

Department of Legislative Services  
Maryland General Assembly  
2003 Session

FISCAL AND POLICY NOTE

House Bill 638 (Delegate Owings)  
Environmental Matters

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**Real Property - Residential Lease - Reservation Fee**

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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 rental. The landlord may apply the fee toward any loss or damage sustained as a result of the prospective tenant's failure to execute a lease or refusal to occupy the unit. If the tenant does execute a lease and take possession of the rental unit, the landlord must, at the landlord's option: (1) refund the fee within 30 days after the tenant takes possession; or (2) credit the fee to the tenant's account. If the landlord fails to do either of these without a reasonable basis, the landlord is liable for up to twice the fee amount in damages.

The bill applies prospectively and does not apply to residential lease applications made before the bill's October 1, 2003 effective date.

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**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.

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**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.

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### **Additional Information**

**Prior Introductions:** A similar bill, HB 449, was introduced in the 2002 session and 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 - March 4, 2003  
mam/jr

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