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Finance Committee

Joint Committees

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THE SENATE OF MARYLAND
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Testimony of Senator Joanne C. Benson
SB 681: Real Property - Residential Leases - Fee in Lieu of Deposit

Good Afternoon Chair Smith, Vice Chair Waldstreicher and members of The Judicial Proceedings Committee. I am here to present SB681 Real Property - Residential Leases - Fee in Lieu of Deposit.

This bill is for the purpose of helping stabilize the economic impact that occurs with tenants when trying to move into a new property with a new landlord. A security deposit is a sum of money that a new resident gives to their landlord or property management company in addition to their advance rent payments. As we all know, security deposits can be a sizable fee which can prevent potential tenants from renting housing. Today, tenants in Maryland must pay up to two months rent for security deposit, in addition to the first month's rent. At an average Maryland rent of \$1,700/month, renters could need 5,000 due at move-in. Marylanders need a new tool that can help them have access to housing, particularly those without financial means to afford hefty security deposits, those with a new and or difficult financial situation, or persons who need to find new housing quickly.

This bill's purpose is to allow landlords to offer a tenant the option to pay a monthly fee that would waive the security deposit. The tenant would have the option to accept that option or pay the traditional security deposit. Furthermore, if the tenant chooses the fee option, the landlord must purchase insurance against lost rent or damage, and the fee must be within the reasonable cost of the unit's insurance premium. The landlord is the policyholder, and the tenant is still responsible for paying the rent and for damages incurred under the terms of the lease. When the lease has ended, the landlord must provide the tenant evidence of any damage, or outstanding rent. The bill will also include provisions that are unique to the State of Maryland. Including a one-month security deposit limit if a landlord offers the option to a single tenant in the building. This bill would give tenants the ability to be flexible with their funds when in the process of looking for housing while giving the landlord the ability to still be covered if any damages are incurred during the tenant's tenure at the residence. Additionally, tenants will be less likely to be behind on rent payments during their time at the residence due to significant security deposit fees that can cost up to two months rents in addition to the first months rent a tenant must pay. This can set tenants back a total of three months on payments if they are in a difficult financial situation. Reality is that most people

are living paycheck to paycheck and a large security deposit is not helpful to those who are in that situation and looking for housing.

Thus, I respectfully urge the committee to issue a favorable report for SB 681.