



Montgomery County

Office of Intergovernmental Relations

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HB 853

DATE: February 27, 2024

SPONSOR: Delegates Allen, et al.

ASSIGNED TO: Environment and Transportation

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POSITION: FAVORABLE (Department of Housing and Community Affairs)

Residential Leases - Late Payment Penalties – Calculation

House Bill 853 establishes a maximum penalty for the late payment of rent that a landlord may charge in a residential lease to prohibit a penalty in excess of 5% of the amount of the unpaid rent rather than of the amount due.

Current law sets the maximum penalty for unpaid rent at 5% of the total rent due; House Bill 853 sets the maximum penalty in a residential lease to 5% of the unpaid rent due. Both under the bill and in current law, the full amount of unpaid rent remains due, but the bill would limit the penalty amount. For example, if a monthly rent is \$2,000 but the tenant only pays \$1,500, the penalty for the \$500 of unpaid rent would be \$25 which is 5% of \$500. Under current law, the penalty allowed is \$100 or 5% of the \$2,000 total monthly rent due.

Montgomery County Department of Housing and Community Affairs supports House Bill 853 because it would limit the penalty amount for late payment of rent to 5% of the unpaid rent as reflective of the costs to the landlord for the lost use of those funds. We respectfully urge the committee to issue a favorable report.