



# Montgomery County

## Office of Intergovernmental Relations

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**HB 1108**

**DATE: February 23, 2024**

**SPONSOR: Delegate Boyce**

**ASSIGNED TO: Environment and Transportation**

**CONTACT PERSON: Leslie Frey**

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**POSITION: FAVORABLE WITH AMENDMENTS (Department of Housing and Community Affairs)**

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### **Real Property - Residential Leases - Fee in Lieu of a Security Deposit**

House Bill 1108 provides an option for landlords to offer a prospective tenant the payment of a monthly fee, not to exceed two month's rent, in lieu of a security deposit for the duration of a residential lease subject to certain requirements. The tenant may also request to pay the landlord a security deposit instead of the monthly fee at any time and stop paying the monthly fee beginning the month following the payment of the security deposit. Additionally, the Bill requires landlords to purchase insurance coverage using the fee collected in lieu of a security deposit, establishes procedures for a landlord who does not purchase insurance coverage, and for an insurer that terminates insurance coverage, among other provisions.

Montgomery County Department of Housing and Community Affairs (MCDHA) supports the policy implications of House Bill 1108 as it will remove a barrier faced by many lower-income Marylanders when they seek to rent housing. Prospective tenants may have difficulty providing the security deposit and could benefit from a fee in lieu of a security deposit, which would not be refundable at the time of lease expiration the way a security deposit would be refunded. Landlords would be able to market to tenants the opportunity to avoid the upfront cost of a security deposit, with payments over the term of the lease equal to the security deposit. Tenants would still be responsible for any additional charges for damages beyond reasonable wear resulting from normal use of the premises in addition to the fee.

MCDHCA respectfully requests the following amendments to House Bill 1108 (in detail on following page) to eliminate inconsistencies within the bill and to address practical challenges with a timeframe set in the bill. On page 4 line 4 strike "will" and substitute "may": the payment in lieu of the security deposit may be refundable in the same manner as a security deposit may be refundable. On page 7 line 31, strike the administration fee: tenants should not pay for administration fees which the landlord could set at any level, irrespective of the actual burden of securing insurance. The fee in lieu of the security deposit should only be used for the cost to purchase insurance. On page 8 line 27, strike the provision permitting a landlord to give 60 days' notice prior to terminating a fee in lieu of a security deposit. This provision would allow a landlord to eliminate the ability of the tenant to use the fee in lieu of a security deposit in the middle of a lease, therefore allowing a landlord to breach the lease so long as they give notice. This would be unfair to tenants and practically speaking would not be logical, as the tenant would then have to move to a security deposit after already signing a lease providing for a fee in lieu of a security deposit. On page 9 line 11, amend the language to give landlords 45 days to evaluate the property on the termination of the tenancy and determine any costs incurred. As drafted, landlords would immediately need to know the costs incurred by the tenant which is not practical, and it would align the timeframe given to landlords to evaluate costs if a tenant had paid a security deposit. Finally, notice should be given to the tenants by certified mail sent to their last known address as with other provisions in the bill.

MCDHCA urges the committee to issue a favorable report on House Bill 1108 with these amendments.

AMENDMENTS TO HOUSE BILL 1108

(First Reading File Bill)

AMENDMENT NO. 1

On page 4, in line 4, strike “WILL” insert “MAY”.

AMENDMENT NO. 2

On page 7, in line 31, strike “AND ADMINISTERING”.

AMENDMENT NO. 3

On page 8, in line 27, strike beginning with “A” continuing though “(5)” in line 29.

AMENDMENT NO. 4

On page 8, in line 4, strike “(6)” and insert “(5)”.

AMENDMENT NO. 5

On page 9, in line 11, strike “ON” and substitute “WITHIN 45 DAYS OF”; in line 12 after “SHALL” insert “. BY CERTIFIED MAIL,”.