

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1223 (Delegate Lehman)
Environment and Transportation

Landlord and Tenant - Screening of Tenants and Renewal of Tenancy -
Standards

This bill establishes multiple residential tenant screening and renewal of residential tenancy standards for landlords, including (1) expanded prohibitions on specified fees for credit checks or other expenses related to applications; (2) restrictions on denying a lease to a prospective tenant; (3) requiring a landlord to create and publish a rental admission policy; and (4) prohibiting a landlord from making lease renewal decisions based on information reasonably related to a tenant's status as a victim of a crime or a victim of domestic violence. The bill also establishes civil causes of action for violations of specified provisions and authorizes the imposition of a civil penalty for specified violations.

Fiscal Summary

State Effect: The bill is not anticipated to materially affect State government expenditures. Potential minimal increase in general fund revenues from civil penalties.

Local Effect: The bill is not anticipated to materially affect local government operations or finances.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Application Fees

The bill prohibits a landlord, regardless of the number of rental units owned or managed by the landlord, from requiring a tenant to pay a fee for a credit check or any other expense

for the purpose of an application more than once within any 60-day period, unless any prior fee paid by the prospective tenant within the 60-day period was returned in full as required under existing statutory provisions. The existing provisions require a landlord who requires fees other than a security deposit that exceed \$25 to return the fees, subject to specified exceptions, or be liable for twice the amount of fees in damages. The bill repeals the \$25 threshold.

Prohibited Reasons for Refusal

The bill prohibits a landlord that performs or requests a third party to perform a background check, credit history check, or rental history check of a prospective tenant, from denying a lease agreement because of any of the following:

- a lack of sufficient credit or rental history (subject to a specified exception);
- a reported event in a background check, credit history check, or rental history check that is more than seven years old;
- information reasonably related to a court record that has been sealed by a court; or
- information reasonably related to a prospective tenant's status as a victim of crime or a victim of domestic violence.

A landlord may send a written request to a prospective tenant to complete and return an addendum to the lease application that provides additional information on the reason the prospective tenant lacks sufficient credit or rental history. The written request must be delivered by certified mail, electronic means, or hand delivery.

A prospective tenant must, no later than five days after receiving the request, return the addendum to the landlord or inform the landlord that the prospective tenant is no longer interested in establishing a tenancy. A landlord may deny the lease application of a prospective tenant for lack of sufficient credit or rental history if the tenant fails to return the addendum.

If a landlord requires a prospective tenant to have an income ratio of at least two times the rent advertised by the landlord for a particular dwelling unit, the landlord must make an exception if the prospective tenant (1) has an income ratio of at least 1:1 and (2) provides evidence of a prior ability to pay rent equal to or greater than the rent advertised by the landlord for a period of one year or more.

Rental Admissions Policy

The bill requires a landlord to create a written rental admissions policy and make it available to the public on request or, if the landlord maintains a website, on the landlord's

website. A landlord may not use a written rental admissions policy that includes criteria that violate federal, State, or local law.

When a prospective tenant submits a lease application to a landlord, the landlord must provide the prospective tenant with a copy of the written rental admissions policy or a link to the policy on the landlord's website. If the link is included with a copy of the lease provided to the prospective tenant, the link must be set apart from all other sections of the lease.

A landlord that denies the lease application of a prospective tenant must provide the tenant with a written or electronic document stating with particularity each reason for the denial. A landlord is prohibited from denying a lease application of a prospective tenant based on a reason that is not included in the landlord's written rental admissions policy.

Violators are subject to a civil penalty of \$1,000 per violation. A prospective tenant injured by a violation may bring a civil action in a court of competent jurisdiction and, if the court finds in favor of the prospective tenant, may be awarded damages, court costs, and reasonable attorney's fees.

Lease Renewal Standards

Additionally, the bill establishes that a landlord may not make decisions regarding lease renewal based on information reasonably related to a tenant's status as a victim of a crime or a victim of domestic violence.

A tenant may bring a civil action in a court of competent jurisdiction and, if the court finds in favor of the tenant, may be awarded damages not to exceed the equivalent of three months' rent, court costs, and reasonable attorney's fees. Further, if the court finds that a tenant's assertion regarding a landlord's decision not to renew the lease was made in bad faith or without substantial justification, the court may enter a judgment against the tenant for damages not to exceed the equivalent of three months' rent, court costs, and reasonable attorney's fees. Relief provided by the court to the tenant is conditioned on the tenant being current on the rent due and owing to the landlord at the time the landlord's decision not to renew the lease was made, unless the tenant withholds rent in accordance with the lease, as specified. As long as a landlord's election regarding lease renewal is not the result of a prohibited act as specified in the bill, the bill's provisions may not be interpreted to alter the landlord's or the tenant's rights not to renew a lease. These provisions supersede any comparable local ordinances, as specified, only to the extent that the ordinance provides less protection to a tenant.

Current Law: If a landlord requires from a prospective residential tenant any fees *other than* a security deposit, and the fees exceed \$25, the landlord must return the fees or be

liable for twice the amount of the fees in damages. The return must be made within 15 days following the date of occupancy or the written communication that no tenancy will occur. However, the landlord may retain the portion of the fee that was actually expended for a credit check or other expenses arising out of the application, as specified. These provisions are not applicable to landlords who offer four or fewer dwelling units for rent at one location or to seasonal or condominium rentals.

Statutory provisions establish other protections for crime/domestic violence victims in landlord-tenant related matters. For example, a tenant or legal occupant (who resides on the premises with the knowledge and permission of the landlord) who is a victim of domestic violence or a victim of sexual assault may terminate the tenant's future liability under a residential lease within 30 days of providing the landlord with (1) written notice by first-class mail or hand delivery of an intent to vacate the premises and (2) notice of the individual's status as a victim of domestic violence or sexual assault. The notice requirement is satisfied by providing a copy of a protective or peace order issued for the benefit of the tenant or legal occupant. A vacating tenant is responsible for the rent for the 30-day period following the date that the notice of intent to vacate was provided to the landlord.

Small Business Effect: Landlords must comply with more rigorous standards regarding the tenant application and lease renewal processes and are subject to increased exposure to civil liability created under the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts); Department of Legislative Services

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md/jkb

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