

SECURITY DEPOSITS

(Maryland Code, Real Property, Section 8-203)

This law applies to all residential tenancies, whether the lease is written or oral.

- (a) **Definition** – a “security deposit” is any payment of money, including the final month’s rent paid in advance, which is given to the landlord by the tenant in order to protect the landlord against non-payment of rent or damage to the leased premises, common areas, major appliances, and furnishings.
- (b) **Maximum amount** – the maximum amount which the landlord may require as a security deposit for each dwelling unit is the equivalent of two months’ rent or \$50, whichever is greater. This is regardless of the number of tenants in the unit. If the landlord charges more than this, the tenant may recover more up to three times the excess amount plus reasonable attorney’s fees. The tenant’s action to recover this amount may be brought at any time during the tenancy or within two years after termination.
- (c) **Receipt** – the landlord must give to the tenant a written receipt for the security deposit as specified in section 8-203.1 and is liable to the tenant for \$25 if he fails to do so. The receipt may be included in the written lease.

List of existing damages – the lease or the receipt must contain language informing the tenant of his/her right to receive a written list of all existing damage to the leased premises from the landlord if the tenant so requests in writing within the first 15 days of his/her occupancy.

If the landlord imposes a security deposit and receives a written request, the landlord must provide the list of damages. If the landlord does not, he/she is liable to the tenant for three times the amount of the security deposit. This liability of the landlord may be reduced by any damages or unpaid rent which he is entitled to under this section.

- (d) **Bank account** – the landlord shall maintain all security deposits in federally insured financial institutions, as defined in section 1-101 of the Maryland Financial Institutions Article, which do business in the state. The account must be devoted exclusively to security deposits and bear interest. The landlord must deposit the amount of each security deposit in that account within 30 days after receiving it. The security deposit account cannot be attacked by the landlord’s creditors. In the event of sales or transfer of any sort, including receivership or bankruptcy, the security deposit is binding on the successor in interest to the person to whom the deposit is given.
- (e) **Return of deposit to tenant; interest** – the landlord must, within 45 days after the end of tenancy, return to tenant the security deposit minus any amount which he/she may rightfully withhold. Simple interest of 4% per year must be paid on security deposits of \$50 or more and must accrue at 6 month intervals from the day the security deposit was given. Interest is not compounded. If the landlord, without good reason, fails to return any part of the security deposit within 45 days after the end of the tenancy, he/she is liable to the tenant for up to three times the withheld amount of the security deposit plus reasonable attorney’s fees.

- (f) Withholding of deposit** – the security deposit, or any portion thereof, may be withheld for unpaid rent, damage due to breach of lease or for damage by the tenant or the tenant’s family, agents, employees, guests or invitees in excess of ordinary wear and tear to the leased premises, common areas, major appliances, and furnishings owned by the landlord.

If the tenant notifies the landlord by certified mail that he intends to move out, and informs the landlord of the date of moving and his/her new address, he/she will have the right to be present when the landlord inspects the premises to determine if any damage was done beyond normal wear and tear. The tenant must mail a notice requesting to be present at the time of inspection at least 15 days prior to moving out. The landlord must then notify the tenant by certified mail of the time and date of inspection, which must be within 5 days before or 5 days after the tenant’s move.

If the landlord fails to notify the tenant in writing, at the time of payment of the security deposit, of his/her rights under this subsection relating to the inspection, then the landlord forfeits the right to withhold any part of the security deposit for damages, including unpaid rent.

If the landlord attempts to use the deposit to compensate for breach of the leased agreement, he can only claim the actual amount of money lost due to the tenant’s breach. If the landlord re-rents the property before the end of the tenant’s term, his/her actual damages are reduced by the amount he gains from the new agreement.

- (g) Notice to tenant** – if the landlord withholds any part of the security deposit, he must send to the tenant’s last known address, by first class mail, within 45 days after the termination of the lease, a written list of the damages he claims together with a statement of costs actually incurred. If the landlord fails to do this within 45 days after termination, he loses the right to use the deposit to offset damages, including unpaid rent.

- (h) Tenant ejected or evicted or abandoning** – where the tenant has been evicted or ejected for breach of the lease, or has abandoned the premises prior to termination of the lease, the procedure for the return of the security deposit is as follows:

- 1) Within 45 days after leaving the premises, tenant sends to landlord by first class mail a request for return of the security deposit, and informs landlord of tenant’s new address.
- 2) Within 45 days of receipt of the notice, landlord sends to tenant, by first class mail, a list of damages deducted from the security deposit and a statement of costs actually incurred. Within 45 days of receipt of tenant’s notice, landlord sends to tenant the security deposit with simple interest of 4% per year minus damages properly withheld.
- 3) If the landlord fails to send the list of damages, he forfeits the right to withhold any part of the security deposit for damages. If he fails to return the security deposit as required, tenant may sue for up to three times the withheld amount, plus reasonable attorney’s fees.

- (i) Waiver of section’s provisions** – the provisions of this law cannot be waived in any lease.