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February 4, 2022

To: The Honorable Luke Clippinger
Chair, Judiciary Committee

From: Kira Wilpone-Welborn, Assistant Attorney General
Consumer Protection Division

Re: House Bill 343 – Residential Rental Properties and Mobile Home Parks - Security
Deposits - Rate of Interest (OPPOSE)

The Consumer Protection Division of the Office of the Attorney General (the “Division”) opposes House Bill 343 sponsored by Delegates Reid Novotny and Steven J. Arentz, which would remove the 1.5% interest rate return floor from Maryland’s security deposit law.

Presently, Maryland’s security deposit law requires landlords to apply monthly interest to any security deposit greater than \$50 that is held for more than six (6) months at a rate of 1.5% or the U.S. Treasury Yield Curve, whichever is greater. *See* Maryland Real Property § 8-203. As a result, the Security Deposit law mandates an interest rate floor of at least 1.5%. In 2014, the General Assembly rescinded a uniform 3% interest rate return and adopted this bifurcated security deposit interest rate approach, which attempted to balance the lost opportunity costs tenants experience from paying a security deposit with the financial interest of landlords to have a low interest rate when available interest rate returns are low. Stripping this interest rate floor, as proposed in House Bill 343, disregards the General Assembly’s prior balancing of interests by foisting all of the market risk to tenants and removing the minimal financial protections provided under the current law.

Accordingly, the Division requests that the Environment and Transportation Committee give House Bill 343 an unfavorable report.

cc: The Honorable Reid Novotny
The Honorable Steven J. Arentz
Members, Environment and Transportation Committee