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HB0817 Residential Leases – Use of Algorithmic Device by Landlord to Determine Rent – Prohibition Environment & Transportation Committee Hearing February 18, 2025

Position: FAVORABLE

To the Honorable Members of the Environment & Transportation Committee:

Community Legal Services submits this testimony in support of HB0817. This legislation seeks to preserve housing stability for renters by **prohibiting landlords from using algorithmic devices** and/or programs to determine the amount of rent to charge a tenant. It will **provide critical relief to renters struggling under the weight of Maryland’s rising housing costs**, a burden that has been greatly exacerbated by landlords’ use of algorithmic devices to inflate rent costs. Furthermore, this legislation will **ensure that landlords comply with the Maryland Consumer Protection Act**, which protects Maryland consumers and tenants from unfair, abusive, or deceptive trade practices.

Community Legal Services (CLS) is a nonprofit organization that provides free legal services to support and advocate for the rights and well-being of Maryland’s most under-served communities. Much of what we do involves supporting housing security for individuals and families, many of whom reside in rental apartments or houses. Our organization is committed to the promotion of family and community stability and success through the provision of quality legal representation for those who would not otherwise have equitable access to justice and due process.

The Impact of Rent Determined by Algorithmic Devices

RealPage is one large company that sells programs with algorithmic rent-setting devices to landlords nation-wide. As a selling point for its product, RealPage advertises that the use of algorithmic devices to set rent “ensures that [landlords] are driving every possible opportunity to increase price even in the most downward trending or unexpected conditions.” However, instead of ensuring a free market for rental housing in Maryland, companies like RealPage exploit tenants by using non-public data from other landlords to **minimize competition among landlords and artificially raise rent costs above actual market trends**. This practice both precludes low to moderate-income individuals and families from securing new housing and forces those tenants out of housing when the rents rise when their lease term ends.

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The Cost of Rent Determined by Algorithmic Devices

Tenants incur immense and unnecessary costs when renting from landlords who employ algorithmic devices. According to a White House report published in December of 2024, the use of rent price-setting algorithms in 2023 added an estimated \$3.8 billion in cost to renters nationwide. In our day-to-day work in Prince George's County, we represent countless tenants in eviction proceedings who fall behind on rent payments when landlords use programs with algorithmic devices. Tenants suffer financial stress and housing instability when landlords use these programs to raise a tenant's rent at the end of lease terms or to initially set the rent at artificially high rates compared to market trends. Additionally, these practices preclude tenants from moving into new housing, which forces some to remain in uninhabitable and/or unsafe housing conditions.

Rent Setting by Algorithmic Devices Violates the Consumer Protection Act

In 1967, the Maryland legislature wisely enacted the Consumer Protection Act (CPA) to protect consumers from unfair or abusive business practices. Under the CPA, a practice is unfair if it (1) causes harm, (2) cannot reasonably be avoided by consumers, and (3) does not benefit the consumers. Alternatively, an abusive practice is one that (1) materially interferes with a consumer's ability to understand a product, and (2) takes "unreasonable advantage" of consumers.

The use of algorithmic devices to set rent costs is an unfair practice because it (1) causes financial harm to tenants, (2) cannot be avoided by tenants who rent with landlords employing algorithmic devices, and (3) does not benefit tenants and instead only benefits landlords. Additionally, using rent-setting algorithmic devices is an abusive practice because it (1) materially interferes with tenants' ability to understand rent costs by hiding cost-determining information and landlord collusion from tenants, and (2) takes unreasonable advantage of tenants by minimizing landlord competition and artificially setting rent prices. The legislature has a responsibility to protect Maryland tenants by prohibiting the unfair and abusive practices of landlords renting property in the state.

Last month, Maryland Attorney General Anthony G. Brown announced a lawsuit against RealPage and six major landlords who employ rent-setting algorithmic devices for collecting private data from landlords to weaken competition and higher rents, in violation of the Maryland Antitrust Act. While this lawsuit is a positive step towards protecting Maryland tenants, it only focuses on the actions of RealPage and six landlords that impact over 100,000 apartments in the state. That's not enough. HB0817 further enshrines the protections that all Maryland tenants are entitled to receive against landlords' unfair and abusive business practices.

We Respectfully Urge this Committee to Issue a Favorable Report

For the reasons noted above, **Community Legal Services urges this committee to submit a favorable report on HB0817.** Please feel free to reach out to Jessica Quincosa, Executive Director, and Lisa Sarro, Director of Litigation and Advocacy, with any questions at quincosa@clspgc.org and sarro@clspgc.org, respectively.

