
By: **Delegates Bates, Arnick, Aumann, Bartlett, Benson, Boutin, G. Clagett,
Costa, C. Davis, Eckardt, Elliott, Feldman, Heller, Hubbard, Krebs,
Love, Miller, Minnick, Montgomery, Owings, Petzold, Ross, Stull, Taylor,
Trueschler, Vallario, Vaughn, and Weldon**

Introduced and read first time: February 2, 2004

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 for a tenancy for a certain number
5 of months to be the Federal Reserve discount rate as of a certain date; requiring
6 a security deposit for a tenancy for a certain number of months to be returned
7 without interest; altering the accrual method for security deposits; providing for
8 the application of this Act; and generally relating to security deposits under
9 residential leases.

10 BY repealing and reenacting, without amendments,
11 Article - Real Property
12 Section 8-203(d)
13 Annotated Code of Maryland
14 (2003 Replacement Volume and 2003 Supplement)

15 BY repealing and reenacting, with amendments,
16 Article - Real Property
17 Section 8-203(e) and (h)
18 Annotated Code of Maryland
19 (2003 Replacement Volume and 2003 Supplement)

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

1

Article - Real Property

2 8-203.

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

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

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

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

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

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

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

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

32 (e) (1) (I) [Within] FOR A TENANCY OF SIX MONTHS OR MORE, WITHIN 45
33 days after the end of the tenancy, the landlord shall return the security deposit to the
34 tenant together with simple interest which has accrued [in the amount of 4 percent
35 per annum,] AT THE FEDERAL RESERVE DISCOUNT RATE AS OF JANUARY 1 OF EACH
36 YEAR AND less any damages rightfully withheld.

37 [(2)] (II) Interest shall accrue at [six-month] TWELVE MONTH
38 intervals from the day the tenant gives the landlord the security deposit. Interest is
39 not compounded.

1 [(3)] (III) Interest shall be payable only on security deposits of \$50 or
2 more.

3 (2) FOR A TENANCY OF LESS THAN SIX MONTHS, WITHIN 45 DAYS AFTER
4 THE END OF THE TENANCY, THE LANDLORD SHALL RETURN THE SECURITY DEPOSIT
5 TO THE TENANT, WITHOUT INTEREST, LESS ANY DAMAGES RIGHTFULLY WITHHELD.

6 [(4)] (3) If the landlord, without a reasonable basis, fails to return any
7 part of the security deposit, plus accrued interest, within 45 days after the
8 termination of the tenancy, the tenant has an action of up to threefold of the withheld
9 amount, plus reasonable attorney's fees.

10 (h) (1) The provisions of subsections [(e)(1) and (4)] (E)(1)(I) AND (3) and
11 (g)(1) and (2) of this section are inapplicable to a tenant who has been evicted or
12 ejected for breach of a condition or covenant of a lease prior to the termination of the
13 tenancy or who has abandoned the premises prior to the termination of the tenancy.

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

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

18 (iii) 1. [The] FOR A TENANCY OF 6 MONTHS OR MORE, THE
19 landlord, within 45 days of receipt of such notice, shall present, by first-class mail to
20 the tenant, a written list of the damages claimed under subsection (f)(1) of this section
21 together with a statement of the costs actually incurred and shall return to the tenant
22 the security deposit together with simple interest which has accrued in EITHER the
23 amount of 4 percent per annum, OR AT THE FEDERAL RESERVE DISCOUNT RATE,
24 WHICHEVER IS LESS, AND less any damages rightfully withheld.

25 2. FOR A TENANCY OF LESS THAN 6 MONTHS, THE
26 LANDLORD, WITHIN 45 DAYS OF RECEIPT OF SUCH NOTICE, SHALL PRESENT, BY
27 FIRST-CLASS MAIL TO THE TENANT, A WRITTEN LIST OF THE DAMAGES CLAIMED
28 UNDER SUBSECTION (F)(1) OF THIS SECTION TOGETHER WITH A STATEMENT OF THE
29 COSTS ACTUALLY INCURRED AND SHALL RETURN TO THE TENANT THE SECURITY
30 DEPOSIT, WITHOUT INTEREST, LESS ANY DAMAGES RIGHTFULLY WITHHELD.

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

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

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

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

5 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
6 October 1, 2004.