



## **HB 1076 - Real Property - Residential Leases – Fee in Lieu of Security Deposit - Favorable**

**Waiving Security Deposits:** A Renter’s most significant housing barrier is the advance payment of the first and last month's rent plus a security deposit. A “deposit waiver fee” offers tenants an option to pay a small monthly “fee” (avg \$29) instead of a large upfront security deposit (avg \$1,700). This option is a win-win for landlords and tenants. Landlords are still protected against a tenant’s failure to pay for damages or rent by purchasing insurance, and tenants can waive the significant upfront cost of a security deposit. The deposit waiver fee works much like Primary Mortgage Insurance, which allows home buyers to waive another significant housing barrier, the 20% down payment.

Unfortunately, Maryland is one of only four states that does not permit landlords to offer tenants the option of a small monthly non-refundable fee instead of a security deposit. A recent poll of 400 Maryland voters who rent found:

- 69% would welcome the fee option.
- 45% would take advantage of the fee option with the understanding that it is not refundable and that they are responsible for unrepaired damages at the end of the lease.

### **Legislative Proposal:**

**HB 1076** would permit landlords to offer tenants a fee in lieu of a security deposit and introduce several common-sense protections for tenants.

- Permits a landlord to offer tenants the option of paying a non-refundable fee.
- The landlord shall disclose in writing the fee amount and security deposit required, the frequency of payment, whether the fee is non-refundable, and that the tenant is still responsible for paying to repair damages and their rent.
- A tenant may opt out of the fee in lieu of a security deposit upon providing a landlord with the security deposit.
- A landlord must use the fee to purchase insurance to cover unpaid damages or lost rent.
- The fee is capped to what it costs the landlord to obtain and administer the insurance.
- A landlord shall not charge a tenant for normal wear and tear.
- A landlord shall not alter the fee amount during a lease term.
- The landlord must comply with all notice and inspection requirements per the security deposit law, including providing the tenant documentation of any damages and receipts for damages repaired.
- Provides for penalties if a landlord cancels a fee in lieu of a security deposit during a tenancy or fails to procure or maintain insurance.
- Restricts landlords from “double-dipping,” charging a tenant for damages an insurer covered in a claim.
- Provides for damages for violating this section to up to three months’ rent.