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By: **Delegate Owings**

Introduced and read first time: February 9, 2004

Assigned to: Environmental Matters

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A BILL ENTITLED

1 AN ACT concerning

2 **Real Property - Residential Leases - Security Deposits**

3 FOR the purpose of providing that security deposits under a residential lease are free  
4 from any attachment by creditors of the landlord or the tenant; altering the  
5 interest rate paid on a security deposit under a residential lease at the end of a  
6 tenancy; altering the rate of accrual for interest paid on a security deposit under  
7 a residential lease; altering the interest rate paid on a security deposit under a  
8 residential lease prior to the end of tenancy under certain circumstances;  
9 providing for the application of this Act; and generally relating to security  
10 deposits under residential leases.

11 BY repealing and reenacting, with amendments,  
12 Article - Real Property  
13 Section 8-203(d), (e), and (h)  
14 Annotated Code of Maryland  
15 (2003 Replacement Volume and 2003 Supplement)

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

18 **Article - Real Property**

19 8-203.

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

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

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

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

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

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

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

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

22 (5) SECURITY DEPOSITS ARE FREE FROM ANY ATTACHMENT BY  
23 CREDITORS OF THE LANDLORD OR THE TENANT.

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 the amount of [4] 2 percent per annum, less any damages rightfully withheld.

27 (2) Interest shall accrue at [six-month] 12-MONTH intervals from the  
28 day the tenant gives the landlord the security deposit. Interest is not compounded.

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

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

34 (h) (1) The provisions of subsections (e)(1) and (4) and (g)(1) and (2) of this  
35 section are inapplicable to a tenant who has been evicted or ejected for breach of a  
36 condition or covenant of a lease prior to the termination of the tenancy or who has  
37 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 the amount of [4] 2 percent per annum, less any  
10 damages rightfully withheld.

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

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

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

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

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