

**Department of Legislative Services**  
Maryland General Assembly  
2004 Session

**FISCAL AND POLICY NOTE**

House Bill 828 (Delegate Owings)  
Environmental Matters

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

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This bill: (1) reduces the amount of interest a landlord must pay a tenant upon return of the tenant's security deposit from 4% to 2% per annum; and (2) increases the accrual interval for the interest from six to 12 months. The bill also provides that security deposits are free from any attachment by the creditors of the landlord or the tenant.

The bill applies prospectively and does not affect any residential lease entered into before October 1, 2004.

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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% simple interest, accruing at six-month intervals, on a tenant's security deposit and to maintain all security deposits in branches of federally-insured financial institutions doing business in the State. The deposits must be in interest-bearing accounts, and the accounts must 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 or in securities issued by the federal government or the State.

**Background:** Chapter 2 of 1973 imposed the duty on a landlord to pay interest on a tenant's security deposit at 3% simple interest, accruing at six-month intervals. Chapter 536 of 1980 increased the interest rate that must be paid on a security deposit from 3% to 4%.

**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 1%, and the interest rates for short-term certificates of deposit currently range from 1.25% to 2.25%, with a slightly higher yield. Because all these rates are lower than the 4% required under Maryland law, small business landlords would benefit.

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### **Additional Information**

**Prior Introductions:** Similar bills were introduced in the 2003, 2002, 2000, and 1997 sessions. In 2003, SB 57, SB 74, and SB 436 received unfavorable reports from the Senate Judicial Proceedings Committee; and HB 95, HB 217, and HB 590 received unfavorable reports from the House Environmental Matters Committee. In 2002, HB 996 received an unfavorable report from the House Economic Matters Committee. In 2000, HB 75 was withdrawn, after being heard in the House Economic Matters Committee. In 1997, SB 292 received an unfavorable report from the Senate Judicial Proceedings 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 29, 2004  
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Analysis by: Ryan Wilson

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510