

SENATE BILL 345

N1
SB 337/13 – JPR

4lr2336
CF HB 249

By: **Senator Muse**
Introduced and read first time: January 22, 2014
Assigned to: Judicial Proceedings

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 at the end of a tenancy; altering the interest rate paid on a
5 security deposit under a residential lease when an evicted or ejected tenant
6 makes a timely written demand for return of the security deposit; altering the
7 annual interest rate paid by a mobile home park owner on a security deposit at
8 the end of a tenancy; requiring the Department of Housing and Community
9 Development to maintain on its Web site a certain list or a certain calculator;
10 establishing that a landlord or park owner is entitled to rely on a certain list or
11 a certain calculator for certain purposes; requiring the Department to submit a
12 certain report on or before a certain date; providing for the application of this
13 Act; providing for a delayed effective date; and generally relating to the interest
14 paid on security deposits under residential leases.

15 BY repealing and reenacting, with amendments,
16 Article – Real Property
17 Section 8–203(e) and (h) and 8A–1001(f)
18 Annotated Code of Maryland
19 (2010 Replacement Volume and 2013 Supplement)

20 BY adding to
21 Article – Real Property
22 Section 8–203(k) and (l) and 8A–1001(h)
23 Annotated Code of Maryland
24 (2010 Replacement Volume and 2013 Supplement)

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

27 **Article – Real Property**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 8-203.

2 (e) (1) (I) Within 45 days after the end of the tenancy, the landlord
3 shall return the security deposit to the tenant together with simple interest which has
4 accrued [in the amount of 3 percent per annum] **AT THE DAILY U.S. TREASURY**
5 **YIELD CURVE RATE FOR 1 YEAR, AS OF THE FIRST BUSINESS DAY OF EACH YEAR,**
6 **OR 1.5%, WHICHEVER IS GREATER,** less any damages rightfully withheld.

7 (II) **FOR ANY YEAR IN WHICH THE LANDLORD HAS HELD**
8 **THE SECURITY DEPOSIT FOR LESS THAN THE FULL YEAR, THE LANDLORD SHALL**
9 **PAY AN AMOUNT OF INTEREST CALCULATED BY:**

10 1. **MULTIPLYING THE AMOUNT OF THE DEPOSIT BY**
11 **THE DAILY U.S. TREASURY YIELD CURVE RATE FOR 1 YEAR THAT WAS IN**
12 **EFFECT AS OF THE FIRST BUSINESS DAY OF THAT CALENDAR YEAR, OR 1.5%,**
13 **WHICHEVER IS GREATER; AND**

14 2. **MULTIPLYING THE RESULT OBTAINED UNDER**
15 **ITEM 1 OF THIS SUBPARAGRAPH BY A FRACTION, THE NUMERATOR OF WHICH IS**
16 **THE NUMBER OF MONTHS THAT THE DEPOSIT WAS HELD THAT YEAR AND THE**
17 **DENOMINATOR OF WHICH IS 12.**

18 (2) Interest shall accrue at six-month intervals from the day the
19 tenant gives the landlord the security deposit. Interest is not compounded.

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

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

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

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

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

33 (iii) 1. The landlord, within 45 days of receipt of such notice,
34 shall present, by first-class mail to the tenant, a written list of the damages claimed

1 under subsection (f)(1) of this section together with a statement of the costs actually
2 incurred and shall return to the tenant the security deposit together with simple
3 interest which has accrued [in the amount of 3 percent per annum] **AT THE DAILY**
4 **U.S. TREASURY YIELD CURVE RATE FOR 1 YEAR, AS OF THE FIRST BUSINESS**
5 **DAY OF EACH YEAR, OR 1.5%, WHICHEVER IS GREATER,** less any damages
6 rightfully withheld.

7 **2. FOR ANY YEAR IN WHICH THE LANDLORD HAS**
8 **HELD THE SECURITY DEPOSIT FOR LESS THAN THE FULL YEAR, THE LANDLORD**
9 **SHALL PAY AN AMOUNT OF INTEREST CALCULATED BY:**

10 **A. MULTIPLYING THE AMOUNT OF THE DEPOSIT BY**
11 **THE DAILY U.S. TREASURY YIELD CURVE RATE FOR 1 YEAR THAT WAS IN**
12 **EFFECT AS OF THE FIRST BUSINESS DAY OF THAT CALENDAR YEAR, OR 1.5%,**
13 **WHICHEVER IS GREATER; AND**

14 **B. MULTIPLYING THE RESULT OBTAINED UNDER**
15 **ITEM A OF THIS SUBSUBPARAGRAPH BY A FRACTION, THE NUMERATOR OF**
16 **WHICH IS THE NUMBER OF MONTHS THAT THE DEPOSIT WAS HELD THAT YEAR**
17 **AND THE DENOMINATOR OF WHICH IS 12.**

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

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

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

26 **(K) THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**
27 **SHALL MAINTAIN ON ITS WEB SITE:**

28 **(1) A LIST OF DAILY U.S. TREASURY YIELD CURVE RATES FOR 1**
29 **YEAR, AS OF THE FIRST BUSINESS DAY OF EACH YEAR, TO BE USED IN**
30 **CALCULATING THE INTEREST ON A SECURITY DEPOSIT; OR**

31 **(2) A CUSTOMIZED CALCULATOR THAT CALCULATES THE**
32 **INTEREST DUE ON A SECURITY DEPOSIT BY ALLOWING A USER TO ENTER A**
33 **TENANCY START DATE, A TENANCY END DATE, AND THE AMOUNT OF THE**
34 **SECURITY DEPOSIT.**

1 **(L) A LANDLORD IS ENTITLED TO RELY ON THE LIST OF YIELD CURVE**
2 **RATES OR THE CUSTOMIZED CALCULATOR MAINTAINED BY THE DEPARTMENT**
3 **OF HOUSING AND COMMUNITY DEVELOPMENT UNDER SUBSECTION (K) OF THIS**
4 **SECTION WHEN CALCULATING THE INTEREST ON A SECURITY DEPOSIT.**

5 8A-1001.

6 (f) (1) **(I)** Within 45 days after the end of the tenancy, the park owner
7 shall return the security deposit to the resident together with simple interest which
8 has accrued [in the amount of 3 percent per annum] **AT THE DAILY U.S. TREASURY**
9 **YIELD CURVE RATE FOR 1 YEAR, AS OF THE FIRST BUSINESS DAY OF EACH YEAR,**
10 **OR 1.5%, WHICHEVER IS GREATER,** less any damages rightfully withheld.

11 **(II) FOR ANY YEAR IN WHICH THE PARK OWNER HAS HELD**
12 **THE SECURITY DEPOSIT FOR LESS THAN THE FULL YEAR, THE LANDLORD SHALL**
13 **PAY AN AMOUNT OF INTEREST CALCULATED BY:**

14 1. **MULTIPLYING THE AMOUNT OF THE DEPOSIT BY**
15 **THE DAILY U.S. TREASURY YIELD CURVE RATE FOR 1 YEAR THAT WAS IN**
16 **EFFECT AS OF THE FIRST BUSINESS DAY OF THAT CALENDAR YEAR, OR 1.5%,**
17 **WHICHEVER IS GREATER; AND**

18 2. **MULTIPLYING THE RESULT OBTAINED UNDER**
19 **ITEM 1 OF THIS SUBPARAGRAPH BY A FRACTION, THE NUMERATOR OF WHICH IS**
20 **THE NUMBER OF MONTHS THAT THE DEPOSIT WAS HELD THAT YEAR AND THE**
21 **DENOMINATOR OF WHICH IS 12.**

22 (2) Interest shall accrue at 6-month intervals from the day the
23 resident gives the park owner the security deposit. Interest is not compounded.

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

25 (4) If the park owner, without a reasonable basis, fails to return any
26 part of the security deposit, plus accrued interest, within 45 days after the termination
27 of the tenancy, the resident has an action of up to threefold of the withheld amount,
28 plus reasonable attorney's fees.

29 **(H) A PARK OWNER IS ENTITLED TO RELY ON THE LIST OF YIELD CURVE**
30 **RATES OR THE CUSTOMIZED CALCULATOR MAINTAINED BY THE DEPARTMENT**
31 **OF HOUSING AND COMMUNITY DEVELOPMENT UNDER § 8-203(K) OF THIS**
32 **ARTICLE WHEN CALCULATING THE INTEREST ON A SECURITY DEPOSIT.**

33 SECTION 2. AND BE IT FURTHER ENACTED, That, on or before October 1,
34 2015, the Department of Housing and Community Development shall report to the
35 Senate Judicial Proceedings Committee and the House Environmental Matters

1 Committee, in accordance with § 2-1246 of the State Government Article, on the
2 feasibility of maintaining on its Web site a customized calculator that calculates the
3 interest due on a security deposit by allowing a user to enter a tenancy start date, a
4 tenancy end date, and the amount of the security deposit.

5 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall be
6 construed to apply only prospectively and may not be applied or interpreted to have
7 any effect on or application to any residential leases entered into before the effective
8 date of this Act.

9 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect
10 January 1, 2015.