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By: Senators Haines and Giannetti

Introduced and read first time: February 12, 2003

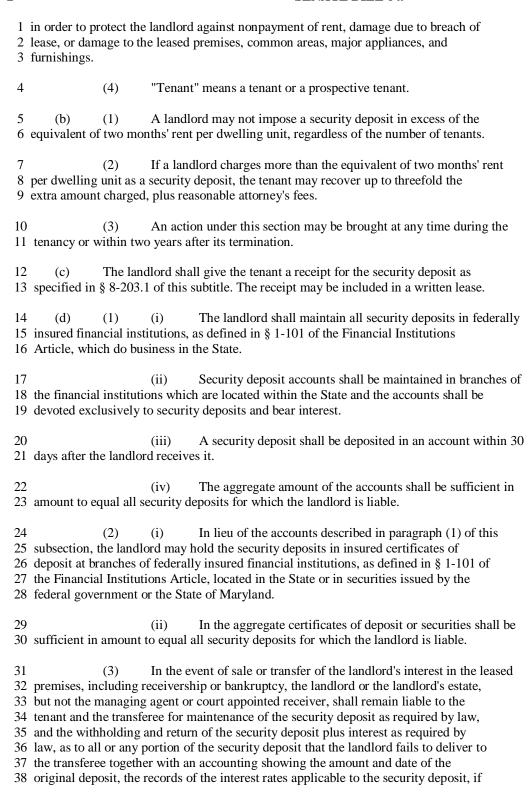
Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 Residential Leases - Surety Bonds in Lieu of Security Deposits

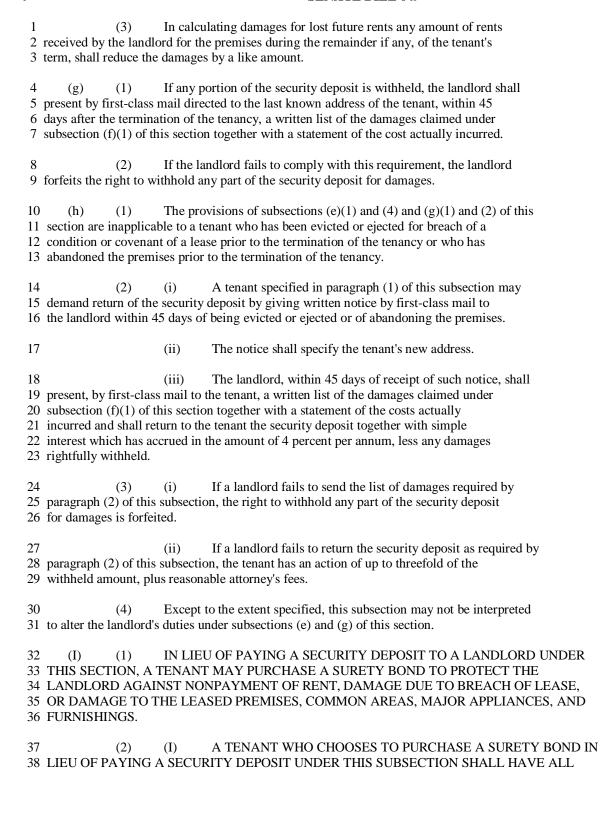
- 3 FOR the purpose of authorizing a tenant to purchase a surety bond in lieu of paying
- 4 a security deposit to a landlord to offer certain protection to a landlord;
- 5 providing that a tenant who chooses to purchase a surety bond in lieu of paying
- a security deposit shall have certain rights; requiring a landlord to advise a
- 7 tenant in writing of the tenant's rights at the time the tenant pays the premium
- 8 for the surety bond; requiring a landlord to give a tenant a receipt for the
- 9 payment of a premium for a surety bond; requiring the receipt to meet certain
- requirements; providing that the receipt may be included in a written lease;
- providing that this Act may not be construed to authorize a landlord to require
- that a tenant purchase a surety bond in lieu of paying a security deposit;
- providing that it is solely the option of the tenant to purchase a surety bond in
- lieu of paying a security deposit; and generally relating to a tenant's option to
- purchase a surety bond in lieu of paying a security deposit.
- 16 BY repealing and reenacting, with amendments,
- 17 Article Real Property
- 18 Section 8-203
- 19 Annotated Code of Maryland
- 20 (1996 Replacement Volume and 2002 Supplement)
- 21 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
- 22 MARYLAND, That the Laws of Maryland read as follows:
- 23 Article Real Property
- 24 8-203.
- 25 (a) (1) In this section the following words have the meanings indicated.
- 26 (2) "Landlord" means a landlord or a prospective landlord.
- 27 "Security deposit" means any payment of money, including payment
- 28 of the last month's rent in advance of the time it is due, given to a landlord by a tenant



1 any, and the name and last known address of the tenant from whom, or on whose 2 behalf, the deposit was received. (4) Any successor in interest is liable to the tenant for failure to return 4 the security deposit, together with interest, as provided in this section. 5 Within 45 days after the end of the tenancy, the landlord shall return 6 the security deposit to the tenant together with simple interest which has accrued in 7 the amount of 4 percent per annum, less any damages rightfully withheld. Interest shall accrue at six-month intervals from the day the tenant 8 gives the landlord the security deposit. Interest is not compounded. 10 (3) Interest shall be payable only on security deposits of \$50 or more. 11 (4) If the landlord, without a reasonable basis, fails to return any part of 12 the security deposit, plus accrued interest, within 45 days after the termination of the 13 tenancy, the tenant has an action of up to threefold of the withheld amount, plus 14 reasonable attorney's fees. 15 (f) The security deposit, or any portion thereof, may be withheld (1)16 for unpaid rent, damage due to breach of lease or for damage by the tenant or the tenant's family, agents, employees, guests or invitees in excess of ordinary wear and tear to the leased premises, common areas, major appliances, and furnishings owned 19 by the landlord. 20 (ii) The tenant has the right to be present when the landlord or the 21 landlord's agent inspects the premises in order to determine if any damage was done 22 to the premises, if the tenant notifies the landlord by certified mail of the tenant's 23 intention to move, the date of moving, and the tenant's new address. 24 The notice to be furnished by the tenant to the landlord shall be (iii) 25 mailed at least 15 days prior to the date of moving. Upon receipt of the notice, the landlord shall notify the tenant 27 by certified mail of the time and date when the premises are to be inspected. The date of inspection shall occur within five days before or five (v) 29 days after the date of moving as designated in the tenant's notice. 30 The tenant shall be advised of the tenant's rights under this (vi) 31 subsection in writing at the time of the tenant's payment of the security deposit. Failure by the landlord to comply with this requirement forfeits 32 33 the right of the landlord to withhold any part of the security deposit for damages. 34 The security deposit is not liquidated damages and may not be 35 forfeited to the landlord for breach of the rental agreement, except in the amount that

36 the landlord is actually damaged by the breach.

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5 PREMIUM FOR THE SURETY BOND.

- OF THE RIGHTS OF A TENANT UNDER SUBSECTION (F)(1)(II) THROUGH (V) OF THIS
 SECTION.
 (II) A LANDLORD SHALL ADVISE A TENANT IN WRITING OF THE
 4 TENANT'S RIGHTS UNDER THIS SUBSECTION AT THE TIME THE TENANT PAYS THE
- 6 (3) (I) A LANDLORD OR THE LANDLORD'S AGENT SHALL GIVE THE 7 TENANT A RECEIPT FOR THE PAYMENT OF THE PREMIUM FOR THE SURETY BOND.
- 8 (II) THE RECEIPT SHALL STATE CLEARLY AND CONSPICUOUSLY 9 THAT THE PREMIUM PAID FOR THE SURETY BOND IS NONREFUNDABLE AND WILL 10 NOT BE RETURNED TO THE TENANT.
- 11 (III) THE RECEIPT SHALL MEET THE APPLICABLE REQUIREMENTS 12 FOR A RECEIPT FOR A SECURITY DEPOSIT UNDER § 8-203.1 OF THIS SUBTITLE.
- 13 (IV) THE RECEIPT MAY BE INCLUDED IN A WRITTEN LEASE.
- 14 (4) (I) THIS SUBSECTION MAY NOT BE CONSTRUED TO AUTHORIZE A 15 LANDLORD TO REQUIRE A TENANT TO PURCHASE A SURETY BOND IN LIEU OF 16 PAYING A SECURITY DEPOSIT UNDER THIS SECTION.
- 17 (II) IT IS SOLELY THE OPTION OF THE TENANT TO PURCHASE A 18 SURETY BOND IN LIEU OF PAYING A SECURITY DEPOSIT UNDER THIS SECTION.
- 19 [(i)] (J) No provision of this section may be waived in any lease.
- 20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect 21 July 1, 2003.