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MAJORITY WHIP

Budget and Taxation Committee

Education, Business and
Administration Subcommittee

Pensions Subcommittee

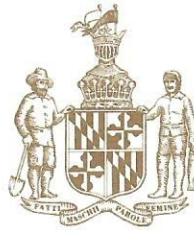
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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Testimony – SB1167
Senator Joanne C. Benson
Real Property - Residential Leases - Fee in Lieu of a Security Deposit

Good afternoon Chairman Smith and Members of the Committee,

I'm here today to ask for your support for Senate Bill 1167. This bill offers a groundbreaking solution to the longstanding issue of security deposits in rental housing, providing a viable alternative that benefits both landlords and tenants.

Traditional security deposits, often equivalent to two months' rent, present a significant financial barrier for many Marylanders seeking rental housing. While these deposits are crucial for landlords to protect against potential damages or unpaid rent, they can also pose challenges for tenants. At the end of a lease, disputes over deposit deductions can lead to legal battles, placing additional burdens on tenants.

This bill provides an innovative solution that has proven successful in 47 states. Tenants have the option to waive the security deposit and instead pay a modest monthly fee, averaging \$39. Landlords then purchase insurance to cover any potential losses due to damages or unpaid rent.

This model parallels the concept of Primary Mortgage Insurance in the homebuying process, where buyers can waive the requirement for a 20% down payment by paying a fee to cover the lender's risk. Similarly, a waiver fee allows tenants to bypass the hefty upfront cost of a security deposit while still providing landlords with financial protection.

Despite its success elsewhere, Maryland currently prohibits landlords from offering deposit waiver fees. This bill aims to rectify this by introducing legislation that not only permits such fees but also includes comprehensive tenant protections. These protections ensure transparency in fee disclosure, limit the total amount tenants can pay over a lease term, and prevent landlords from unfairly charging for damages or altering fee amounts during the lease.

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Furthermore, the bill addresses concerns raised by the Office of the Attorney General and tenant advocates over four years of collaboration. It surpasses existing state laws by capping waiver fees, requiring insurers to be admitted products, and instituting penalties for non-compliance.

Survey data underscores the urgent need for deposit alternatives in Maryland. A vast majority of renters struggle with the financial burden of security deposits, with many forced into suboptimal housing arrangements due to affordability constraints. The survey also reveals strong support among voters for legislative measures that enable landlords to offer alternative fee options.

In conclusion, this bill presents a rare opportunity to significantly improve access to rental housing for Marylanders. By embracing this innovative approach and enacting the strongest tenant protections in the nation, Maryland can lead the way in modernizing rental practices while ensuring the interests of both landlords and tenants are safeguarded. Thank you for considering this testimony, and I urge the committee to support Senate Bill 1167.