

SENATE BILL 892

N1

1lr2617

By: **Senators Augustine, Waldstreicher, and Jackson**

Introduced and read first time: February 9, 2021

Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Real Property – Residential Leases – Fee in Lieu of Security Deposit**

3 FOR the purpose of authorizing the payment of a fee in lieu of a security deposit in a
4 residential lease, subject to certain requirements; prohibiting a landlord from
5 requiring a tenant to pay a fee in lieu of a security deposit and providing that a
6 landlord is not required to consent to the payment of a fee in lieu of a security deposit
7 by a tenant; providing that a fee in lieu of a security deposit may be paid in any
8 amount and at any frequency agreed on by the landlord and the tenant; providing
9 that a fee in lieu of a security deposit may be partially or wholly nonrefundable;
10 requiring a landlord to make, and a tenant to make a separate written
11 acknowledgment of, certain disclosures relating to a fee in lieu of a security deposit
12 under certain circumstances; imposing a certain requirement on a landlord that
13 purchases certain insurance coverage using a fee in lieu of a security deposit;
14 providing for the application of this Act; making conforming changes; and generally
15 relating to fees in lieu of security deposits for residential leases.

16 BY repealing and reenacting, without amendments,
17 Article – Real Property
18 Section 8–203(a)(1) and (3)
19 Annotated Code of Maryland
20 (2015 Replacement Volume and 2020 Supplement)

21 BY adding to
22 Article – Real Property
23 Section 8–203(j)
24 Annotated Code of Maryland
25 (2015 Replacement Volume and 2020 Supplement)

26 BY repealing and reenacting, with amendments,
27 Article – Real Property
28 Section 8–203(j) through (l) and 8A–1001(h)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Annotated Code of Maryland
2 (2015 Replacement Volume and 2020 Supplement)

3 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
4 That the Laws of Maryland read as follows:

5 **Article – Real Property**

6 8–203.

7 (a) (1) In this section the following words have the meanings indicated.

8 (3) “Security deposit” means any payment of money, including payment of
9 the last month’s rent in advance of the time it is due, given to a landlord by a tenant in
10 order to protect the landlord against nonpayment of rent, damage due to breach of lease, or
11 damage to the leased premises, common areas, major appliances, and furnishings.

12 **(J) (1) UNDER THIS SUBSECTION, A LANDLORD:**

13 **(I) MAY NOT REQUIRE A TENANT TO PAY A FEE IN LIEU OF A**
14 **SECURITY DEPOSIT; AND**

15 **(II) IS NOT REQUIRED TO CONSENT TO PAYMENT BY A TENANT**
16 **OF A FEE IN LIEU OF A SECURITY DEPOSIT.**

17 **(2) A TENANT AND A LANDLORD MAY AGREE THAT THE TENANT WILL**
18 **PAY THE LANDLORD A FEE IN LIEU OF A SECURITY DEPOSIT THAT IS:**

19 **(I) PAID IN ANY AMOUNT AND AT ANY INTERVAL; AND**

20 **(II) PARTIALLY OR WHOLLY NONREFUNDABLE.**

21 **(3) IF A LANDLORD AND A TENANT AGREE TO PAYMENT OF A FEE IN**
22 **LIEU OF A SECURITY DEPOSIT, THE LANDLORD SHALL DISCLOSE IN THE TERMS OF**
23 **THE LEASE, AND THE TENANT SHALL SEPARATELY ACKNOWLEDGE:**

24 **(I) THAT THE TENANT HAS AGREED TO PAY, AND THE**
25 **LANDLORD HAS AGREED TO ACCEPT, A FEE IN LIEU OF A SECURITY DEPOSIT;**

26 **(II) THE METHOD BY WHICH THE FEE IN LIEU OF A SECURITY**
27 **DEPOSIT MAY BE PAID, INCLUDING AS A LUMP SUM OR AS A PERIODIC PAYMENT; AND**

28 **(III) WHETHER THE FEE IN LIEU OF A SECURITY DEPOSIT IS**
29 **REFUNDABLE AND, IF SO, THE AMOUNT THAT IS REFUNDABLE.**

1 **(4) A LANDLORD THAT USES A FEE PAID IN LIEU OF A SECURITY**
2 **DEPOSIT TO PURCHASE INSURANCE COVERAGE FOR NONPAYMENT OF RENT,**
3 **BREACH OF LEASE, OR DAMAGES CAUSED BY THE TENANT SHALL PURCHASE**
4 **COVERAGE ISSUED BY AN ADMITTED CARRIER LICENSED BY THE MARYLAND**
5 **INSURANCE ADMINISTRATION.**

6 **[(j)] (K)** No provision of this section may be waived in any lease.

7 **[(k)] (L)** The Department of Housing and Community Development shall
8 maintain on its Web site:

9 (1) A list of daily U.S. Treasury yield curve rates for 1 year, as of the first
10 business day of each year, to be used in calculating the interest on a security deposit; or

11 (2) A customized calculator that calculates the interest due on a security
12 deposit by allowing a user to enter the date that the security deposit was given to the
13 landlord, a tenancy end date, and the amount of the security deposit.

14 **[(l)] (M)** A landlord is entitled to rely on the list of yield curve rates or the
15 customized calculator maintained by the Department of Housing and Community
16 Development under subsection **[(k)] (L)** of this section when calculating the interest on a
17 security deposit.

18 8A-1001.

19 (h) A park owner is entitled to rely on the list of yield curve rates or the
20 customized calculator maintained by the Department of Housing and Community
21 Development under § **[8-203(k)] 8-203(L)** of this article when calculating the interest on
22 a security deposit.

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be construed to
24 apply only prospectively and may not be applied or interpreted to have any effect on or
25 application to any lease entered into before the effective date of this Act.

26 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
27 October 1, 2021.