

# SENATE BILL 603

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3lr1657  
CF 3lr2229

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By: **Senators Benson and Jackson**

Introduced and read first time: February 6, 2023

Assigned to: Judicial Proceedings

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## A BILL ENTITLED

1 AN ACT concerning

2 **Real Property – Residential Leases – Fee in Lieu of Security Deposit**

3 FOR the purpose of authorizing a landlord to offer the payment of a fee in lieu of a security  
4 deposit in a residential lease subject to certain requirements; requiring a landlord to  
5 purchase certain insurance coverage using a fee in lieu of a security deposit and  
6 establishing certain procedures if the landlord does not purchase insurance coverage  
7 or the insurance coverage is terminated by an insurer; establishing certain  
8 procedural requirements for a landlord and an insurer relating to certain insurance  
9 claims; authorizing a tenant to dispute certain claims by a landlord and providing  
10 that claims by a landlord or an insurer are void under certain circumstances;  
11 providing that a tenant is entitled to certain damages and attorney's fees under  
12 certain circumstances; and generally relating to fees in lieu of security deposits for  
13 residential leases.

14 BY repealing and reenacting, without amendments,  
15 Article – Real Property  
16 Section 8–203(a)(1)  
17 Annotated Code of Maryland  
18 (2015 Replacement Volume and 2022 Supplement)

19 BY repealing and reenacting, with amendments,  
20 Article – Real Property  
21 Section 8–203(a)(3)  
22 Annotated Code of Maryland  
23 (2015 Replacement Volume and 2022 Supplement)

24 BY adding to  
25 Article – Real Property  
26 Section 8–203.2  
27 Annotated Code of Maryland  
28 (2015 Replacement Volume and 2022 Supplement)

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
2 That the Laws of Maryland read as follows:

3 **Article – Real Property**

4 8–203.

5 (a) (1) In this section the following words have the meanings indicated.

6 (3) (I) “Security deposit” means any payment of money, including  
7 payment of the last month’s rent in advance of the time it is due, given to a landlord by a  
8 tenant in order to protect the landlord against nonpayment of rent, damage due to breach  
9 of lease, or damage to the leased premises, common areas, major appliances, and  
10 furnishings.

11 (II) “SECURITY DEPOSIT” DOES NOT INCLUDE A FEE IN LIEU OF  
12 A SECURITY DEPOSIT UNDER § 8–203.2 OF THIS SUBTITLE.

13 **8–203.2.**

14 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
15 INDICATED.

16 (2) “SECURITY DEPOSIT” HAS THE MEANING STATED IN § 8–203 OF  
17 THIS SUBTITLE.

18 (3) “UNPAID SUMS DUE UNDER THE LEASE” MEANS:

19 (I) ANY UNPAID RENT, FEES, COSTS, OR CHARGES REQUIRED  
20 UNDER A LEASE;

21 (II) A LANDLORD’S LOSSES DUE TO BREACH OF LEASE; OR

22 (III) COSTS TO REPAIR DAMAGE BY THE TENANT OR THE  
23 TENANT’S FAMILY, AGENTS, EMPLOYEES, GUESTS, OR INVITEES IN EXCESS OF  
24 ORDINARY WEAR AND TEAR TO THE LEASED PREMISES, MAJOR APPLIANCES, AND  
25 FURNISHINGS OWNED BY THE LANDLORD.

26 (B) (1) A LANDLORD MAY OFFER A FEE IN LIEU OF A SECURITY DEPOSIT  
27 IN ACCORDANCE WITH THE REQUIREMENTS OF THIS SECTION AND ANY OTHER  
28 APPLICABLE STATE OR FEDERAL LAW.

1           **(2) A COUNTY OR MUNICIPALITY MAY NOT REQUIRE A LANDLORD TO**  
2 **OFFER A FEE IN LIEU OF A SECURITY DEPOSIT.**

3           **(3) AN AGREEMENT TO PAY A FEE IN LIEU OF A SECURITY DEPOSIT IS**  
4 **NOT A DEFENSE IN AN ACTION BROUGHT BY A LANDLORD UNDER § 8-401 OF THIS**  
5 **TITLE FOR A TENANT'S FAILURE TO PAY RENT.**

6           **(C) A LANDLORD OFFERING A FEE IN LIEU OF A SECURITY DEPOSIT:**

7           **(1) SHALL INFORM THE TENANT IN WRITING OF THE AMOUNT OF THE**  
8 **FEE IN LIEU OF A SECURITY DEPOSIT AND THE AMOUNT OF THE SECURITY DEPOSIT**  
9 **THAT THE LANDLORD WOULD OTHERWISE REQUIRE;**

10           **(2) MAY NOT CHARGE A TENANT FOR COSTS OF REPAIRING ORDINARY**  
11 **WEAR AND TEAR AS PART OF THE FEE IN LIEU OF A SECURITY DEPOSIT;**

12           **(3) SHALL COLLECT THE FEE IN LIEU OF A SECURITY DEPOSIT IN**  
13 **EQUAL MONTHLY PAYMENTS WITH RENT; AND**

14           **(4) MAY NOT INCREASE THE MONTHLY RATE OF THE FEE IN LIEU OF**  
15 **A SECURITY DEPOSIT DURING THE TERM OF THE LEASE.**

16           **(D) A LANDLORD AND A TENANT MAY AGREE TO A RECURRING FEE IN LIEU**  
17 **OF A SECURITY DEPOSIT AS PART OF A LEASE AGREEMENT.**

18           **(E) IF A LANDLORD AND A TENANT AGREE TO PAYMENT OF A FEE IN LIEU OF**  
19 **A SECURITY DEPOSIT, THE LANDLORD SHALL DISCLOSE IN THE TERMS OF THE**  
20 **LEASE, AND THE TENANT SHALL SEPARATELY ACKNOWLEDGE:**

21           **(1) THAT THE TENANT AGREES TO PAY, AND THE LANDLORD AGREES**  
22 **TO ACCEPT, A FEE IN LIEU OF A SECURITY DEPOSIT;**

23           **(2) THE AMOUNT AND FREQUENCY OF THE FEE IN LIEU OF A**  
24 **SECURITY DEPOSIT;**

25           **(3) WHETHER THE FEE IN LIEU OF A SECURITY DEPOSIT IS**  
26 **NONREFUNDABLE;**

27           **(4) THAT THE TENANT MAY OPT OUT OF A RECURRING FEE IN LIEU OF**  
28 **A SECURITY DEPOSIT OBLIGATION BY PAYING THE LANDLORD THE FULL AMOUNT OF**  
29 **THE SECURITY DEPOSIT;**

1           **(5) THAT A TENANT PAYING A FEE IN LIEU OF A SECURITY DEPOSIT IS**  
2 **NOT PURCHASING INSURANCE AND THE TENANT IS NOT COVERED BY INSURANCE**  
3 **PURCHASED BY THE LANDLORD;**

4           **(6) THAT THE PAYMENT OF A FEE IN LIEU OF A SECURITY DEPOSIT**  
5 **DOES NOT REMOVE THE OBLIGATION OF THE TENANT TO:**

6                   **(I) PAY RENT, FEES, AND ALL OTHER PAYMENTS REQUIRED BY**  
7 **THE LEASE AGREEMENT; AND**

8                   **(II) RETURN THE LEASED PREMISES TO THE LANDLORD IN THE**  
9 **CONDITION REQUIRED UNDER THE LEASE;**

10           **(7) THAT THE PAYMENT OF A FEE IN LIEU OF A SECURITY DEPOSIT**  
11 **DOES NOT PRECLUDE THE LANDLORD OR AN INSURER FROM TAKING ACTION**  
12 **AGAINST THE TENANT TO RECOVER ANY UNPAID SUMS DUE UNDER THE LEASE; AND**

13           **(8) THE TERMS OF ANY INSURANCE COVERAGE PURCHASED BY THE**  
14 **LANDLORD FOR ANY UNPAID SUMS UNDER THE LEASE, INCLUDING THE AMOUNT OF**  
15 **EXCLUSIONS OR CAPS ON THE INSURANCE COVERAGE, IF ANY.**

16           **(F) (1) A TENANT WHO CHOOSES TO PAY A FEE IN LIEU OF A SECURITY**  
17 **DEPOSIT MAY HAVE THE UNIT INSPECTED BY THE LANDLORD IN THE TENANT'S**  
18 **PRESENCE FOR THE PURPOSE OF MAKING A WRITTEN LIST OF ANY DAMAGE THAT**  
19 **EXISTS AT THE COMMENCEMENT OF THE TENANCY.**

20                   **(2) A TENANT WHO WISHES TO HAVE A UNIT INSPECTED PRIOR TO**  
21 **THE COMMENCEMENT OF A TENANCY SHALL NOTIFY THE LANDLORD BY CERTIFIED**  
22 **MAIL AT LEAST 15 DAYS BEFORE THE COMMENCEMENT OF THE TENANT'S**  
23 **OCCUPANCY OF THE UNIT.**

24           **(G) (1) (I) ON THE REQUEST OF A TENANT, A LANDLORD OR AN AGENT**  
25 **OF THE LANDLORD SHALL INSPECT THE UNIT IN THE TENANT'S PRESENCE TO**  
26 **ASSESS ANY DAMAGE INCURRED DURING THE TENANT'S OCCUPANCY.**

27                           **(II) A REQUEST FOR THE INSPECTION OF A UNIT UNDER**  
28 **SUBPARAGRAPH (I) OF THIS PARAGRAPH SHALL BE SENT TO THE LANDLORD BY**  
29 **CERTIFIED MAIL AT LEAST 15 DAYS BEFORE THE DATE THE TENANT INTENDS TO**  
30 **RETURN POSSESSION OF THE UNIT TO THE LANDLORD.**

31                           **(III) A REQUEST TO A LANDLORD FOR AN INSPECTION SHALL**  
32 **INCLUDE:**

1                   1.     **THE DATE THAT THE TENANT INTENDS TO RETURN**  
2 **POSSESSION OF THE UNIT TO THE LANDLORD; AND**

3                   2.     **THE TENANT'S NEW ADDRESS.**

4                   (2)    **(I)     ON RECEIPT OF A REQUEST FOR INSPECTION UNDER**  
5 **PARAGRAPH (1) OF THIS SUBSECTION, THE LANDLORD SHALL NOTIFY THE TENANT**  
6 **BY CERTIFIED MAIL OF THE TIME AND DATE WHEN THE PREMISES ARE TO BE**  
7 **INSPECTED.**

8                   (II)   **INSPECTION OF A UNIT SHALL OCCUR NO EARLIER THAN 5**  
9 **DAYS BEFORE AND NO LATER THAN 5 DAYS AFTER THE DATE THAT THE TENANT**  
10 **INTENDS TO RETURN POSSESSION OF THE UNIT TO THE LANDLORD AS INDICATED IN**  
11 **THE TENANT'S REQUEST FOR INSPECTION.**

12                  (H)    **(1)    (I)     A LANDLORD SHALL USE A FEE PAID IN LIEU OF A SECURITY**  
13 **DEPOSIT TO PURCHASE INSURANCE COVERAGE FOR UNPAID SUMS DUE UNDER THE**  
14 **LEASE.**

15                  (II)   **A LANDLORD MAY NOT CHARGE A FEE IN LIEU OF A**  
16 **SECURITY DEPOSIT THAT EXCEEDS THE COST OF OBTAINING INSURANCE OR OTHER**  
17 **EXPENSES ARISING OUT OF EFFECTUATING INSURANCE COVERAGE FOR A UNIT.**

18                  (2)    **IF AN INSURER REFUSES OR IS OTHERWISE UNABLE TO PROVIDE**  
19 **COVERAGE FOR UNPAID SUMS DUE UNDER THE LEASE, THE LANDLORD MAY:**

20                  (I)     **CONTINUE TO CHARGE A FEE PAID IN LIEU OF A SECURITY**  
21 **DEPOSIT WITHOUT PENALTY PROVIDED THAT THE LANDLORD ATTEMPTS TO**  
22 **PURCHASE NEW INSURANCE COVERAGE FOR UNPAID SUMS DUE UNDER A LEASE**  
23 **RETROACTIVE TO THE DATE OF CANCELLATION OF THE PRIOR COVERAGE; OR**

24                  (II)   **DISCONTINUE THE FEE IN LIEU OF A SECURITY DEPOSIT**  
25 **AND REQUIRE A SECURITY DEPOSIT NOTWITHSTANDING TERMS OF A LEASE**  
26 **AGREEMENT.**

27                  (3)    **IF A LANDLORD IS UNABLE TO SECURE INSURANCE COVERAGE**  
28 **FOLLOWING AN INSURER REFUSING OR OTHERWISE NOT PROVIDING INSURANCE,**  
29 **THE LANDLORD SHALL DISCONTINUE THE FEE IN LIEU OF A SECURITY DEPOSIT AND**  
30 **MAY REQUIRE A SECURITY DEPOSIT.**

31                  (4)    **A LANDLORD SHALL PROVIDE 60 DAYS' NOTICE PRIOR TO**  
32 **TERMINATING A FEE IN LIEU OF A SECURITY DEPOSIT.**

1           **(5) ANY FEE PAID BY A TENANT SHALL BE CREDITED TOWARD THE**  
2 **SECURITY DEPOSIT.**

3           **(6) IF A LANDLORD CONTINUES TO CHARGE A FEE IN LIEU OF A**  
4 **SECURITY DEPOSIT AFTER FAILING TO PURCHASE OR MAINTAIN INSURANCE IN**  
5 **VIOLATION OF PARAGRAPH (1) OF THIS SUBSECTION, AND A TENANT CONTINUES TO**  
6 **PAY A MONTHLY FEE IN LIEU OF A SECURITY DEPOSIT, ON TERMINATION OF THE**  
7 **TENANCY, THE LANDLORD SHALL CREDIT THE TOTAL INSURANCE COVERAGE**  
8 **STATED IN THE DISCLOSURE TO ANY AMOUNT OWED BY THE TENANT VACATING THE**  
9 **UNIT.**

10           **(I) (1) ON TERMINATION OF THE TENANCY OF A TENANT PAYING A FEE**  
11 **IN LIEU OF A SECURITY DEPOSIT, THE LANDLORD SHALL PROVIDE THE TENANT**  
12 **WITH AN ITEMIZED LIST AND A DESCRIPTION OF ALLEGED UNPAID SUMS DUE UNDER**  
13 **THE LEASE, IF ANY, INCLUDING THE DATES THE SUMS WERE DUE AND A STATEMENT**  
14 **OF COSTS ACTUALLY INCURRED TO REPAIR ANY DAMAGES IN EXCESS OF ORDINARY**  
15 **WEAR AND TEAR.**

16           **(2) A LANDLORD MAY NOT SUBMIT A CLAIM TO AN INSURER FOR**  
17 **UNPAID SUMS DUE UNDER THE LEASE:**

18                   **(I) BEFORE THE TERMINATION OF A TENANCY; OR**

19                   **(II) FOR 45 DAYS FOLLOWING THE DATE THAT THE LANDLORD**  
20 **PROVIDED THE TENANT WITH AN INVOICE AND NOTICE UNDER PARAGRAPH (1) OF**  
21 **THIS SUBSECTION.**

22           **(3) A LANDLORD MAY NOT ENGAGE IN ANY DEBT COLLECTION**  
23 **EFFORTS AGAINST THE TENANT UNTIL 60 DAYS AFTER:**

24                   **(I) NOTIFYING THE TENANT AND PROVIDING DOCUMENTATION**  
25 **REQUIRED UNDER PARAGRAPH (1) OF THIS SUBSECTION; AND**

26                   **(II) SUBMITTING A CLAIM TO THE INSURER.**

27           **(J) A LANDLORD THAT FILES A CLAIM FOR UNPAID SUMS DUE UNDER A**  
28 **LEASE SHALL PROVIDE AN INSURER WITH:**

29                   **(1) AN ITEMIZED LIST AND A DESCRIPTION OF THE ALLEGED SUMS**  
30 **OWED, INCLUDING THE DATES WHEN THE UNPAID SUMS WERE DUE;**

31                   **(2) A STATEMENT OF COSTS ACTUALLY INCURRED TO REPAIR**  
32 **DAMAGES IN EXCESS OF ORDINARY WEAR AND TEAR; AND**

1           **(3) A COPY OF ANY WRITTEN OBJECTION OR A REPORT OF ANY**  
2 **COMMUNICATION OF OBJECTION BY THE TENANT.**

3           **(K) (1) AN INSURER THAT SEEKS TO COLLECT REIMBURSEMENT FROM**  
4 **THE TENANT FOR AMOUNTS PAID BY THE INSURER TO THE LANDLORD SHALL**  
5 **PROVIDE TO THE TENANT:**

6                   **(I) AN ITEMIZED LIST AND WRITTEN DESCRIPTION OF THE**  
7 **UNPAID SUMS OWED UNDER THE LEASE THAT WERE SUBMITTED TO THE INSURER BY**  
8 **THE LANDLORD, INCLUDING THE DATES WHEN UNPAID SUMS WERE DUE;**

9                   **(II) A STATEMENT OF COSTS ACTUALLY INCURRED TO REPAIR**  
10 **DAMAGES IN EXCESS OF ORDINARY WEAR AND TEAR THAT WERE PROVIDED TO THE**  
11 **INSURER BY THE LANDLORD; AND**

12                   **(III) DOCUMENTATION OF PAYMENTS MADE BY THE INSURER TO**  
13 **THE LANDLORD FOR THE CLAIM.**

14           **(2) (I) AN INSURER THAT FAILS TO COMPLY WITH THIS**  
15 **SUBSECTION MAY NOT MAKE A CLAIM AGAINST A TENANT.**

16                   **(II) AN INSURER HAS AN OPPORTUNITY TO REMEDY A**  
17 **VIOLATION OF THIS SUBSECTION WITHIN A 1-YEAR PERIOD AFTER THE DATE THE**  
18 **LANDLORD'S CLAIM WAS FILED WITH THE INSURER.**

19           **(L) (1) AN INSURER MAY NOT REPORT A CLAIM FILED BY A LANDLORD**  
20 **UNDER THIS SUBSECTION TO A CREDIT REPORTING AGENCY UNLESS A JUDGMENT**  
21 **HAS BEEN OBTAINED AGAINST THE TENANT.**

22                   **(2) UNLESS AN INSURER AND A TENANT HAVE OTHERWISE AGREED IN**  
23 **WRITING, AN INSURER SHALL SEEK REIMBURSEMENT FOR SUMS OWED UNDER A**  
24 **LEASE WITHIN 1 YEAR AFTER THE DATE THE LANDLORD'S CLAIM WAS FILED WITH**  
25 **THE INSURER.**

26           **(3) A TENANT MAY DISPUTE ANY CHARGES BROUGHT BY AN INSURER**  
27 **AGAINST THE TENANT FOR REIMBURSEMENT OF A CLAIM PAID TO A LANDLORD**  
28 **UNDER THIS SUBSECTION BY SENDING A RESPONSE TO THE INSURER WITHIN 30**  
29 **DAYS AFTER RECEIVING NOTICE OF SUCH CHARGES BY AN INSURER.**

30           **(4) (I) IF A TENANT FAILS TO PAY A REQUEST BY AN INSURER OR A**  
31 **COLLECTOR ON BEHALF OF THE INSURER FOR REIMBURSEMENT UNDER THIS**  
32 **SUBSECTION, THE PARTY SEEKING REIMBURSEMENT MAY NOT ENGAGE IN ANY DEBT**

1 COLLECTION EFFORTS AGAINST THE TENANT UNTIL 60 DAYS AFTER SENDING A  
2 REQUEST FOR REIMBURSEMENT AND PROVIDING DOCUMENTATION UNDER  
3 SUBSECTION (K)(1) OF THIS SECTION.

4 (II) IF A TENANT DISPUTES THE CLAIM, THE PARTY SEEKING  
5 REIMBURSEMENT SHALL DEFER ANY DEBT COLLECTION EFFORTS FOR AN  
6 ADDITIONAL 60 DAYS TO RESOLVE THE DISPUTE.

7 (M) (1) A LANDLORD MAY NOT ACCEPT PAYMENTS FROM A TENANT AND  
8 AN INSURER THAT COLLECTIVELY EXCEED THE SUMS DUE UNDER THE LEASE.

9 (2) (I) AFTER AN INSURER APPROVES A CLAIM, A LANDLORD MAY  
10 NOT SEND AN INVOICE TO A TENANT OR ENGAGE IN ANY DEBT COLLECTION EFFORTS  
11 AGAINST A TENANT FOR ANY AMOUNTS.

12 (II) A LANDLORD MAY INVOICE THE TENANT AND ENGAGE IN  
13 DEBT COLLECTION EFFORTS AGAINST A TENANT FOR THE LANDLORD'S LOSSES IF  
14 THE INSURER DENIES THE CLAIM BECAUSE:

15 1. THE LOSS IS NOT COVERED UNDER THE INSURANCE  
16 AGREEMENT; OR

17 2. THE LOSSES EXCEED THE INSURANCE COVERAGE  
18 LOSS LIMIT.

19 (N) IN A PROCEEDING AGAINST A TENANT BY AN INSURER, THE TENANT  
20 SHALL:

21 (1) RETAIN ALL RIGHTS AND DEFENSES OTHERWISE AVAILABLE IN A  
22 PROCEEDING BETWEEN A TENANT AND A LANDLORD; AND

23 (2) BE LIABLE TO THE INSURER ONLY FOR SUMS DUE UNDER THE  
24 LEASE.

25 (O) (1) A TENANT MAY CHALLENGE CLAIMS BY A LANDLORD FOR SUMS  
26 DUE UNDER A LEASE IN COURT.

27 (2) A LANDLORD MAY NOT SUBMIT A CLAIM TO AN INSURER FOR ANY  
28 DEBT THAT HAS BEEN DECLARED VOID BY A COURT AND SHALL IMMEDIATELY  
29 WITHDRAW A CLAIM IF THE AMOUNT IS DECLARED VOID FOLLOWING THE  
30 SUBMISSION OF THE CLAIM.



1           **(3) IF A DEBT IS DECLARED VOID BY A COURT AFTER AN INSURER HAS**  
2 **PAID THE CLAIM, THE LANDLORD SHALL RETURN THE PAYMENT TO THE INSURER.**

3           **(P) IF IN ANY PROCEEDING A COURT DETERMINES THAT A LANDLORD OR AN**  
4 **INSURER MATERIALLY VIOLATED THIS SECTION, THE TENANT MAY RECOVER**  
5 **DAMAGES NOT MORE THAN THREE TIMES THE MONTHLY RENT PAID BY THE TENANT**  
6 **AND REASONABLE ATTORNEY’S FEES.**

7           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be construed to  
8 apply only prospectively and may not be applied or interpreted to have any effect on or  
9 application to any lease entered into before the effective date of this Act.

10           SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
11 October 1, 2023.