prevented or resolved by the then current law. In response to this testimony, the General Assembly in the 2000 Session passed the Maryland Home Builder Registration Act (the "Act" or "HBRA"). The HBRA is designed to provide additional protections to 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.

The Home Builder Registration Unit (the "Unit") of the Consumer Protection Division of the Office of the Attorney General was created by the HBRA to administer and enforce the Act. The Act requires that the Consumer Protection Division make an annual report of its activities to the Governor and General Assembly. This is the fifth report since the law became fully operational on January 1, 2001.

The report focuses on the following areas:

- **Registration of Builders:** 3,478 builders were registered as of June 30, 2005. 647 of those builders registered for the first time between July 1, 2004 and June 30, 2005.
- **Registration Renewal:** From July 1, 2004 to June 30, 2005, the Unit mailed renewal applications to 1,912 builders whose registrations were due to expire by June 1, 2004. 1,609 of those builders have renewed their registration as of June 30, 2005.
- **Law Enforcement:** The Unit opened 64 investigations between July 1, 2004 and June 30, 2005 after receiving reports of unregistered builders, violations of the Home

---

<sup>1</sup> Montgomery County and Prince George's County have varying forms of builder licensing or registration.

<sup>2</sup> New Home Deposits, Md. Code Ann., Real Property §10-301 et seq., Custom Home Protection Act, Md. Code Ann., Real Property §10-501 et seq., and New Home Warranty Security Plans, Md. Code Ann., Real Property §10-601 et seq.

Builder Registration Act, the Consumer Protection Act, or violations of the Custom Home Protection Act. In one action, the Consumer Protection Division issued a Final Order against a Beltsville builder, requiring him to refund payments of \$762,000 collected from consumers and pay penalties of \$516,000. The builder entered into contracts with consumers, accepted payments, and then failed to begin construction or refund the payments. The Consumer Protection Division also issued a Final Order against a Prince George's County builder, requiring him to pay restitution of \$23,500 and penalties of \$100,000 for taking deposits and payments from a consumer and then failing to begin the home. Charges have been brought in four other cases, the registration of two builders has been revoked, and the Unit entered into settlement agreements with another twenty-two builders. Most of the investigations concerning unregistered builders have been resolved by having the builder register or determining that the builder is no longer building in Maryland and is not required to register.

- **Education of Builders and Consumers:** As of June 30, 2005, the Unit had distributed a total of 167,374 copies of *BUYING A NEW HOME - Consumer Rights and Remedies Under Maryland Law*; met with home builders and consumers to educate them about their rights and responsibilities under Maryland law; and maintained and updated its website – [www.oag.state.md.us/homebuilder](http://www.oag.state.md.us/homebuilder) – to give consumers, builders, permit offices and the public information about registered builders, building laws, and home building issues for consumers.

- **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 e-mailed and sent to permit offices each month and are publicly available on the Unit's website.

- **Evaluation of Consumer and Builder Dispute Resolution:** The Division's Mediation Unit handled 458 consumer complaints involving 244 home builders between July 1, 2004 and June 30, 2005. The overwhelming majority of the complaints concerned claims about construction defects.

- **Warranty Programs:** During the 2002 Session, the General Assembly transferred to the Unit responsibility for New Home Warranty Security Plans, a program previously overseen by the Department of Labor, Licensing and Regulation. The Unit monitors information from the plans concerning their operation and claims experience to ensure the plans are continuing to meet the requirements of the new home warranty law.

- **Legislation:** During the 2005 Session, the General Assembly enacted legislation that would add violation of local laws to the grounds upon which the Unit may take disciplinary action against a builder.

## II. REGISTRATION OF BUILDERS

### A. THE HOME BUILDER REGISTRATION UNIT

A central requirement of the HBRA is that all new home builders in Maryland 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 \$300 for a two-year registration. The Act further provides for renewal fees for an additional two-year period of \$150 for builders who were issued 10 or fewer building permits during the preceding year and of \$300 for builders who were issued 11 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 a five-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 five positions include: a Director/Assistant Attorney General, an Administrator who oversees builder registration, an Administrator who oversees new home warranty security plans and builder compliance with deposit protection laws, an Investigator, and a Secretary.

### B. BUILDER REGISTRATION AND RENEWAL UNDER THE HBRA

The Act establishes a registration procedure that requires the disclosure by the builder of necessary information to the Unit, and the payment of the required registration fee. The Act does not provide for competency testing. The Unit has implemented the registration requirements with an objective of making registration an easy and quick procedure.

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 of \$300. 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, 2005, 3,478 home builders were registered with the Unit. Although many of these builders registered in late 2000 and early 2001 when the program first began, the Unit continues to receive registration applications from new builders on a daily basis. 647 new builders registered with the Unit between July 1, 2004 and June 30, 2005.

In the past year, the Unit mailed renewal notices to the 1,912 builders that registered under the HBRA, whose initial two year registrations were due to expire between March 1, 2005 and June 1, 2005. This group includes those builders who were operating in Maryland and initially registered in the beginning of 2001 when the program first started. As of June 30, 2005, 1,609 of these builders have been approved for renewal. 273 builders did not renew their registrations (127 notified the Unit that they were not renewing, 2 withdrew their applications, and 144 did not submit a renewal application). As of January 1, 2005, builders have been able to register and renew their registrations over the Internet. Of the 1,609 builders that have been renewed, 1,132 or 70% renewed their registration 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(f) and (k). The exceptions to the HBRA are narrowly drawn.<sup>3</sup> 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 3,478 registered builders in Maryland as of June 30, 2005. 647 of those builders registered for the first time between July 1, 2004 and June 30, 2005 and the Unit continues to receive new applications daily.
- **Type of Construction:** The vast majority of Maryland's builders report building either custom homes (47%) or new homes (36%). Another 7% report building condominiums, 6% report building industrialized buildings, and 3% report building mobile homes.
- **Form of Business:** The majority (52%) of Maryland's builders use corporations as their form of business organization. Another 27% are limited liability companies (LLCs), 18% are sole proprietorships, and 2% are partnerships.
- **Location of Builders and Housing Construction:** Not surprisingly, Maryland's builders continue to be located in the regions of Maryland that are experiencing the most new home building activity, as measured by the number of single family housing permits issued: 65.1% of building permits for single family construction were issued in the Washington Suburban Region and in the Baltimore Region, where 53% of Maryland's builders are headquartered. Both the Upper Eastern Shore and Southern Maryland Regions continue to remain consistent in the percentage of builders headquartered there (22.4% vs. 23.3% last year) but have shown a slight decrease in the percentage of statewide permits issued in the region (19.1% vs. 21.9% last year). Conversely, the Lower Eastern Shore Region has

---

<sup>3</sup> 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(f)(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.



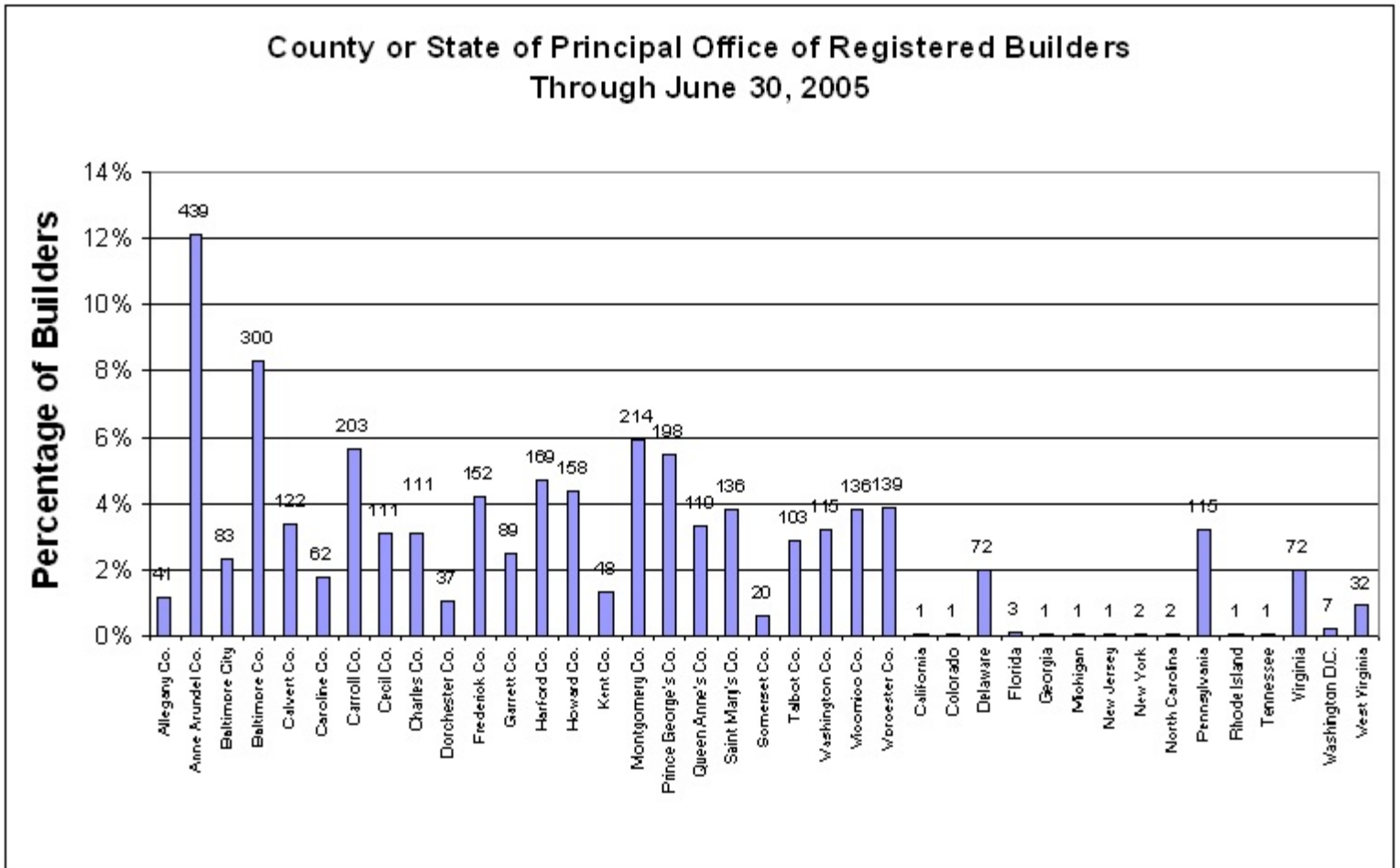
shown a slight increase in the number of permits for new homes issued (8.3% vs. 7.6% last year). The percentage of builders who registered in Maryland but were headquartered in other states increased slightly this year (8.6% vs. 8.2% last year).

The following chart shows the headquarters of builders in each region, the number of single family housing permits issued in each region from July 1, 2004 through June 30, 2005, and the percentage of the total number of single family housing permits issued in Maryland in each region during that period.

Region	Percentage of Builders With Headquarters in Region	Number of Permits Issued in Region (7/1/04 - 6/30/05)	Percentage of Statewide Permits Issued in Region
<b>Baltimore Region</b> (Anne Arundel, Baltimore City, Baltimore County, Carroll, Harford, Howard)	37.4%	7,499	34.7%
<b>Suburban Washington Region</b> (Frederick, Montgomery, Prince George's)	15.6%	6,562	30.4%
<b>Upper Eastern Shore Region</b> (Caroline, Cecil, Kent, Queen Anne's, Talbot)	12.2%	1,725	8.0%
<b>Southern Region</b> (Calvert, Charles, St. Mary's)	10.2%	2,405	11.1%
<b>Lower Eastern Shore Region</b> (Dorchester, Somerset, Wicomico, Worcester)	9.2%	1,794	8.3%
<b>Out of State</b> (California, Colorado, Delaware, Florida, Georgia, Michigan, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, Tennessee, Virginia, Washington, D.C., West Virginia)	8.6%		
<b>Western Region</b> (Allegany, Garrett, Washington)	6.8%	1,636	7.6%
Totals	100%	21,621	100%

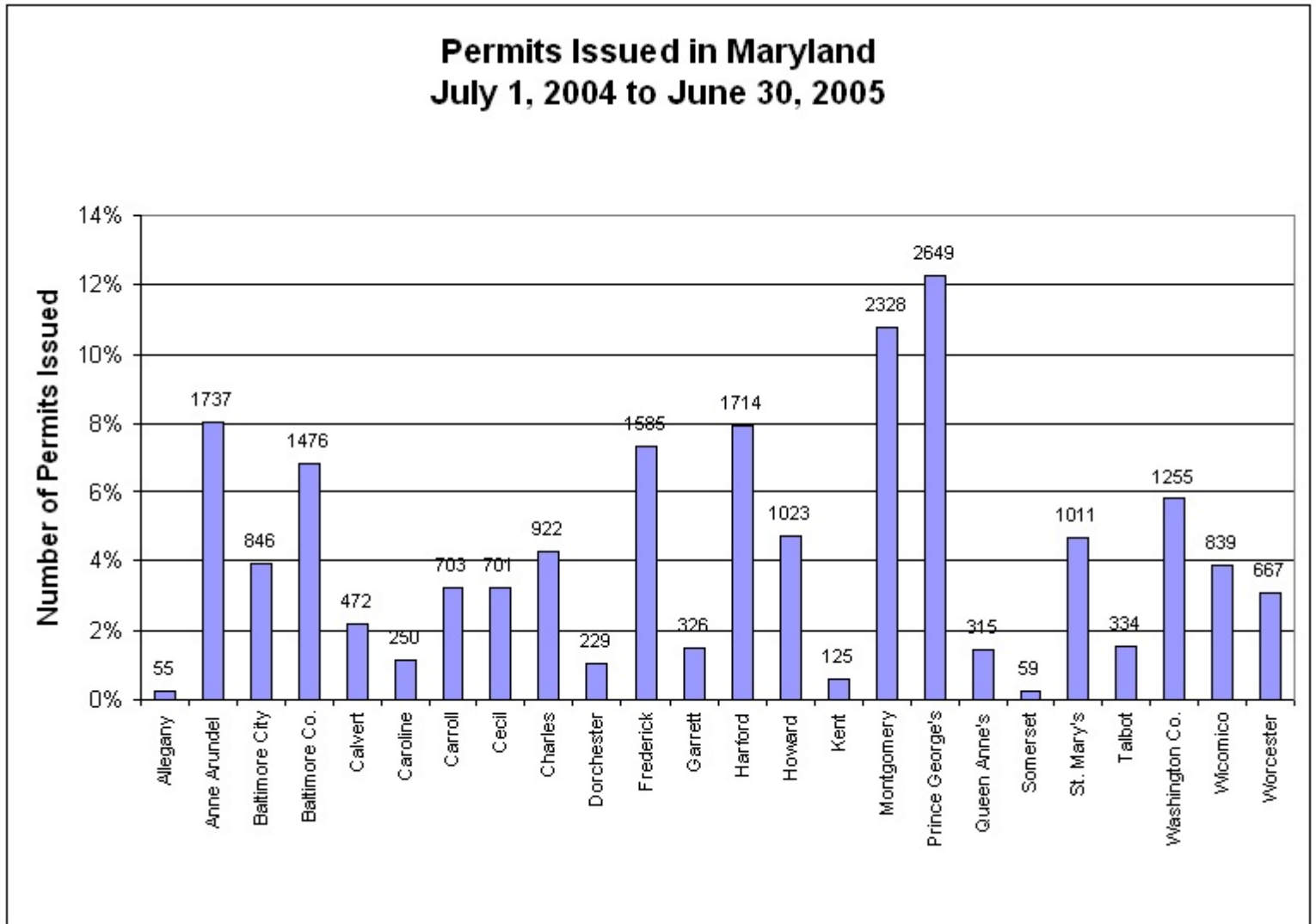
Source: HBRU and Md. Dept. of Planning, for Single Family Permits Issued July 1, 2004 through June 30, 2005

The following graph shows the breakdown of builders' headquarters for each county and state:



Source: HBRU

The following chart shows the number of permits issued in each county from July 1, 2004 through June 30, 2005.



Source: Md. Department of Planning data

### III. 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 legal violations 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 64 investigations between July 1, 2004 and June 30, 2005. These investigations involved allegations of violation of the HBRA, other home building related laws, or the Consumer Protection Act. Forty of these investigations have now been closed. Twenty-two of the investigations resulted in settlements, other enforcement actions have been taken in another six (charges filed in 4 cases and revocation of the builder's registration in 2 cases), and seventeen remain under continuing investigation. The Unit receives information from many sources, including consumers, other builders, and permit offices. The results of these enforcement actions are summarized as follows:

- The Consumer Protection Division issued a Final Order finding that a Beltsville builder and its principal entered into contracts with consumers to construct homes in Montgomery and Prince George's County, accepted partial payment from those consumers, but failed to begin construction or refund the consumers' money. The Agency found that the builder violated the Maryland Custom Home Protection Act and the New Homes Deposits Act by failing to place deposits and payments into an escrow account or having a surety bond to cover the deposit and that they violated the Consumer Protection Act by failing to build the homes as promised. The Agency also found that the principal of the company entered into contracts to build homes using the name of another company, whose application to register as a home builder was denied by the HBRU. The Agency's Order requires the builder to pay restitution of more than \$762,000, civil penalties of \$516,000 and costs of \$7,120 incurred by the Unit in bringing the action.
- The Consumer Protection Division issued a Final Order against a Prince George's County builder, requiring him to refund payments of \$23,500 collected from a consumer in Prince George's County and pay penalties of \$100,000. The Agency found that the builder from Temple Hills violated Maryland's Custom Home Protection Act by failing to place money paid by consumers into an escrow account or having a surety bond to cover the deposits; violated the Home Builder

Registration Act by acting as a home builder without being registered; and violated the Consumer Protection Act by failing to build homes as promised.

- The Consumer Protection Division issued a Final Order against a Garrett County home builder who it found took deposits and payments from a consumer and failed to complete construction, or refund the payments. The Agency found that the builder violated the Maryland Custom Home Protection Act, the Home Builder Registration Act and the Consumer Protection Act by failing to place the consumer's payments into an escrow account or having a surety bond to cover the deposit and by failing to build the home as promised. The Agency ordered the builder to pay restitution of \$28,603, civil penalties of \$100,000, and costs of \$1,778 incurred by the Unit in bringing the action. The HBRU also revoked the builder's registration.
- The Office of Administrative Hearings issued a Proposed Decision finding that two related Baltimore area home builders and their principals entered into contracts with consumers to construct homes in Baltimore City and Baltimore County, accepted partial payment from those consumers, and promised to begin construction. The Proposed Decision found that the builders either failed to begin or complete construction on a number of homes and have not refunded the money paid. The HBRU is seeking a Final Order from the Consumer Protection Division requiring the builders and their principals to pay restitution, civil penalties and the costs incurred by the Unit in bringing the action.
- The Office of Administrative Hearings issued a Proposed Decision in a case brought by the HBRU against another Garrett County home builder and its principals finding that they took deposits and payments from consumers and failed to complete construction or refund the payments. The Proposed Decision found that the builders' actions violated the Custom Home Protection Act and Consumer Protection Act. The HBRU is seeking a Final Order from the Consumer Protection Division requiring the builders and their principals to pay restitution, civil penalties and the costs incurred by the Unit in bringing the action. The HBRU has also revoked the builder's registration.
- The Consumer Protection Division issued an *Ex Parte* Cease and Desist Order against two related Prince George's County home builders and their principals, ordering the builders to pay restitution totaling \$104,203. The HBRU also filed a separate statement of charges alleging that one of the builders contracted with consumers to build homes in Prince George's County without registering with the HBRU and used the registration number of the other builder as its own, the builders failed to protect consumer deposits as required by the New Home Deposits Act, and promised but failed to complete construction of consumers' homes in violation of the Consumer Protection Act. The Unit reached a settlement under which the builder who had filed for bankruptcy, paid restitution of \$64,500, penalties of \$3,000, and costs of \$2,500.

- The Consumer Protection Division issued an *Ex Parte* Cease and Desist Order against a Baltimore home builder and its principals, ordering the builders to pay restitution totaling \$365,763. The HBRU also filed a separate statement of charges alleging that the builders violated the Consumer Protection Act by contracting with consumers to build homes in Prince George's County, collecting substantial payments from consumers, and failing to build the homes. The charges also alleged that the builder failed to protect consumer deposits as required by the New Home Deposits Act. A hearing on the charges was held on October 25, 2005 at the Office of Administrative Hearings. The HBRU has also revoked the builder's registration.
- The HBRU entered into Assurances of Discontinuance with fifteen builders to settle allegations that each of the companies acted as a home builder without having registered with the Unit in violation of the Home Builder Registration Act. The companies brought their registrations into compliance, agreed to penalties totaling \$26,000, and agreed to submit any complaints that cannot be resolved through mediation to binding arbitration through the Division's arbitration program. The builders were located in Baltimore, Anne Arundel, Montgomery, Prince George's, Garrett, Worcester, and Frederick Counties. One builder was located in Huntington, New York.
- The HBRU revoked the registration of a Calvert County builder after the builder was convicted of violating the Custom Home Protection Act. The builder was ordered to pay penalties of \$1,000.
- The HBRU revoked the registration of a Cecil County builder after it determined the builder had outstanding consumer judgments and had its Maryland Home Improvement License revoked.
- The HBRU settled proposed revocations of the registrations of two builders from Carroll County and from Virginia after their registration checks were returned for insufficient funds. In addition to paying the registration fees, the builders each paid a penalty of \$500.

#### **IV. COMMUNICATION WITH BUILDERS AND CONSUMERS**

##### **A. OUTREACH TO BUILDERS**

The Home Builder Registration Unit continued to travel throughout the State to meet with builders and consumers about issues related to new home builders. The Unit has also continued to correspond with builders to keep them updated about issues affecting them. The Unit writes to builders notifying them that their registration will be expiring in three months and providing 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. Additionally, the Unit began sending e-mails to builders on a quarterly basis advising them about enforcement actions brought by the Unit.

## **B. CONSUMER EDUCATION PAMPHLET**

The HBRA required 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 shall be acknowledged in writing. HBRA §4.5-202(c).

The Unit consulted with the industry, and developed and published a consumer education pamphlet, *BUYING A NEW HOME - Consumer Rights and Remedies Under Maryland Law*, in December, 2000. The Unit also drafted and distributed a model form for the consumer to sign to acknowledge receipt of the pamphlet. The Unit recently updated the pamphlet to reflect recent changes to the law. A copy of the revised pamphlet is attached.

As of June 30, 2005, the Unit had distributed a total of 167,374 consumer information pamphlets to builders. Between July 1, 2004 and June 30, 2005, the Unit distributed 21,956 pamphlets to builders.

## **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 has been operational since January, 2001 and is updated regularly as information changes. Since the website can be accessed by anyone with Internet access, it is a significant mode of outreach and is an education resource for both consumers and builders. The Unit has added to the website the ability to search for builders either by the name of the builder or by registration number. The website address is [www.oag.state.md.us/homebuilder](http://www.oag.state.md.us/homebuilder). On the website can be found:

- Information about the Home Builder Registration Unit, the Home Builder Registration Act, and the responsibility of builders 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. Since January 1, 2005, builders have been able to register and renew their registrations over the Internet.
- The Home Builder Registration Act and other applicable 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 that builders can use for the protection of consumer deposits.
- A sample Letter of Credit that builders can use for the protection of consumer deposits.
- The 2004, 2003, 2002 and 2001 Annual reports of the Home Builder Registration Unit.
- The Report prepared by the Unit in December 2003 regarding the feasibility of creating a Home Builder Guaranty Fund.

#### **V. COORDINATION WITH LOCAL PERMIT OFFICES**

Permit offices play a pivotal role in implementing the Home Builder Registration Act. First, the building and permits department of a county 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, within a reasonable period of time, fails to correct a building code violation.

The Unit has communicated regularly with the 42 local and municipal permit offices across the state. An informational letter and copies of the registration packets were provided to the offices for distribution to builders in need of registration. The Unit continues to e-mail and send out printed copies of the lists of registered and expired builders to local permit offices on a monthly basis and communicates with them regularly. Additionally, permit offices are encouraged to check the Unit's website to find out if a builder applying for a permit is registered.



## VI. EVALUATING CONSUMER AND BUILDER DISPUTE RESOLUTION

The Home Builder Registration Act requires that the Unit “collect and maintain information on the resolution of consumer complaints involving new home builders.” HBRA §4.5-202(d). Although there is no central repository of information about consumer/builder disputes, consumer complaints filed with the Mediation Unit of the Consumer Protection Division are illustrative.

Between July 1, 2004 and June 30, 2005, the Mediation Unit of the Consumer Protection Division received 458 written consumer complaints filed against 244 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.

Of the complaints received by the Division’s Mediation Unit, 72.5% of the complaints were mediated; 6.7% were arbitrated; 7.6% were closed after the Division provided advice to the consumer; 6% were filed for information only; 1.7% were referred to other agencies having jurisdiction; and 5.5% had other miscellaneous resolutions. Sixty-two percent (62%) 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 \$75,701.28.

The 458 written complaints raised the following issues (many complaints included more than one issue):

- *Construction Defect Issues* (204);
- *Contract Disputes* (97);
- *Incomplete Construction* (59), including disputes between the builder and owner about whether construction has been completed;
- *Warranty Issues* (49);
- *Misrepresentation Claims* (21), including claims that the finished home was not constructed in the manner promised by the builder.
- *Deposit Issues* (6), including consumers seeking return of their deposits after being denied financing or withdrawing from their contract for other reasons;

Consumers also filed complaints against builders with the Montgomery County Office of Consumer Affairs and with the Howard County Office of Consumer Affairs. Between July 1, 2004 and June 30, 2005, there were 46 complaints filed in Montgomery County. In Howard County, 8 were handled during this period.

**VII. WARRANTY PROGRAM**

During the 2002 Session, the Maryland General Assembly enacted Chapter 492, which transferred responsibility for New Home Warranty Security Plans from the Department of Labor, Licensing and Regulation to the Home Builder Unit. Six New Home Warranty Security Plans are currently approved to operate in Maryland. The Unit requests information from the plans concerning their operations and claims experience to ensure the plans are continuing to meet the requirements of the New Home Warranty law.

In 2004, the six approved plans reported the enrollment of 14,027 new homes for warranty coverage. From those new homes the plans reported a total of 392 claims for warranty coverage. Enrollment and claims figures for 2005 are not yet available.

New Home Warranty Security Plans are required to notify the Unit of a decision to deny warranty coverage for any part or all of a claim. Since July 1, 2004, the Unit has received notice of 154 warranty claims. All claims were denied except for four that were approved and one is pending.

The claims that were denied raised the following issues:

- *Structural Defect* (110), including the plan's claim that the defect did not meet the statutory definition of a structural defect (82), warranty coverage having expired (14), and defect excluded by plan (14);
- *Material/Workmanship* (23), including the warranty coverage expired (13), defect excluded by plan (8), the defect claimed being within performance standards (2);
- *Plumbing/Electrical/HVAC* (5), including warranty coverage having expired (3), defect excluded by plan (1), the defect claimed being within performance standards (1);
- *Defect Not Described* (11).

**VIII. LEGISLATIVE CHANGES**

During the 2005 Session, the Maryland General Assembly amended the Home Builder Registration Act to add violations of local or environmental laws to the grounds upon which the Home Builder Registration Unit may deny a builder's registration application or revoke or suspend a builder's registration. The law took effect June 1, 2005.