

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 827 (Delegate Owings)
Environmental Matters

Landlord and Tenant - Residential Leases - Reservation Fees

This bill authorizes a landlord to require a prospective tenant to pay a reservation fee, of up to one month's rent, to reserve a unit for lease. If the prospective tenant does execute a lease and take possession of the rental unit, the landlord must, within 30 days after the tenant takes possession: (1) refund the fee; or (2) credit the fee to the tenant's account. If a landlord approves a prospective tenant's lease application and sends written notice within five days after the approval and the tenant fails to execute the lease or refuses to take possession of the unit within five days after the date of the notice, the landlord may withhold the fee or any portion of it for any loss or damage sustained as a result of the prospective tenant's failure to execute a lease or refusal to take possession of the unit. A landlord that fails to comply with the bill is liable in a civil action for damages of up to twice the fee amount.

Fiscal Summary

State Effect: Assuming that the Consumer Protection Division within the Office of the Attorney General receives fewer than 50 complaints per year stemming from this bill, any additional workload could be handled with existing resources.

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law: For nonseasonal and noncondominium rentals with five or more dwelling units for rent on one parcel or at one location, an application for a lease must contain: (1) a statement that explains the liabilities which the prospective tenant incurs upon signing the application; and (2) a disclosure explaining any fees in addition to a security deposit which the prospective tenant must pay. If a landlord requires a prospective tenant to pay fees that exceed \$25, in addition to a security deposit, the landlord must return the fees or be liable for twice the amount of the fees in damages, except that portion of the fees expended for a credit check or other expenses arising out of the application. A landlord must return any portion of the fees not actually spent on the tenant's behalf. The fees must be returned within 15 days following occupancy or written communication that no tenancy will occur.

Small Business Effect: Landlords that are small businesses could experience an increase in revenues from reservation fees because of the bill, up to the price of each unrented unit's monthly rental rate.

Additional Information

Prior Introductions: Similar bills were introduced in the 2003 and 2002 sessions. In 2003, HB 638 received an unfavorable report from the House Environmental Matters Committee. In 2002, HB 449 received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

Information Source(s): Office of the Attorney General, (Consumer Protection Division), Department of Legislative Services

Fiscal Note History: First Reader - February 26, 2004
mam/jr

Analysis by: Ryan Wilson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510