
By: **Delegate McKee**

Introduced and read first time: February 6, 2003

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 interest rate paid on a security deposit under a
4 residential lease; requiring the interest rate to be either the current statutory
5 interest rate or the interest rate paid on the account per annum by the financial
6 institution in which the security deposit is held, whichever is less; providing for
7 the application of this Act; and generally relating to security deposits under
8 residential leases.

9 BY repealing and reenacting, without amendments,
10 Article - Real Property
11 Section 8-203(d)
12 Annotated Code of Maryland
13 (1996 Replacement Volume and 2002 Supplement)

14 BY repealing and reenacting, with amendments,
15 Article - Real Property
16 Section 8-203(e) and (h)
17 Annotated Code of Maryland
18 (1996 Replacement Volume and 2002 Supplement)

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

21 **Article - Real Property**

22 8-203.

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

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

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

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

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

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

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

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

24 (e) (1) Within 45 days after the end of the tenancy, the landlord shall return
25 the security deposit to the tenant together with simple interest which has accrued in
26 EITHER the amount of 4 percent per annum, OR AT THE RATE PER ANNUM PAID ON
27 THE ACCOUNT BY THE FINANCIAL INSTITUTION, WHICHEVER IS LESS, AND less any
28 damages rightfully withheld.

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

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

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

36 (h) (1) The provisions of subsections (e)(1) and (4) and (g)(1) and (2) of this
37 section are inapplicable to a tenant who has been evicted or ejected for breach of a
38 condition or covenant of a lease prior to the termination of the tenancy or who has
39 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) The landlord, within 45 days of receipt of such notice, shall
6 present, by first-class mail to the tenant, a written list of the damages claimed under
7 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 EITHER the amount of 4 percent per annum, OR AT THE
10 RATE PER ANNUM PAID ON THE ACCOUNT BY THE FINANCIAL INSTITUTION,
11 WHICHEVER IS LESS, AND less any damages rightfully withheld.

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

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

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

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

24 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
25 October 1, 2003.