
By: **Senator Giannetti**

Introduced and read first time: February 3, 2006

Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Courts - Interest Rate on Judgments**

3 FOR the purpose of altering an interest rate on certain judgments; making a stylistic
4 change; providing for the application of this Act; and generally relating to
5 interest rates on judgments.

6 BY repealing and reenacting, with amendments,
7 Article - Courts and Judicial Proceedings
8 Section 11-107
9 Annotated Code of Maryland
10 (2002 Replacement Volume and 2005 Supplement)

11 **Preamble**

12 WHEREAS, The current 10 percent interest rate on most judgments in
13 Maryland State courts is significantly higher than interest rates available on the
14 market and, therefore, creates a disincentive for defendants to exercise their right to
15 appeal a judgment; and

16 WHEREAS, Rather than maintaining the value of a judgment intended to fully
17 compensate a plaintiff, the current interest rate on judgments in Maryland State
18 courts actually increases the value of the judgment and unjustly enriches the plaintiff
19 at the expense of the defendant; and

20 WHEREAS, The current rate of interest on judgments in Maryland State courts
21 is static and, therefore, carries the risk of unjustly enriching defendants at the
22 expense of plaintiffs if market interest rates were to rise significantly; and

23 WHEREAS, The current rate of interest on judgments in Maryland State courts
24 lacks the flexibility necessary to maintain the value of a judgment while not
25 penalizing the parties under changing market conditions; and

26 WHEREAS, The federal statute providing the interest rate applicable to
27 judgments, 28 U.S.C. § 1961, is market-based and, therefore, better balances the

1 interest of plaintiffs in maintaining the value of a judgment with defendants' interest
2 in pursuing their right to appeal without prejudice; and

3 WHEREAS, It is desirable to adopt a higher market-based rate of interest than
4 provided for in 28 U.S.C. § 1961, and one that is indexed monthly; and

5 WHEREAS, The indexed rate provided herein is fixed at the date of entry of
6 judgment; now, therefore,

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

9 **Article - Courts and Judicial Proceedings**

10 11-107.

11 (a) Except as provided in § 11-106 of this article, the legal rate of interest on
12 a judgment shall be [at the rate of 10 percent per annum on the amount of judgment]
13 EQUAL TO THE BANK PRIME LOAN RATE, AS PUBLISHED BY THE BOARD OF
14 GOVERNORS OF THE FEDERAL RESERVE SYSTEM, FOR THE MONTH OF THE DATE OF
15 THE JUDGMENT, COMPUTED DAILY TO THE DATE OF PAYMENT AND COMPOUNDED
16 ANNUALLY.

17 (b) The legal rate of interest on a money judgment for rent of residential
18 premises shall be at the rate of 6 percent [per annum] A YEAR on the amount of the
19 judgment.

20 (c) The legal rate of interest on a money judgment for delinquent real or
21 personal property taxes shall be the greater of:

22 (1) The sum of the rates fixed under §§ 14-603 and 14-702 of the Tax -
23 Property Article for interest and penalties; or

24 (2) At the rate of 10 percent [per annum] A YEAR.

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
26 October 1, 2006, and shall apply prospectively to judgments entered on or after that
27 date.