
By: **Delegate Bates**

Introduced and read first time: February 9, 2005

Assigned to: Environmental Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Real Property - Residential Leases - Interest on Security Deposits**

3 FOR the purpose of altering the annual interest rate paid on a security deposit under
4 a residential lease after the end of a tenancy; altering the annual interest rate
5 paid on a security deposit under a residential lease prior to the termination of a
6 tenancy under certain circumstances; altering the interval at which interest
7 shall accrue on a security deposit under a residential lease; providing for the
8 application of this Act; and generally relating to interest on security deposits
9 under residential leases.

10 BY repealing and reenacting, without amendments,
11 Article - Real Property
12 Section 8-203(d)
13 Annotated Code of Maryland
14 (2003 Replacement Volume and 2004 Supplement)

15 BY repealing and reenacting, with amendments,
16 Article - Real Property
17 Section 8-203(e) and (h)
18 Annotated Code of Maryland
19 (2003 Replacement Volume and 2004 Supplement)

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

22 **Article - Real Property**

23 8-203.

24 (d) (1) (i) The landlord shall maintain all security deposits in federally
25 insured financial institutions, as defined in § 1-101 of the Financial Institutions
26 Article, which do business in the State.

1 (ii) Security deposit accounts shall be maintained in branches of
2 the financial institutions which are located within the State and the accounts shall be
3 devoted exclusively to security deposits and bear interest.

4 (iii) A security deposit shall be deposited in an account within 30
5 days after the landlord receives it.

6 (iv) The aggregate amount of the accounts shall be sufficient in
7 amount to equal all security deposits for which the landlord is liable.

8 (2) (i) In lieu of the accounts described in paragraph (1) of this
9 subsection, the landlord may hold the security deposits in insured certificates of
10 deposit at branches of federally insured financial institutions, as defined in § 1-101 of
11 the Financial Institutions Article, located in the State or in securities issued by the
12 federal government or the State of Maryland.

13 (ii) In the aggregate certificates of deposit or securities shall be
14 sufficient in amount to equal all security deposits for which the landlord is liable.

15 (3) In the event of sale or transfer of the landlord's interest in the leased
16 premises, including receivership or bankruptcy, the landlord or the landlord's estate,
17 but not the managing agent or court appointed receiver, shall remain liable to the
18 tenant and the transferee for maintenance of the security deposit as required by law,
19 and the withholding and return of the security deposit plus interest as required by
20 law, as to all or any portion of the security deposit that the landlord fails to deliver to
21 the transferee together with an accounting showing the amount and date of the
22 original deposit, the records of the interest rates applicable to the security deposit, if
23 any, and the name and last known address of the tenant from whom, or on whose
24 behalf, the deposit was received.

25 (4) Any successor in interest is liable to the tenant for failure to return
26 the security deposit, together with interest, as provided in this section.

27 (e) (1) Within 45 days after the end of the tenancy, the landlord shall return
28 the security deposit to the tenant together with simple interest which has accrued [in
29 the amount of 3 percent per annum,] AT THE FEDERAL RESERVE DISCOUNT RATE AS
30 OF JANUARY 1 OF EACH YEAR AND less any damages rightfully withheld.

31 (2) Interest shall accrue at [six-month] 12-MONTH intervals from the
32 day the tenant gives the landlord the security deposit. Interest is not compounded.

33 (3) Interest shall be payable only on security deposits of \$50 or more.

34 (4) If the landlord, without a reasonable basis, fails to return any part of
35 the security deposit, plus accrued interest, within 45 days after the termination of the
36 tenancy, the tenant has an action of up to threefold of the withheld amount, plus
37 reasonable attorney's fees.

38 (h) (1) The provisions of subsections (e)(1) and (4) and (g)(1) and (2) of this
39 section are inapplicable to a tenant who has been evicted or ejected for breach of a

1 condition or covenant of a lease prior to the termination of the tenancy or who has
2 abandoned the premises prior to the termination of the tenancy.

3 (2) (i) A tenant specified in paragraph (1) of this subsection may
4 demand return of the security deposit by giving written notice by first-class mail to
5 the landlord within 45 days of being evicted or ejected or of abandoning the premises.

6 (ii) The notice shall specify the tenant's new address.

7 (iii) The landlord, within 45 days of receipt of such notice, shall
8 present, by first-class mail to the tenant, a written list of the damages claimed under
9 subsection (f)(1) of this section together with a statement of the costs actually
10 incurred and shall return to the tenant the security deposit together with simple
11 interest which has accrued EITHER in the amount of 3 percent per annum, OR AT THE
12 FEDERAL RESERVE DISCOUNT RATE AS OF JANUARY 1 OF EACH YEAR, WHICHEVER IS
13 LESS, AND less any damages rightfully withheld.

14 (3) (i) If a landlord fails to send the list of damages required by
15 paragraph (2) of this subsection, the right to withhold any part of the security deposit
16 for damages is forfeited.

17 (ii) If a landlord fails to return the security deposit as required by
18 paragraph (2) of this subsection, the tenant has an action of up to threefold of the
19 withheld amount, plus reasonable attorney's fees.

20 (4) Except to the extent specified, this subsection may not be interpreted
21 to alter the landlord's duties under subsections (e) and (g) of this section.

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

26 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
27 October 1, 2005.