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SB 681 - Real Property – Residential Leases – Fee in Lieu of Deposit

Hearing before the Judicial Proceedings Committee, Feb. 22, 2022

Position: OPPOSE (UNFAV)

Public Justice Center (PJC) is a non-profit advocacy organization and civil legal services provider that provides advice and representation to over 700 tenants throughout Maryland each year. Numerous tenants contact the Public Justice Center each year over disputes with their respective landlords regarding the return of a security deposit. Public Justice Center recognizes that a landlord's upfront security deposit requirement is a significant barrier for tenants seeking to leave unhealthy or unsustainable housing, and we want to thank the sponsor of the legislation for seeking to address this significant issue that limits mobility and fair housing choice. We also thank Chris Grimm and Lease Lock, the proponents, for a productive dialogue since a similar bill was introduced last year. SB 681 includes many more consumer protections than last year's iteration.

Nonetheless, we are concerned that unlike prior drafts we had seen, the current bill contains no language requiring landlords to charge tenants only the actual cost of the insurance product to the landlord. Without such a limitation, the periodic fee that landlords charge tenants as a security deposit alternative will become yet another one of the numerous fees that landlords charge for virtually everything. Unless the periodic fee is tethered to the amount paid by the landlord for insurance to Lease Lock, it becomes yet another profit center for landlords at the expense of the tenant/consumer.

We are also concerned by reports in other jurisdictions that some companies with this model are charging variable monthly fees instead of fixed monthly fees. The fee paid by the tenant should be fixed for as long as the tenant resides at the property. Otherwise, unsuspecting tenants may be hit with an increased fee simply because their credit score went down.

Finally, we understand that there are attempts by the landlord industry to remove the prohibition on landlords labeling these periodic charges as “rent” in the current bill. The security deposit alternative fee is not “rent” and should not be deemed rent. Treating the fee as “rent” would allow landlords to begin a summary ejectment eviction process for non-

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payment – flying in the face of Court of Appeals precedent limiting the definition of “rent” to the fixed, periodic fee for use and occupancy only. *See Lockett v. Blue Ocean Bristol, LLC*, 446 Md. 397 (2016).

We also understand the landlord industry wants to weaken the one enforcement mechanism for tenants in the bill. We oppose that weakening.

Finally, we are generally concerned that we do not yet understand the full implications of this financial product and how it will affect renters in the marketplace. We suggest further study on this matter including whether this will lead to an increase in third-party debt collection.

Public Justice Center asks that the Committee **issue a report of UNFAVORABLE on SB 681**. If you have any questions, please contact: Matt Hill, hillm@publicjustice.org, 410-625-9409, ext. 229.