

To: The Honorable Members of the Finance Committee

From: Connor Klebrowski, Founder of Stability

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Position: FAVORABLE WITH AMENDMENTS

Senate Bill 0662: Financial Institutions - Payment Stablecoin Services - Establishment and Regulation (Maryland Stablecoin Act)

Summary

As a lifelong Maryland resident and the founder of Stability, I urge a favorable report with amendments to the Maryland Stablecoin Act. Current Maryland law creates a "4% Structural Deficit" for housing providers by requiring a 1-year Treasury interest return on security deposits while effectively forcing those funds into low-interest traditional bank accounts. By authorizing Regulated Payment Stablecoins (per the Federal GENIUS Act of 2025), Maryland can eliminate a \$50 million annual hidden tax on the housing market while increasing transparency for tenants.

The Problem

Maryland law requires landlords to return security deposits with interest at the 1-year Treasury rate (4.16% for 2025). However, traditional local banking accounts, such as M&T's Relationship Savings, provide only 0.01% interest on escrowed funds. This creates a recurring financial loss that landlords must pay out of pocket hidden tax that ultimately drives up Maryland housing costs.

According to U.S. Census Bureau data on housing composition, the average security deposit in Maryland is \$1,877, and the average tenancy lasts 3.1 years. Using this baseline over a period from January 2023 through January 2026, the numbers illustrate a clear structural problem:

Investment Vehicle	Avg. APY	Interest Earned	Renter's Payout	Net to Landlord
Treasury-Backed Stablecoin	~4.51%	\$280	\$262	+\$18
Avg. MD Savings Account	~0.50%	\$30	\$262	-\$232

Source: Rent Cafe MD Market Data; Federal Reserve DGS1 Daily Yields; Maryland DOIT Security Deposit Calculator

On average, the current statute imposes an excess cost of approximately \$250 per tenant on landlords. With more than 700,000 active residential leases in Maryland, this amounts to a **\$50 million** annual hidden tax on local landlords and, by extension, on the renters whose housing costs reflect these losses.

I propose adding the following language to the statute:

Amendment to Real Property § 8-203(d): “A landlord may satisfy the requirements of this subsection by maintaining security deposits in a Regulated Payment Stablecoin, as defined by the Federal GENIUS Act of 2025, provided that the assets are held with a digital asset custodian licensed or regulated by the Commissioner of Financial Regulation.”

Technical Framework: Security and Compliance

The Stability protocol is designed specifically to eliminate this yield deficit while enhancing security through three core pillars:

1. Institutional-Grade Asset Infrastructure Stability utilizes Regulated Payment Stablecoins backed 1:1 by short-term U.S. Treasury Bills. These assets are held in bankruptcy-remote third-party trusts (e.g., BlackRock’s BUIDL or Franklin Templeton’s FOBXX). This ensures funds are legally protected from the custodian’s balance sheet.

2. Automated Smart Contract Ledger The protocol replaces manual, error-prone spreadsheets with "Smart Contracts" programmed with Maryland’s legal requirements:

- **Real-Time Benchmarking:** Every January 1st, the protocol pulls the 1-Year Treasury Yield Curve directly from the Federal Reserve (FRED) to set the annual rate.

- **The Yield Spread:** Because the underlying Treasuries earn compounded market interest while the law requires simple interest, the surplus spread covers all operational costs. This ensures the landlord never pays out-of-pocket for a tenant's interest.

3. Enhanced Security & "Atomic" Settlement

- **Proof of Reserve:** Tenants can verify via a public block explorer that their deposit is fully funded and held in a regulated Treasury fund, eliminating illegal "commingling."
- **Instant Return:** While traditional banks take 5–7 days to clear, Stability enables Atomic Settlement, returning funds and interest to a tenant's digital wallet in seconds once a move-out is approved.

Maryland would not be acting alone. Since the passage of the federal GENIUS Act last year, states like Wyoming have launched state-backed stablecoins to fund schools, while Florida and Colorado now accept these assets for tax payments. This amendment turns a \$50 million annual loss into a sustainable, pre-funded benefit for Maryland landlord and renters. I urge a Favorable with Amendments report.

Respectfully Submitted,

Connor Klebrowski

Founder, Stability