

# SENATE BILL 429

N1

11r1220

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By: **Senator Klausmeier**

Introduced and read first time: February 4, 2011

Assigned to: Judicial Proceedings

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## A BILL ENTITLED

1 AN ACT concerning

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

3 FOR the purpose of authorizing a landlord to set the rate at which simple interest  
4 accrues on a security deposit of a tenant under a certain residential lease to be a  
5 certain fixed rate or floating rate; requiring a certain rate set by the landlord to  
6 be stated in the tenant's written lease; requiring a certain rate of interest to  
7 accrue on a security deposit if the certain rate is not stated in the tenant's  
8 written lease; making conforming changes; and generally relating to residential  
9 leases and security deposits.

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

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

17 **Article – Real Property**

18 8–203.

19 (e) (1) Within 45 days after the end of the tenancy, the landlord shall  
20 return the security deposit to the tenant together with simple interest which has  
21 accrued [in the amount of 3 percent per annum] **AT THE RATE SET BY THE**  
22 **LANDLORD UNDER PARAGRAPH (2) OF THIS SECTION**, less any damages rightfully  
23 withheld.

24 **(2) (I) A LANDLORD MAY SET THE RATE AT WHICH SIMPLE**  
25 **INTEREST ACCRUES ON A SECURITY DEPOSIT TO BE:**

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1                                   **1.     3 PERCENT PER ANNUM; OR**

2                                   **2.     1 PERCENTAGE POINT BELOW THE FEDERAL**  
3 **RESERVE BOARD DISCOUNT RATE AS OF JANUARY 1 OF EACH YEAR.**

4                                   **(II)   THE RATE AT WHICH SIMPLE INTEREST ACCRUES ON A**  
5 **SECURITY DEPOSIT SET BY THE LANDLORD UNDER SUBPARAGRAPH (I) OF THIS**  
6 **PARAGRAPH SHALL BE STATED IN THE TENANT’S WRITTEN LEASE.**

7                                   **(III) IF THE RATE AT WHICH SIMPLE INTEREST ACCRUES ON**  
8 **A SECURITY DEPOSIT IS NOT STATED IN THE TENANT’S WRITTEN LEASE, SIMPLE**  
9 **INTEREST SHALL ACCRUE AT A RATE OF 3 PERCENT PER ANNUM.**

10                               **[(2)] (3)**     Interest shall accrue at six-month intervals from the day  
11 the tenant gives the landlord the security deposit. Interest is not compounded.

12                               **[(3)] (4)**     Interest shall be payable only on security deposits of \$50 or  
13 more.

14                               **[(4)] (5)**     If the landlord, without a reasonable basis, fails to return  
15 any part of the security deposit, plus accrued interest, within 45 days after the  
16 termination of the tenancy, the tenant has an action of up to threefold of the withheld  
17 amount, plus reasonable attorney’s fees.

18                               (h)   (1)     The provisions of subsections (e)(1) and **[(4)] (5)** and (g)(1) and (2)  
19 of this section are inapplicable to a tenant who has been evicted or ejected for breach  
20 of a condition or covenant of a lease prior to the termination of the tenancy or who has  
21 abandoned the premises prior to the termination of the tenancy.

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

25                               (ii)   The notice shall specify the tenant’s new address.

26                               (iii)  The landlord, within 45 days of receipt of such notice, shall  
27 present, by first-class mail to the tenant, a written list of the damages claimed under  
28 subsection (f)(1) of this section together with a statement of the costs actually incurred  
29 and shall return to the tenant the security deposit together with **THE** simple interest  
30 which has accrued **[in the amount of 3 percent per annum]**, less any damages  
31 rightfully withheld.

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

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

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

6                   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
7 October 1, 2011.