



Maryland Consumer Rights Coalition

**Testimony to the Senate Judicial Proceedings Committee**  
**SB 681: Real Property-Security Deposits-Fee in Lieu**  
**Position: Unfavorable**

February 22, 2022

The Honorable Will Smith, Chair  
Senate Judicial Proceedings Committee  
2 East, Miller Senate Office Building  
Annapolis, MD 21401  
Cc: Members, Senate Judicial Proceedings Committee

Honorable Chair Smith and Members of the Committee:

MCRC is a statewide coalition of individuals and organizations that advances economic inclusion and financial justice through research, consumer education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are here in opposition to SB 681. Although the bill addresses an important issue -unaffordable security deposits which act as an impediment to tenants- the solution proposed raises a number of concerns and may weaken the already insufficient protections available to tenants under Maryland law.

The average monthly rent is \$1300 in Maryland and many landlords charge the equivalent of 1-2 months rent as a security deposit. This is obviously a challenge for low-income and moderate income tenants, particularly those who may be considered riskier because of poor credit.

SB 681 would allow tenants to pay a monthly fee instead of a security deposit upfront. According to LeaseLock, their clients pay an average of \$29 per month. However, unlike a security deposit, the money paid monthly to these companies is not refundable. While clients may save on upfront costs, they will not get these funds back. Moreover, the tenants are still fully liable for any claims against the landlord.

While the proponents of the legislation reached out to advocates to try to resolve concerns, there remain too many outstanding concerns and issues to enact this legislation. Some of the concerns include:



- the insurer can pursue collection activities against the tenant for outstanding amounts which the insurer owes to the landlord. These debt collection practices, as documented in our report [No Exit](#) may deepen poverty and widen the racial wealth gap; this may lead to wage garnishments or property garnishments
- using these products rather than a traditional security deposit, tenants may lose consumer protections available to them under current law
- jurisdiction and oversight of the law is unclear and unresolved since the tenant must rely on court judgment to dispute the claims which are rife with problems with most tenants unrepresented by an attorney and correspondingly courts finding in favor of the creditors/landlords the majority of the time
- the majority of these products are new start-up for-profit firms raising funds from investors. As such, it is unclear what would happen to tenants with these fee-in-lieu agreements should a firm go belly-up. Start-ups such as WeWork demonstrate the cascade effect of these corporate start-up. Tenants may be left in a legal limbo should these companies fail.

The goal of reducing the cost of security deposits as a way to assist tenants is laudable. However, there are number of proposals that would expand protections for consumers including:

- create installment plans for security deposits;
- create a third-party government security deposit holder as they've done in the UK<sup>1</sup>;

SB 681 increases costs for consumers with non-refundable funds while benefiting landlords rather than the tenants, creates uncertainty in terms of jurisdiction, and may weaken legal protections while including no provisions should these start-up corporations fail.

For all of these reasons, we oppose SB 681 and urge an unfavorable report.

Best,

Marceline White  
Executive Director

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<sup>1</sup> <https://shelterforce.org/2021/10/07/what-happens-when-landlords-dont-control-security-deposits/>