

**Department of Legislative Services**  
Maryland General Assembly  
2002 Session

**FISCAL NOTE**

House Bill 996  
Economic Matters

(Delegates Barkley and Hutchins)

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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 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 rates for both passbook accounts and certificates of deposit are below 4%. The current interest rate paid on most passbook

accounts is less than 2%, and the interest rates for short-term certificates of deposit currently range from 2% to 3%. Because a landlord is currently required to pay 4% simple interest on all security deposits, small business landlords would no longer incur losses on security deposits, i.e., the difference between the rate they are paid on the investment and 4%. Small business landlords who invest security deposits in certificates of deposit would gain additional interest income from the security deposits under the bill.

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### **Additional Information**

**Prior Introductions:** Substantially similar bills were introduced in the 1997 and 2000 sessions. In 1997, SB 292 received an unfavorable report from the Senate Judicial Proceedings Committee. In 2000, HB 75 was withdrawn, after being heard in the House Economic Matters Committee.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 14, 2002  
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