House Bill 343 – Residential Rental Properties and mobile Home Parks – Security Deposits – Rate of Interest

Position: Favorable

Maryland REALTORS® support HB 343 which seeks to set a new statutory interest rate on security deposits when a rental property owner returns a security deposit back to the tenant. The bill applies to security deposits held for mobile home parks and normal residential property.

Although Maryland law sets the interest rate for security deposits in statute, many states do not set a statutory rate. Interest rate requirements for our neighboring states follow:

State	Interest Rate
District of Columbia	Actual interest rate accrued
Virginia	No interest required
Delaware	No interest required
Pennsylvania	Interest only owed only for money held more than two years and landlord may deduct 1% for administrative costs
West Virginia	No interest required

Over the years, the Maryland statute on interest rates has changed from 4% to 3% to the current rate which requires the interest rate to be calculated at least at 1.5% or a rate comparable the U.S. Treasury Daily Yield Curve Rate as measured by the first business day of the year. There are interest calculators provided by the Department of Housing and Community Development and other organization to help a landlord calculate the correct interest rate.

The U.S. Treasury Daily Yield Curve is a key mover of domestic interest rates and is a transparent and objective measure for future interest rates. However, when the law was changed back in 2014, the law specified that there must be a minimum security rate of 1.5%. HB 343 would simply remove the requirement for the 1.5% minimum rate and require only a rate measured against the Yield Curve.

This change balances interests of both the landlord and tenant. Over the last 8 years, there have only been three years in which the landlord was returning an interest rate close to what the landlord was earning.

Maryland REALTORS® encourages a favorable report.

For more information contact bill.castelli@mdrealtor.org