

# HOUSE BILL 917

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HB 970/05 – ENV

11r2254

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By: ~~Delegate McMillan~~ Delegates McMillan and Stocksdale

Introduced and read first time: February 11, 2011

Assigned to: Environmental Matters

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 21, 2011

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

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

3 FOR the purpose of altering the interest rate paid on a security deposit under a  
4 residential lease at the end of a tenancy; altering the interest rate paid on a  
5 security deposit under a residential lease when an evicted or ejected tenant  
6 makes a timely written demand for return of the security deposit; requiring the  
7 Department of Housing and Community Development to maintain a certain list  
8 on its Web site; providing for the application of this Act; providing for a delayed  
9 effective date; and generally relating to the interest paid on security deposits  
10 under residential leases.

11 BY repealing and reenacting, with amendments,  
12 Article – Real Property  
13 Section 8–203(e) and (h)  
14 Annotated Code of Maryland  
15 (2010 Replacement Volume and 2010 Supplement)

16 BY adding to  
17 Article – Real Property  
18 Section 8–203(k)  
19 Annotated Code of Maryland  
20 (2010 Replacement Volume and 2010 Supplement)

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

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Article – Real Property

2 8–203.

3 (e) (1) (I) Within 45 days after the end of the tenancy, the landlord  
 4 shall return the security deposit to the tenant together with simple interest which has  
 5 accrued [in the amount of 3 percent per annum] ~~AT THE RATE SPECIFIED IN~~  
 6 ~~SUBPARAGRAPH (H) OF THIS PARAGRAPH~~ DAILY U.S. TREASURY YIELD CURVE  
 7 RATE FOR 1 YEAR, AS OF THE FIRST BUSINESS DAY OF EACH YEAR, OR 1.5%,  
 8 WHICHEVER IS GREATER, less any damages rightfully withheld.

9 ~~(H) THE INTEREST RATE PAID ON A SECURITY DEPOSIT~~  
 10 ~~UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH SHALL BE THE RATE:~~

11 ~~1. PAID BY THE FINANCIAL INSTITUTION~~  
 12 ~~MAINTAINING THE ACCOUNT IN WHICH THE SECURITY DEPOSIT IS HELD; AND~~

13 ~~2. PREVAILING ON THE DATE THE LANDLORD GIVES~~  
 14 ~~THE TENANT A RECEIPT FOR THE SECURITY DEPOSIT UNDER § 8-203.1 OF THIS~~  
 15 ~~SUBTITLE.~~

16 (II) FOR ANY YEAR IN WHICH THE LANDLORD HAS HELD  
 17 THE SECURITY DEPOSIT FOR LESS THAN THE FULL YEAR, THE LANDLORD SHALL  
 18 PAY AN AMOUNT OF INTEREST EQUAL TO THE AMOUNT OF THE DEPOSIT  
 19 MULTIPLIED BY THE DAILY U.S. TREASURY YIELD CURVE RATE FOR 1 YEAR,  
 20 THAT WAS IN EFFECT AS OF THE FIRST BUSINESS DAY OF THAT CALENDAR YEAR,  
 21 OR 1.5%, WHICHEVER IS GREATER, DIVIDED BY THE NUMBER OF MONTHS THAT  
 22 THE DEPOSIT WAS HELD.

23 (2) Interest shall accrue at six-month intervals from the day the  
 24 tenant gives the landlord the security deposit. Interest is not compounded.

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

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

30 (h) (1) The provisions of subsections (e)(1) and (4) and (g)(1) and (2) of this  
 31 section are inapplicable to a tenant who has been evicted or ejected for breach of a  
 32 condition or covenant of a lease prior to the termination of the tenancy or who has  
 33 abandoned the premises prior to the termination of the tenancy.

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

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

5 (iii) 1. The landlord, within 45 days of receipt of such notice,  
6 shall present, by first-class mail to the tenant, a written list of the damages claimed  
7 under subsection (f)(1) of this section together with a statement of the costs actually  
8 incurred and shall return to the tenant the security deposit together with simple  
9 interest which has accrued [in the amount of 3 percent per annum] ~~AT THE RATE~~  
10 ~~SPECIFIED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH~~ DAILY U.S.  
11 TREASURY YIELD CURVE RATE FOR 1 YEAR, AS OF THE FIRST BUSINESS DAY OF  
12 EACH YEAR, OR 1.5%, WHICHEVER IS GREATER, less any damages rightfully  
13 withheld.

14 ~~2. THE INTEREST RATE PAID ON A SECURITY~~  
15 ~~DEPOSIT UNDER SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH SHALL BE THE~~  
16 ~~RATE:~~

17 ~~A. PAID BY THE FINANCIAL INSTITUTION~~  
18 ~~MAINTAINING THE ACCOUNT IN WHICH THE SECURITY DEPOSIT IS HELD; AND~~

19 ~~B. PREVAILING ON THE DATE THE LANDLORD GIVES~~  
20 ~~THE TENANT A RECEIPT FOR THE SECURITY DEPOSIT UNDER § 8-203.1 OF THIS~~  
21 ~~SUBTITLE.~~

22 2. FOR ANY YEAR IN WHICH THE LANDLORD HAS  
23 HELD THE SECURITY DEPOSIT FOR LESS THAN THE FULL YEAR, THE LANDLORD  
24 SHALL PAY AN AMOUNT OF INTEREST EQUAL TO THE AMOUNT OF THE DEPOSIT  
25 MULTIPLIED BY THE DAILY U.S. TREASURY YIELD CURVE RATE FOR 1 YEAR,  
26 THAT WAS IN EFFECT AS OF THE FIRST BUSINESS DAY OF THAT CALENDAR YEAR,  
27 OR 1.5%, WHICHEVER IS GREATER, DIVIDED BY THE NUMBER OF MONTHS THAT  
28 THE DEPOSIT WAS HELD.

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

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

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

1           **(K) THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**  
2 **SHALL MAINTAIN ON ITS WEB SITE A LIST OF DAILY U.S. TREASURY YIELD**  
3 **CURVE RATES FOR 1 YEAR, AS OF THE FIRST BUSINESS DAY OF EACH YEAR, TO**  
4 **BE USED IN CALCULATING THE INTEREST ON A SECURITY DEPOSIT.**

5           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be  
6 construed to apply only prospectively and may not be applied or interpreted to have  
7 any effect on or application to any residential leases entered into before the effective  
8 date of this Act.

9           SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
10 ~~October 1, 2011~~ January 1, 2012.

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.