

# HOUSE BILL 928

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HB 744/05 – ENV

9lr1744

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By: **Delegates Weir and Boteler**

Introduced and read first time: February 12, 2009

Assigned to: Environmental Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Real Property – Residential Leases – Interest on Security Deposits**

3 FOR the purpose of altering the annual interest rate paid on a security deposit under  
4 a residential lease after the end of a tenancy; altering the annual interest rate  
5 paid on a security deposit under a residential lease prior to the termination of a  
6 tenancy under certain circumstances; altering the interval at which interest  
7 shall accrue on a security deposit under a residential lease; providing for the  
8 application of this Act; and generally relating to interest on security deposits  
9 under 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 2008 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 2008 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.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

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

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

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

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

28 (ii) A security deposit under this section may not be attached by  
29 creditors of the landlord or of the tenant.

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) Within 45 days after the end of the tenancy, the landlord shall  
33 return the security deposit to the tenant together with simple interest which has  
34 accrued [in the amount of 3 percent per annum,] **AT THE FEDERAL RESERVE**  
35 **DISCOUNT RATE AS OF JANUARY 1 OF EACH YEAR AND** less any damages rightfully  
36 withheld.

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

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

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

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

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

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

16                   (iii) The landlord, within 45 days of receipt of such notice, shall  
17 present, by first-class mail to the tenant, a written list of the damages claimed under  
18 subsection (f)(1) of this section together with a statement of the costs actually incurred  
19 and shall return to the tenant the security deposit together with simple interest which  
20 has accrued **EITHER** in the amount of 3 percent per annum, **OR AT THE FEDERAL**  
21 **RESERVE DISCOUNT RATE AS OF JANUARY 1 OF EACH YEAR, WHICHEVER IS**  
22 **LESS, AND** less any damages rightfully withheld.

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

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

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

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

35           SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
36 October 1, 2009.