

SENATE BILL 863

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2004 Regular Session
4r3036
CF HB 546

By: **Senator Schrader**

Introduced and read first time: February 23, 2004

Assigned to: Rules

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:

22 **Article - Real Property**

23 8-203.

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

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

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

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

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

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

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

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

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

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

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

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

