



SB 603 - 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:

SB 603 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.