



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

2007 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**

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I. EXECUTIVE SUMMARY

Prior to January 1, 2001, home builders were not required to be registered or licensed by the State of Maryland.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.² 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 seventh report since the law became fully operational on January 1, 2001.

The report focuses on the following areas:

- **Registration of Builders:** 3,917 builders were registered as of June 30, 2007. 466 of those builders registered for the first time between July 1, 2006 and June 30, 2007.
- **Registration Renewal:** From July 1, 2006 to June 30, 2007, the Unit mailed renewal applications to 2,549 builders whose registrations were due to expire by June 1, 2007. 2,141 of those builders have renewed their registration as of June 30, 2007.
- **Law Enforcement:** The Unit opened 56 investigations between July 1, 2006 and June 30, 2007 after receiving reports of unregistered builders, violations of the Home

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

² 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 Circuit Court for Prince George's County upheld a Final Order issued by the Consumer Protection Division against a Baltimore builder, requiring him to refund payments of \$1,107,249 collected from consumers and pay penalties of \$509,000. 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 requiring a Montgomery County builder to pay restitution and damages totaling \$673,854.82 to six consumers, and to pay \$122,000 in penalties and \$7,925 in costs for failing to complete construction of homes in Montgomery and Prince George's counties. Charges and/or Notices of Proposed Agency action have been brought in eight other cases, and the Unit entered into settlement agreements with another twenty builders. Most of the investigations concerning unregistered builders have been resolved by having the builder register and pay a civil penalty.

- **Education of Builders and Consumers:** As of June 30, 2007, the Unit had distributed a total of 210,132 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 – to provide information to the public, consumers, builders, and permit offices about registered builders, building laws, and home building.

- **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 mailed 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 358 consumer complaints involving 328 home builders between July 1, 2006 and June 30, 2007. The overwhelming majority of the complaints concerned claims about construction defects.

- **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.

• **Legislation:** During the 2007 Session, the General Assembly enacted legislation requiring sales agents of new home builders in Maryland to hold real estate licenses issued by the Maryland Real Estate Commission. The General Assembly also enacted legislation requiring the seller of property that is subject to a conservation easement to provide to the purchaser a copy of all conservation easements encumbering the property before entering into the contract.

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 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 an objective of making registration an easy and quick procedure.

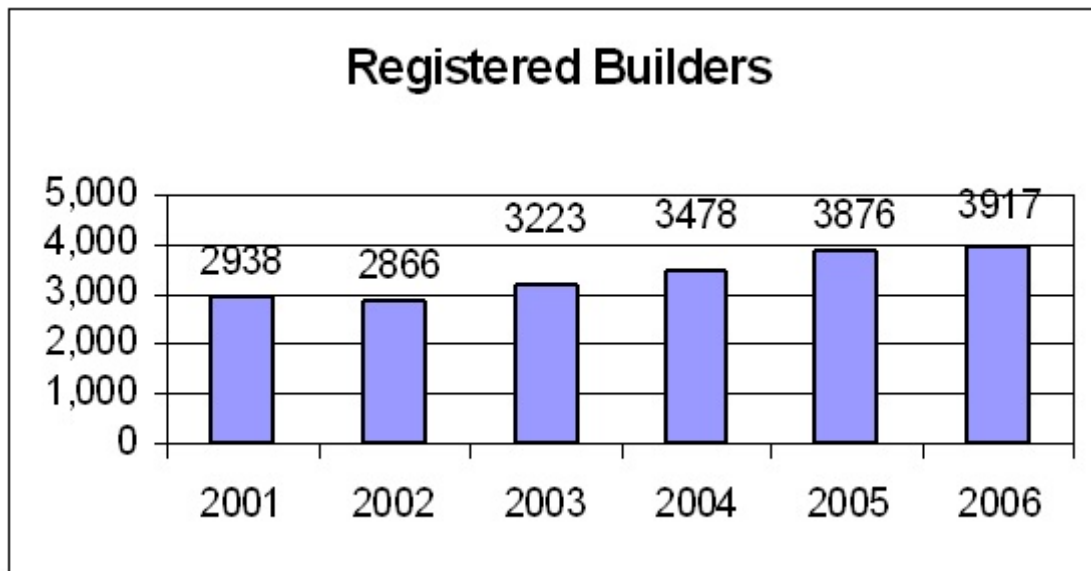
To register, builders are required to complete an application form, provide information about the principals of the company and legal proceedings involving the builder, and pay the registration fee of \$300. Each builder's registration lasts two years and expires on one of four quarterly dates based 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, 2007, 3,917 home builders were registered with the Unit. The Unit continues to receive registration applications from new builders on a daily basis. 466 new builders registered with the Unit between July 1, 2006 and June 30, 2007.

The following chart shows the number of registered builders reported in the Annual Report since 2001 and shows a continued increase in the number of builders in the State of Maryland.



Source: HBRU

In the past year, the Unit mailed renewal notices to the 2,549 builders that registered under the HBRA, whose initial two year registrations were due to expire between September 1, 2006 and June 1, 2007. 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, 2007, 2,141 of these builders have been approved for renewal. 355 builders did not renew their registrations (137 notified the Unit that they were not renewing, 4 withdrew their applications, and 214 did not submit a renewal application). Since January 1, 2005, builders have been able to register and renew their registrations over the Internet. Of the 2,141 builders that have been renewed, 1,821 (85%) 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.³ 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 3,917 registered builders in Maryland as of June 30, 2007. 466 of those builders registered for the first time between July 1, 2006 and June 30, 2007 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 (35%). Another 8% report building condominiums, 7% report building industrialized buildings, and 3% report building mobile homes.
- **Form of Business:** The majority (50%) of Maryland's builders use corporations as their form of business organization. Another 31% are limited liability companies (LLCs), 17% 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: 68.6% of building permits for single family construction were issued in the Baltimore-Washington Region, where 53% of Maryland's builders are headquartered. 10.7% of building permits were issued in the Eastern Shore Regions, where 20.7% of Maryland's builders are headquartered. The Southern Region was issued 14.6% of the building permits and provided headquarters for 10.1% of Maryland's builders. The Western

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(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.

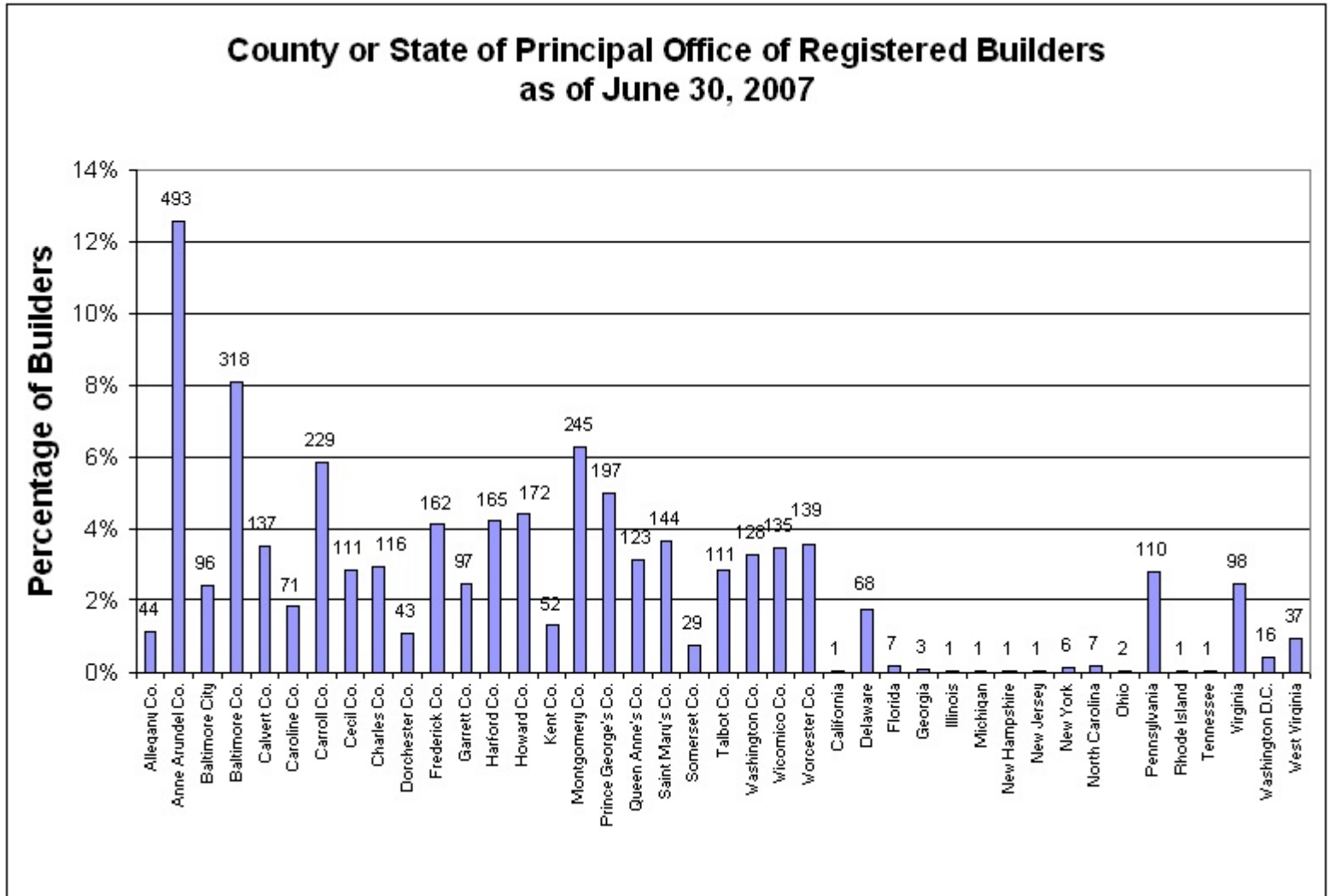
Region was issued 5.3% of building permits and provided headquarters for 6.9% of Maryland's builders. 9.2% of builders had headquarters that were out of state.

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, 2006 through June 30, 2007, 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 (7/1/06 - 6/30/07)	Percentage of State-wide Permits Issued in Region
Baltimore Region (Anne Arundel, Baltimore City, Baltimore County, Carroll, Harford, Howard)	37.6%	4,969	35.3%
Suburban Washington Region (Frederick, Montgomery, Prince George's)	15.4%	4,690	33.3%
Upper Eastern Shore Region (Caroline, Cecil, Kent, Queen Anne's, Talbot)	11.9%	763	5.4%
Southern Region (Calvert, Charles, St. Mary's)	10.1%	2,061	14.6%
Lower Eastern Shore Region (Dorchester, Somerset, Wicomico, Worcester)	8.8%	753	5.3%
Out of State (California, Delaware, Florida, Illinois, Michigan, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Tennessee, Virginia, Washington, D.C., West Virginia)	9.2%		
Western Region (Allegany, Garrett, Washington)	6.9%	846	6.0%
Totals	100%	14,082	100%

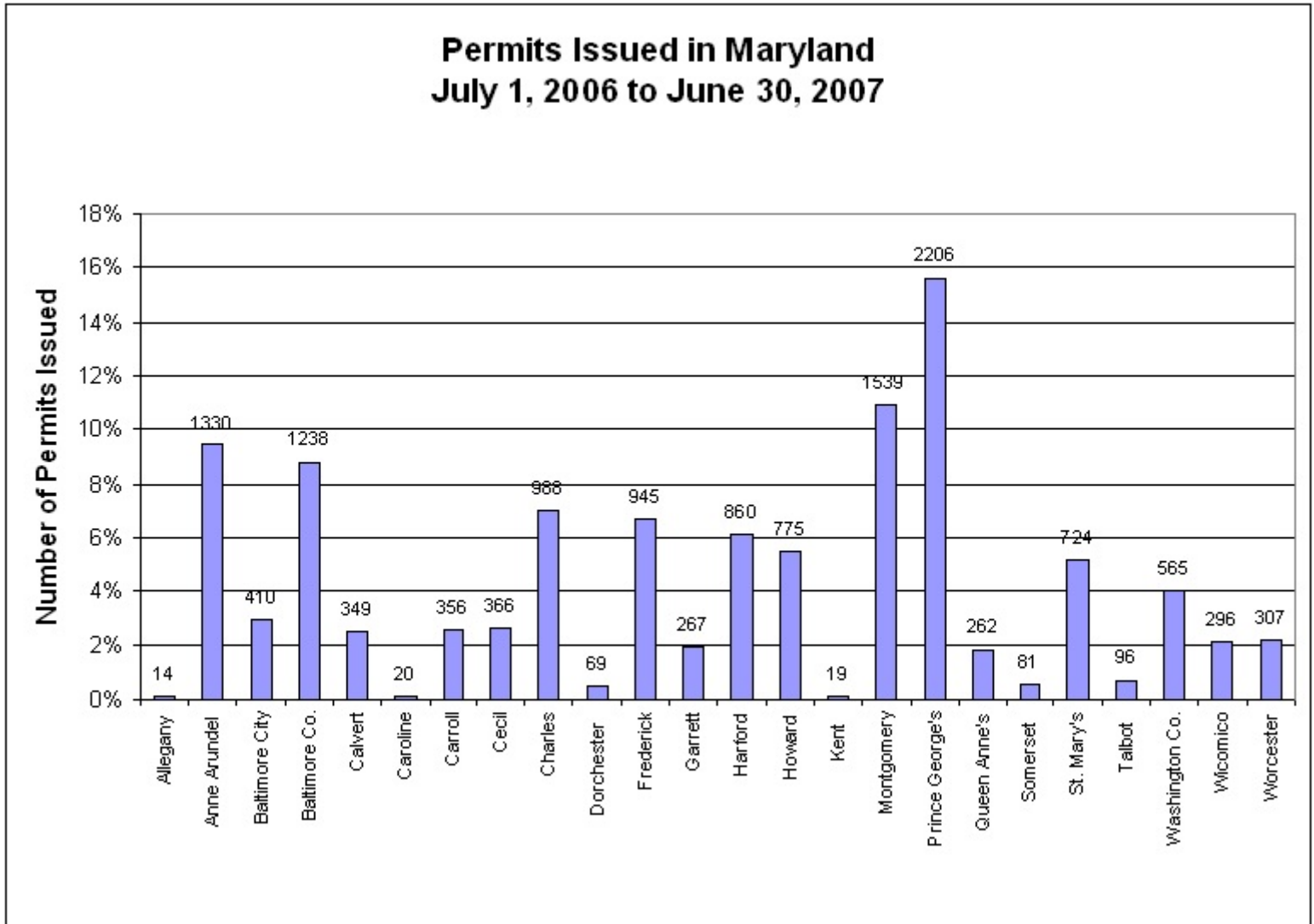
Source: HBRU and Md. Dept. of Planning, for Single Family Permits Issued July 1, 2006 through June 30, 2007

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, 2006 through June 30, 2007.



Source: Md. Department of Planning data, Dorchester County, Somerset County & Talbot County Permit Authority

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 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 56 investigations between July 1, 2006 and June 30, 2007. These investigations involved allegations of violations of the HBRA, other home building related laws, or the Consumer Protection Act. Twenty of the investigations resulted in settlements, other enforcement actions have been taken in another nine (revocation and/or charges filed in 8 cases, and denial of registration in 1 case), and twenty-seven remain under continuing investigation. The Unit receives information from many sources, including consumers, other builders, and permit offices. The results of some of these enforcement actions are summarized as follows:

- The Circuit Court for Prince George's County upheld a Final Order issued by the Consumer Protection Division requiring a Baltimore builder and its principals to pay restitution of more than \$1,107,249, civil penalties of \$509,000, and costs of \$6,428.06. The builder had entered into contracts with consumers to construct homes in 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 Home Builder Registration Act by acting as a builder while not registered; the New Home Deposits Act by failing to place deposits and payments into an escrow account or having a surety bond to cover the deposit; and the Consumer Protection Act by failing to build the homes as promised.
- Consumer Protection Division issued a Final Order requiring a Montgomery County builder to pay restitution and damages totaling \$673,854.82 to six consumers, and to pay \$122,000 in penalties and \$7,925 in costs. The builder contracted to build, but either never commenced or failed to complete, at least six homes that were to be built in Montgomery and Prince George's counties.

The Division found by providing false information to the Consumer Protection Division concerning prior bankruptcies and judgments, the builder fraudulently obtained a registration in violation of the Home Builder Registration Act. The Division found that the builder further violated the Home Builder Registration Act, and also the Consumer Protection Act, Custom Home Protection Act and New Home Deposits Act by engaging in poor workmanship; accepting payments from consumers and failing to build their homes; failing to escrow or otherwise protect consumers' deposits and other payments; and failing to include required disclosures and certifications in her building contracts.

- The Consumer Protection Division issued a Final Order requiring a Camden, Delaware builder to pay restitution of \$49,348 and civil penalties of \$31,000. The builder, who failed to complete a home in Prince George's County, was found to have violated the Home Builder Registration Act, the Custom Home Protection Act, and the Consumer Protection Act, by acting as a builder while not registered, failing to properly protect deposits and payments made by the consumer, and failing to complete construction of the home.
- The Consumer Protection Division reached a settlement with a builder from Columbia, Maryland for failing to resolve a number of building code violations in Charles County. The company has since resolved the code violations and entered into a settlement agreement with the Division in which it agreed to comply with applicable laws or regulations that relate to building homes; comply with all registration and renewal requirements; arbitrate consumer complaints; and pay a penalty of \$3,000.
- The Office of Administrative Hearings issued a Proposed Decision finding that a builder from Lancaster, Pennsylvania entered into contracts to construct homes for consumers whose homes had been destroyed by Hurricane Isabel and then failed to either begin or complete construction of the homes or refund any of the money paid. In one case the builder took \$41,500 from a consumer and then failed to begin construction. The Proposed Decision found violations of the Home Builder Registration Act, the Custom Home Protection Act, and the Consumer Protection Act and recommended that the builder and its principals pay restitution, civil penalties, and costs. The HBRU is seeking a Final Order from the Consumer Protection Division in this case.
- The Office of Administrative Hearings issued a Proposed Decision in a case brought by the HBRU against a Garrett County home builder and its principal finding that the builder took deposits and payments from a consumer and then failed to complete construction or refund the payments. The Proposed Decision found that the builders' actions violated the Home Builder Registration Act, the

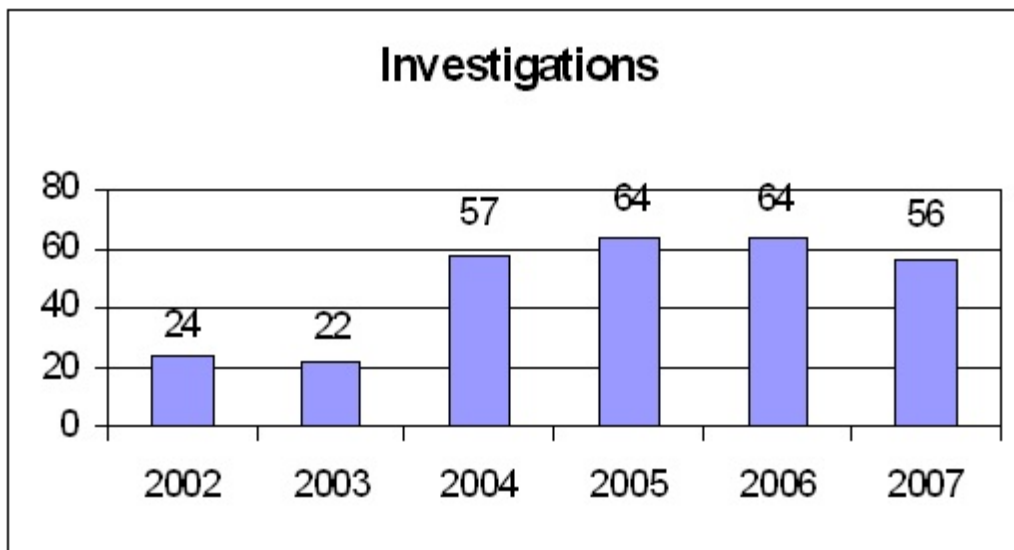
Custom Home Protection Act, and the Consumer Protection Act. The HBRU is seeking a Final Order from the Consumer Protection Division requiring the builder and its principal to pay restitution, civil penalties and the costs incurred by the Unit in bringing the action. The HBRU has also revoked the builder's registration.

- The Office of Administrative Hearings issued a Proposed Decision against a builder from Pittsburgh, Pennsylvania and its principal finding that the builder operated without registration, took deposits and payments from a consumer and then failed to complete construction of the home or refund the payments made. The Proposed Decision found that the builders' actions violated the Home Builder Registration Act, the Custom Home Protection Act, and the Consumer Protection Act. The HBRU is also seeking a Final Order from the Consumer Protection Division in that case requiring the builder to pay restitution, civil penalties and the costs incurred by the Unit in bringing the action.
- The Consumer Protection Division filed a Statement of Charges seeking injunctive relief, restitution, and civil penalties against a home builder from Savage, Maryland for failing to begin or complete the homes of consumers in Prince George's County. The Division alleges that the builder violated the laws governing deposits on new homes by failing to place the deposits into an escrow account or having a surety bond to cover the deposits, and that it violated the Home Builder Registration Act and the Consumer Protection Act by failing to build the homes as promised. In one instance, the consumer paid the company \$34,000 and the home was never begun. The HBRU has also revoked the builder's registration. A hearing on the charges and revocation was held on August 24, 2007.
- The Consumer Protection Division also filed a Statement of Charges against a home builder from Bel Air, Maryland. The Division alleges that the company violated the Maryland Custom Home Protection Act and the laws governing deposits on new homes by failing to place the deposits into an escrow account or having a surety bond to cover the deposits, and by failing to pay subcontractors; and that it violated the Home Builder Registration Act and the Consumer Protection Act by failing to complete the homes as promised. The HBRU has also revoked this builder's registration. A hearing on the charges was convened on July 20, 2007.
- The HBRU entered into Assurances of Discontinuance with twenty builders to settle allegations that the companies acted as home builders without having registered with the Unit in violation of the Home Builder Registration Act or

engaged in other violations. The companies brought their registrations into compliance, agreed to penalties totaling \$22,500, 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 Anne Arundel, Baltimore, Calvert, Howard, Montgomery, Prince George's, Talbot, and Worcester Counties. One builder was located in Laurel, Delaware and another in Florida.

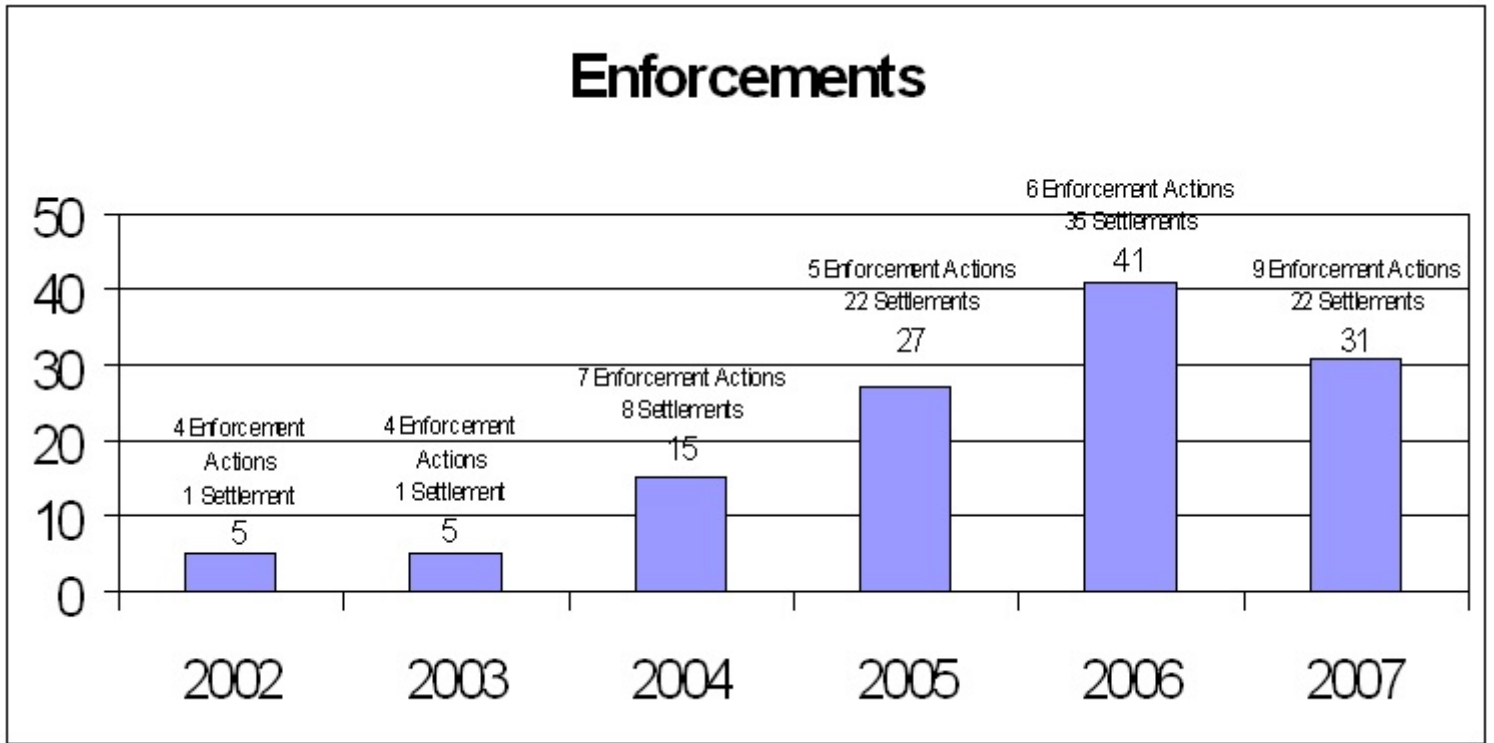
- The HBRU revoked the registration of a builder who failed to complete homes as promised or return any of the money paid.
- The HBRU also denied the application of a builder from Wheaton, Maryland who failed to disclose lawsuits and judgments against its principal on its application to renew.

The following chart shows the number of Investigations reported in the Annual Reports since 2001.



Source: HBRU

The following chart shows the number of Enforcement Actions reported in the Annual Reports since 2001.



Source: HBRU

IV. COMMUNICATION WITH BUILDERS AND CONSUMERS

A. OUTREACH TO BUILDERS

The Unit has 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.

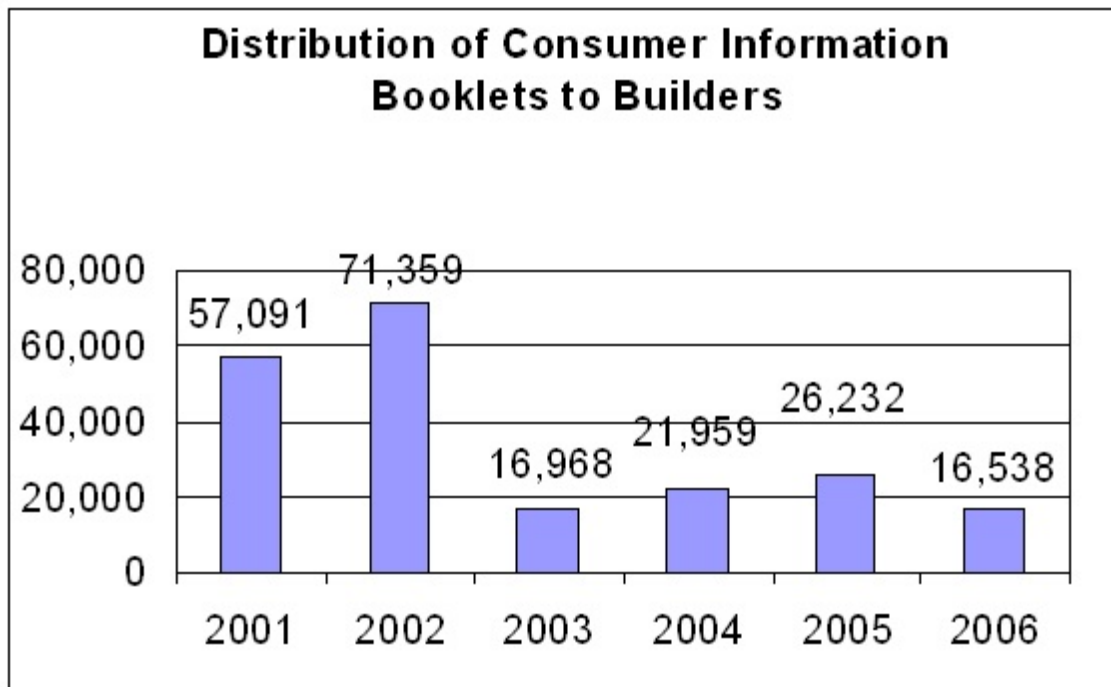
B. CONSUMER EDUCATION PAMPHLET

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 available on our website at www.oag.state.md.us/homebuilder.

As of June 30, 2007, the Unit had distributed a total of 210,132 consumer information pamphlets to builders. Between July 1, 2006 and June 30, 2007, the Unit distributed 16,538 pamphlets to builders.

The following chart shows the number of Consumer Information Booklets distributed to Builders since 2001.



Source: HBRU

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 educational 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. 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, and updates to those law.
- 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.
- Previous 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 can 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 has communicated regularly with the 42 local and municipal permit offices across the state. 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

Between July 1, 2006 and June 30, 2007, the Mediation Unit of the Consumer Protection Division handled 358 written consumer complaints filed against 328 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.

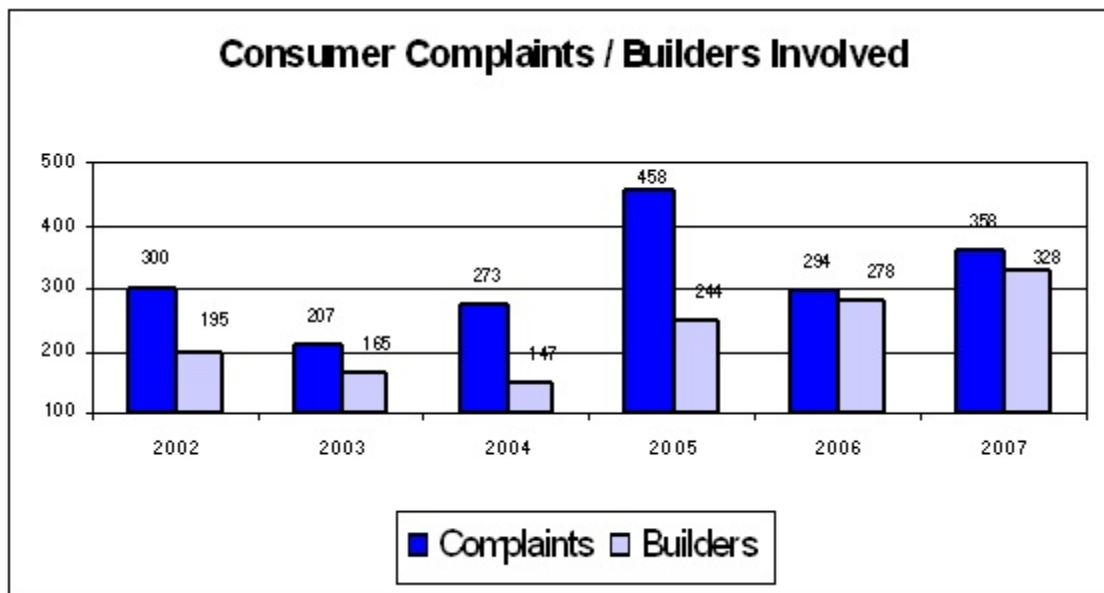
Of the complaints received by the Division's Mediation Unit, 65.8% of the complaints were mediated; 10% were filed for information only; 5.5% were resolved by the consumer; 3.5% were closed after the Division provided advice to the consumer; 2.4% were referred to other agencies having jurisdiction; 2.2% were arbitrated; and 10.3% had other miscellaneous resolutions. Forty-four percent (44%) 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 \$333,565.22.

The 354 written complaints raised the following issues (many complaints included more than one issue):

- *Construction Defect Issues* (135);
- *Contract Disputes* (42);
- *Incomplete Construction* (33), including disputes between the builder and owner about whether construction has been completed;
- *Warranty Issues* (27);
- *Deposit Issues* (19), including consumers seeking return of their deposits after being denied financing or withdrawing from their contract for other reasons; and
- *Misrepresentation Claims* (12), including claims that the finished home was not constructed in the manner promised by the builder.

Consumers also filed complaints against builders with the Montgomery County Office of Consumer Protection and with the Howard County Office of Consumer Affairs. Between July 1, 2006 and June 30, 2007, there were 29 complaints filed in Montgomery County. In Howard County, 14 were handled during this period.

The following chart shows the number of Consumer Complaints compared to the Number of Builders Involved since 2001.



Source: HBRU

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. There are seven third party warranty plans approved for operation in Maryland. The Unit requests information from each plan concerning their operations and claims experience to ensure the plans are meeting the requirements of Maryland law.

In 2006, the seven approved plans reported a total enrollment of 16,865 homes. From those homes, the plans reported a total of 386 claims for warranty coverage in 2006 with 194 of the claims being denied. The warranty plans determined that another 176 claims were either out of scope of the plan coverage, warranty coverage had expired, or the claim was resolved without action by the plan. Sixteen claims were paid by the plans in 2006. Enrollment and claims statistics are not yet available for 2007.

New Home Warranty Security Plans are required to notify the Home Builder Unit of each decision to deny warranty coverage for a claim or any part of a claim. From July 1, 2006 to June 30, 2007 the Unit has received notice of 129 warranty claims. From the same time period, the warranty plans reported that only six claims for coverage were accepted, including one that was partially accepted. The claims that were denied are categorized with the plan's response as follows (the warranty plans failed to identify the nature of the defect(s) for seven of the denied claims):

- Structural Defects (84), including the plan's claim that the defect did not meet the plan's definition of a structural defect (75), warranty coverage expired (8), and defect excluded by plan (1);
- Material/Workmanship Defects (32), including warranty coverage expired (27), and defect excluded by plan (5);
- Plumbing/Electrical/HVAC (6), including warranty coverage expired (5), and defect excluded by the plan (1)

Type of Claim	Claims Denied in 2005	Claims Denied in 2006
Structural Defects	90	84
Material/Workmanship Defects	35	32
Plumbing/Electrical/HVAC Defects	8	6
Unknown Defects	6	7

VIII. **LEGISLATIVE CHANGES**

The General Assembly enacted Chapter 274 - State Real Estate Commission - Sales Agents for Home Builders - Licensure, which, effective October 1, 2007, requires sales agents of new home builders in Maryland to hold real estate licenses issued by the Maryland Real Estate Commission. There are three categories of licenses issued by the Commission – broker, associate broker, and salesperson. Salespersons and associate brokers must be affiliated with a real estate brokerage that is headed by a broker. The broker is responsible for supervising the activities of the salespersons and associate brokers; they in turn offer real estate brokerage services through that brokerage. The Home Builder Registration Unit and Real Estate Commission have prepared a Frequently Asked Questions document explaining many of the requirements of the new law, which is available at the Attorney General's website, www.oag.state.md.us/homebuilder, or by contacting the Home Builder Registration Unit.

The General Assembly also enacted Chapter 606 - Sale of Property Encumbered by a Conservation Easement, effective October 1, 2007. The seller of property that is subject to a conservation easement must give the purchaser, on or before entering into a contract of sale for the property, or within 20 calendar days after entering into the contract of sale, a copy of all conservation easements encumbering the property. The contract of sale must also contain a disclosure, the text of which is set forth in the law. Failure to comply with these requirements gives the purchaser the right to rescind the contract of sale.