

Department of Legislative Services  
Maryland General Assembly  
2000 Session

FISCAL NOTE

House Bill 75 (Delegate Hutchins)

Economic Matters

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

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This bill alters the amount of interest a landlord must pay a tenant upon return of the tenant's security deposit from 4% per annum to the passbook rate of the financial institution where the deposit is being held. The rate used is the prevailing rate on January 1 and July 1 for each six-month period of the tenancy which follows those dates.

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**Fiscal Summary**

**State Effect:** Assuming that the Consumer Protection Division receives fewer than 50 complaints as a result of this bill, any additional workload would be handled with existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** Minimal impact on small businesses as discussed below.

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**Analysis**

**Current Law:** A landlord is required to pay 4% interest and to maintain all security deposits in branches of federally insured financial institutions doing business in the State. The accounts must bear interest and be devoted exclusively to security deposits. In lieu of these accounts, a landlord may hold the security deposits in insured certificates of deposit at branches of federally insured financial institutions doing business in the State.

**Small Business Effect:** Currently, the interest rate paid on most passbook accounts is less than 3%. Interest paid on certificates of deposit ranges from 4.25% to 5.5%. Because the landlord is currently required to pay 4% simple interest on all security deposits, small business landlords must invest security deposits in certificates of deposit in order to cover their costs. As passbook interest rates are below the current 4% requirement, the bill will result in increased interest income for small business landlords who invest in certificates of deposit.

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### **Additional Information**

**Prior Introductions:** A substantially similar bill was introduced in the 1997 session as SB 292 and received an unfavorable report from the Senate Judicial Proceedings Committee.

**Cross File:** None.

**Information Source(s):** Office of the Attorney General (Consumer Protection Division), Department of Legislative Services

**Fiscal Note History:** First Reader - January 14, 2000  
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