

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 686 (Delegate Arnick)
Environmental Matters

Residential Leases - Surety Bonds in Lieu of Security Deposits

This bill authorizes a tenant, in lieu of paying a security deposit to a landlord, to purchase a surety bond to protect the landlord against nonpayment of rent, damage due to breach of lease, or damage to the leased premises, common areas, major appliances, and furnishings. A tenant who purchases a surety bond has the same right to be present at the inspection of the premises on surrender as a tenant who pays a security deposit. The landlord must give the tenant a receipt for the surety bond's premium. The receipt must state that the surety bond is nonrefundable and may be included in a written lease. A landlord may not require a tenant to purchase a surety bond in lieu of paying a security deposit.

The bill is effective July 1, 2003.

Fiscal Summary

State Effect: Assuming that the Consumer Protection Division 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: Minimal, as discussed below.

Analysis

Current Law: A landlord may impose, as a security deposit, up to the equivalent of two months' rent per dwelling unit. The landlord must give a receipt for the security deposit and may include the receipt in the written lease. Security deposits must be kept in interest-bearing accounts in branches of federally-insured financial institutions doing business in the State, and the accounts must be devoted exclusively to security deposits. In lieu of these accounts, a landlord may hold the security deposits in insured certificates of deposit at branches of federally-insured financial institutions doing business in the State or in securities issued by the federal government or the State.

Generally, within 45 days after the end of the tenancy, the landlord must return the security deposit to the tenant, plus 4% simple interest per annum, less any damages rightfully withheld. The security deposit, or any portion thereof, may be withheld for unpaid rent, damage due to breach of lease, or damage beyond ordinary wear and tear to the leased premises, common areas, major appliances, and furnishings.

The tenant has the right be present when the landlord inspects the premises to determine whether any damage exists if the tenant notifies the landlord by certified mail of the tenant's intention to move, the moving date, and the tenant's new address. The notice must be mailed at least 15 days prior to moving. Upon receipt of the notice, the landlord must notify the tenant by certified mail of the time and date of the inspection. The inspection must occur within five days before or after the designated moving date. The tenant must be notified in writing of these rights when the security deposit is paid.

If part of the security deposit is withheld, the landlord must give the tenant an itemized list of the damages and their costs.

Small Business Effect: Small business landlords would no longer bear the costs associated with administering security deposits to the extent their tenants elect to use surety bonds under the bill.

Additional Information

Prior Introductions: None.

Cross File: SB 649 (Senators Haines and Giannetti) – Judicial Proceedings.

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

Fiscal Note History: First Reader - March 4, 2003
ncs/jr

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