



Testimony to the Judicial Proceedings Committee
SB1167 - Real Property Residential Fee in Lieu of a Security Deposit
Position: Unfavorable

The Honorable Senator William Smith, Chair
Senate Judicial Proceedings Committee
2 East, Miller Senate Office Building
Annapolis, Maryland 21401
cc: Members, Judicial Proceedings Committee

Honorable Chair Smith and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a people-centered movement to expand economic rights, housing justice, and community reinvestment for working families, low-income communities, and communities of color. Economic Action Maryland provides direct assistance today while passing legislation and regulations to create systemic change in the future.

Our Tenant Advocacy program served 893 clients from all parts of the state in 2023. Housing affordability is a common concern and security deposits can be a barrier to safe, stable, and affordable housing. But this is not the right solution for financially struggling renters.

Under current Maryland law, security deposits protect landlords from specific types of damages. Landlords can withhold deposits if they experience losses from unpaid rent, a breach of the lease, or physical damage to the property more than “normal wear and tear.”¹

Security deposits also protect renters. Because deposits cover unpaid rent and damages, they can reduce claims against renters if they can't pay the rent or property damage occurs. Maryland's laws define what deposits can cover, the maximum amount that can be charged, and outline procedures to prevent disputes or mitigate their effects. Under current law, security deposits are regulated to provide protection while reducing opportunities for exploitation.

SB1167 would create a new product, *Fees in lieu of security deposits* which are not security deposits. Fees in-lieu-of security deposits insure property owners against the renters who are paying for them, but these products provide no protections for renters the way that traditional deposits would. Renters would pay monthly fees that expose them to liability instead of reducing it. Renters are entitled to have their deposits returned with deductions for actual damages to the landlord, but there's no guarantee fees paid under this alternative would be returned.

Under SB1167 it sounds as if the fee is considered rent even though it is not because in the bill non-payment of the fee is the basis for a failure to pay rent action under 8-401. The bill allows the landlord to charge tenants for the cost of administering the fee in lieu which is inappropriate.

¹ <https://mgaleg.maryland.gov/mgawebsite/laws/StatuteText?article=grp§ion=8-203&enactments=false>



Instead, these fees would open renters up to greater liability. This product is extractive for renters already struggling to assemble a security deposit. This housing crisis demands solutions, but exposing lower-income households to extraction and increased liability could make the situation far worse.

We are concerned that this product will lead to an increase in third-party debt collection. Lease Lock may be more likely than a landlord to sell off purported tenant debts to a third-party debt collector, making it more difficult for tenants to later dispute the validity of the purported debt.

Installment payments for security deposits is a reasonable, proven, safe and secure policy to address high-cost security deposits. This policy would promote housing mobility and housing choice without the use of complex financial products that have not been adequately studied.

SB1167 seeks to enshrine a complicated product that shifts liability to the tenant while removing protections under the guise of assistance. SB1167 may lead to increased third party debt collection and extract more costs and protections from vulnerable tenants.

For all these reasons we oppose SB1167 and urge an unfavorable report.

Best,

Marceline White
Executive Director