
By: **Delegate Rosenberg**

Introduced and read first time: February 1, 2005

Assigned to: Judiciary

A BILL ENTITLED

1 AN ACT concerning

2 **Courts - Interest Rate on Judgments**

3 FOR the purpose of altering the legal rate of interest on certain judgments.

4 BY repealing and reenacting, with amendments,

5 Article - Courts and Judicial Proceedings

6 Section 11-107

7 Annotated Code of Maryland

8 (2002 Replacement Volume and 2004 Supplement)

9 Preamble

10 WHEREAS, The current ten percent interest rate on most judgments in
11 Maryland State courts is significantly higher than interest rates available on the
12 market and, therefore, creates a disincentive for defendants to exercise their right to
13 appeal a judgment; and

14 WHEREAS, Rather than maintaining the value of a judgment intended to fully
15 compensate a plaintiff, the current interest rate on judgments in Maryland State
16 courts actually increases the value of the judgment and unjustly enriches the plaintiff
17 at the expense of the defendant; and

18 WHEREAS, The current rate of interest on judgments in Maryland State courts
19 is static and, therefore, carries the risk of unjustly enriching defendants at the
20 expense of plaintiffs if market interest rates were to rise significantly; and

21 WHEREAS, The current rate of interest of interest on judgments in Maryland
22 State courts lacks the flexibility necessary to maintain the value of a judgment while
23 not penalizing the parties under changing market conditions; and

24 WHEREAS, The federal statute providing the interest rate applicable to
25 judgments, 28 U.S.C. § 1961, is market-based and, therefore, better balances the
26 interest of plaintiffs in maintaining the value of a judgment with defendants' interest
27 in pursuing their right to appeal without prejudice; and

1 WHEREAS, Adopting the federal method for calculating the interest rate
2 applicable to a judgment will provide consistency among all Maryland courts, both
3 State and federal; now, therefore,

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

6 **Article - Courts and Judicial Proceedings**

7 11-107.

8 (a) Except as provided in § 11-106 of this article, the legal rate of interest on
9 a judgment shall be [at the rate of 10 percent per annum on the amount of judgment]
10 EQUAL TO THE WEEKLY AVERAGE 1-YEAR CONSTANT MATURITY TREASURY YIELD,
11 AS PUBLISHED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,
12 FOR THE CALENDAR WEEK PRECEDING THE DATE OF THE JUDGMENT.

13 (b) The legal rate of interest on a money judgment for rent of residential
14 premises shall be at the rate of 6 percent per annum on the amount of the judgment.

15 (c) The legal rate of interest on a money judgment for delinquent real or
16 personal property taxes shall be the greater of:

17 (1) The sum of the rates fixed under §§ 14-603 and 14-702 of the Tax -
18 Property Article for interest and penalties; or

19 (2) At the rate of 10 percent per annum.

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
21 October 1, 2005.