



**Bill Title: Senate Bill 603, Real Property – Residential Leases – Fee in Lieu of Security Deposit**

**Committee: Judicial Proceedings**

**Date: March 7, 2022**

**Position: Favorable**

This testimony is offered on behalf of the Maryland Multi-Housing Association (MMHA). MMHA is a professional trade association established in 1996, whose membership consists of owners and managers of more than 207,246 rental housing homes in more than 937 apartment communities. Our members house over 667,000 residents of the State of Maryland throughout the entire State of Maryland. MMHA membership also includes more than 216 associate members that supply goods and services to the multi-housing industry. More information is available at <https://www.mmhaonline.org/>

Senate Bill 603 authorizes housing providers to offer residents a fee in lieu of a security deposit. The housing provider is required to disclose in writing the fee amount and security deposit, the frequency of payment, whether the fee is non-refundable, and that the resident is still responsible for paying to repair damages and their rent. A resident may opt out of the fee in lieu of a security deposit upon providing a housing provider with the security deposit. The fee, which may not be altered during the lease term, must be used to purchase insurance to cover unpaid damages or lost rent. Should a resident opt to pay the fee, the housing provider must still comply with all notice and inspection requirements per the security deposit law, including providing the resident documentation of any damages and receipts for damages repaired. If a housing provider cancels a fee in lieu of a security deposit, a housing provider faces penalties under the bill. A violation of this provision could result in damages equal to as much as three months' rent.

In Maryland, security deposits are one way to protect a housing provider from defaults on rent and unpaid damage at the end of a lease term. However, MMHA recognizes that a security deposit can come at a high upfront cost to residents.

Maryland is one of only four states that does not permit housing providers to offer residents 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 and 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.

When residents pay a monthly fee in lieu of a security deposit, a housing provider will purchase insurance instead of collecting a security deposit against damages and lost rent. The housing provider is insured, and residents can save significant expenses prior to and including on move-in day.



For these reasons, we respectfully request a favorable report on Senate Bill 603.

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