

Legal Assistance Resource Center of Connecticut, Inc.

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S.B. 235 -- Minimum interest rate on tenant security deposits

Banks Committee public hearing -- March 11, 2010

Testimony of Raphael L. Podolsky

Recommended Committee action: REJECTION OF THE BILL

This bill would repeal the 1.5% minimum interest rate on tenant security deposits. Under existing law, the Banking Commissioner sets the rate annually based upon a Federal Reserve Board index of average savings account rates, but the rate may not be set at less than 1.5%. The rate has been 1.5% since 2002. Although at first glance current low interest rates may make this seem unfair, in reality it is not.

- 1.5% security deposit accounts are easily available to landlords in the market. A number of banks provide 1.5% landlord security deposit accounts precisely because of the statutory minimum. Some banks, in other words, have developed a product to meet landlord needs as a way to induce landlords to become their customers. **Webster Bank, New Alliance Bank, TD Bank, The Wilton Bank, and Thomaston Savings Bank** all have 1.5% specialty accounts for this specific purpose. Webster, New Alliance, and TD are all statewide banks with numerous branches and are thus accessible to landlords throughout the state. TD Bank even has a comprehensive "Escrow Direct" account for landlords who have at least ten security deposits, which breaks the escrow into subaccounts for each tenant and sends annual interest checks and 1099 forms to tenants, all at no cost to the landlord. Copies of rate schedules are attached.
- The statute creates a win-win situation. As a result, retaining the 1.5% minimum presents a win-win situation for tenants and landlords. The tenant is able to earn the statutory 1.5% minimum interest rate and the landlord is covered for the payout.
- Compliance with the escrow law. We are concerned that, if landlords are not aware of these easily available accounts, it may be a sign that they are not placing tenant security deposits into escrow accounts at all but are co-mingling them with their own funds. The reason that the Security Deposit Act requires escrowing the funds is to protect those deposits from the landlord's creditors. It is our impression, however, that many landlords ignore the statute and do not escrow funds. This non-compliance may not surface until a landlord sells the property (the security deposit account should be transferred at the closing) or if the landlord is foreclosed. We believe that a landlord who complies with the law can easily find a 1.5% account in Connecticut.



Savings Accounts

	Balance Range	Interest Rate	Annual Percentage Yield
Statement Savings	All	0.25%	0.25%
Passbook Savings	All	0.25%	0.25%
Totally Free Savings*	All	0.25%	0.25%
Totally Free Savings**	All	0.45%	0.45%
Premier Savings	\$0 to \$9,999	0.40%	0.40%
	\$10,000 to \$24,999	1.00%	1.00%
	\$25,000 - \$49,999	1.00%	1.00%
	\$50,000 to \$99,999	1.14%	1.15%
	\$100,000 and up	1.24%	1.25%
WebsterOne Savings***	\$0 to \$9,999	0.25%	0.25%
	\$10,000 to \$49,999	0.65%	0.65%
	\$50,000 to \$99,999	1.00%	1.00%
	\$100,000 and up	1.00%	1.00%
Premium Money Market Savings	\$0 to \$9,999	0.25%	0.25%
	\$10,000 to \$24,999	0.55%	0.55%
	\$25,000 to \$49,999	0.55%	0.55%
	\$50,000 to \$99,999	1.00%	1.00%
	\$100,000 and up	1.00%	1.00%
Retirement Money Market Savings	\$0-\$9,999	0.25%	0.25%
	\$10,000 and up	1.00%	1.00%
Tenant Escrow Accounts	All	1.50%	1.51%



Checking Accounts

	Balance Range	Interest Rate	Annual Percentage Yield
Totally Free Checking	All	N/A	N/A
50+ Free Interest Checking	All	0.05%	0.05%
VIP Free Interest Checking	All	0.05%	0.05%
Ultimate Interest Checking	\$0 to \$2499	0.05%	0.05%
	\$2500 or More	0.10%	0.10%
WebsterOne Relationship Checking	All	0.05%	0.05%
Premier Checking	\$0 to \$2499	0.05%	0.05%
	\$2,500 to \$9,999	0.10%	0.10%
	\$10,000 to \$24,999	0.25%	0.25%
	\$25,000 - \$49,999	0.25%	0.25%
	\$50,000 +	0.25%	0.25%

Interest is credited and compounded monthly. Fees could reduce earnings. Minimum balance required to earn stated APY is \$0.01. Rates subject to change and may be withdrawn at any time. The APY quoted is accurate as of the Effective Date stated below.

- * Webster checking account required or Totally Free Savings account will be converted to a Statement Savings account, which is subject to a monthly service charge of \$3 if a daily balance of \$300 is not maintained.
- ** Available when account statement is combined with currently offered Checking account statement and set up with an automatic monthly transfer of \$25 or more from a Webster checking account.
- *** WebsterOne Checking account required or WebsterOne Savings account will default to the Statement Savings Account interest rate.

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Effective Date: February 12, 2010

All

Supplement to
Disclosure Handbook

Schedule of Business Deposit
Account Rates

Effective February 22, 2010

Type of Account	Minimum Balance	Overnight	1 Month	3 Month	6 Month	9 Month	12 Month	18 Month	24 Month	36 Month
Commercial Checking Accounts										
Commercial Checking (with Earnings Credit)	\$ 50	0.60	n/a							
Business Checking Accounts										
Business Checking with Interest	\$ 50	0.10	0.10							
Savings Accounts										
Business Passbook Savings	\$ 50	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Business Statement Savings	\$ 50	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Something Extra Free Business Statement Savings	\$ 50	0.60	0.60	0.60	0.60	0.70	0.70	0.70	0.70	0.70
Business Tenant Escrow Account*	\$ 50	1.50	1.51	1.50	1.51	1.50	1.51	1.50	1.51	1.51
Commercial Tenant Escrow Account*	\$ 50	1.50	1.51	1.50	1.51	1.50	1.51	1.50	1.51	1.51
Business Money Market Account										
Business Money Market	\$ 2,500	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Premium Business Money Market Account										
Premium Business Money Market	\$ 5,000	0.75	0.75	0.90	0.90	1.00	1.00	1.00	1.00	1.00



Term	Minimum Balance	Overnight	1 Month	3 Month	6 Month	9 Month	12 Month	18 Month	24 Month	36 Month
CDs										
3 Month	\$ 1,000	n/a	n/a	n/a			0.30	0.30	0.30	0.30
4 Month	\$ 1,000	n/a	n/a	n/a			0.30	0.30	0.30	0.30
6 Month	\$ 1,000	n/a	n/a	n/a			0.30	0.30	0.30	0.30
7 Month	\$ 1,000	n/a	n/a	n/a			0.30	0.30	0.30	0.30
9 Month	\$ 1,000	n/a	n/a	n/a			1.24	1.24	1.24	1.24
10 Month	\$ 1,000	n/a	n/a	n/a			0.30	0.30	0.30	0.30
11 Month	\$ 1,000	n/a	n/a	n/a			0.30	0.30	0.30	0.30
1 Year	\$ 1,000	n/a	n/a	n/a			0.30	0.30	0.30	0.30
13 Month	\$ 1,000	n/a	n/a	n/a			0.30	0.30	0.30	0.30
15 Month	\$ 1,000	n/a	n/a	n/a			1.49	1.49	1.49	1.49
18 Month	\$ 1,000	n/a	n/a	n/a			0.50	0.50	0.50	0.50
2 Years	\$ 1,000	n/a	n/a	n/a			1.69	1.69	1.69	1.69
3 Years	\$ 1,000	n/a	n/a	n/a			1.99	1.99	1.99	1.99
5 Years	\$ 1,000	n/a	n/a	n/a			3.45	3.45	3.45	3.45
Relationship CDs										
Business Retirement	\$ 500	n/a	n/a	n/a			0.18	0.18	0.18	0.18
Junior CDs										
7 Days to 365 Days	\$100,000	n/a	n/a	n/a			Rates Change Daily	Rates Change Daily	Rates Change Daily	Rates Change Daily
Special CDs (see "Requirements")										
6 Month Negotiated CD***	\$ 1,000						Rates Change Daily	Rates Change Daily	Rates Change Daily	Rates Change Daily

*Rates set by State of Connecticut.
 ** Maximum balance of \$1,000,000.
 A.P.Y. is defined as Annual Percentage Yield and rates are effective as of date listed above.
 ***Qualified Negotiated CDs at maturity automatically renew to the 6 Month Relationship CD product type.
 Checking, Savings and Money Market account APYs may change at any time. Fees may reduce earnings on account.
 CD APYs assume funds will stay on deposit until maturity. Early withdrawal could result in fee penalties which would reduce earnings on the account.
 For more information, please call our Customer Contact Center at 800-897-2666, 203-789-7767 or 860-445-2183.
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In This Section

- [Certificates of Deposit](#)
- [Checking / Savings](#)
- [Loan](#)

Rates

Deposit Rates - Rates effective 12/31/2009

All rates are subject to change without notice

Checking & Savings

Account	Interest Rate	Annual Percentage Yield (APY)	Minimum Opening Deposit	Compound Method
Attorney Advantage:	0.10%	0.10%	\$10.00	Daily
Gold Advantage Super Now:			\$25.00	Daily
<i>Daily Balance of:</i>				
\$0.01 - \$999.99	0.00%	0.00%		
\$1,000.00 - \$9,999.99	0.05%	0.05%		
\$10,000.00 - \$24,999.99	0.07%	0.07%		
\$25,000.00 - \$49,999.99	0.09%	0.09%		
\$50,000.00 and up	0.11%	0.11%		
Health Savings Account:			\$25.00	Daily
<i>Daily Balance of:</i>				
\$0.01 - \$2,499.99	0.40%	0.40%		
\$2,500.00 - \$4,999.99	0.50%	0.50%		
\$5,000.00 - \$14,999.99	0.60%	0.60%		
\$15,000.00 and up	0.65%	0.65%		
Money Market (Personal & Business):			\$25.00	Daily
<i>Daily Balance of:</i>				
\$0.00 - \$4,999.99	0.00%	0.00%		
\$5,000.00 - \$49,999.99	0.30%	0.30%		
\$50,000.00 - \$249,999.99	0.50%	0.50%		
\$250,000.00 and up	0.80%	0.80%		
Business Savings:	0.10%	0.10%	\$10.00	Daily
Custodial Savings:	0.20%	0.20%	\$10.00	Daily
Personal Savings:	0.10%	0.10%	\$10.00	Daily
Tenant Security Savings:	1.50%	1.51%	\$10.00	Daily



[BACK TO TOP](#)

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Bank

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March 1, 2010

Mr. Raphael Podolsky
Legal Assistance Resource Center
44 Capital Avenue
Hartford Connecticut

Re: EscrowDirect Relationship
Tenant/Landlord set up

Dear Mr. Podolsky:

In response to your inquiry, TD Bank Cash Management is currently paying the interest rate of 1.50% on the State of CT Landlord – Tenant accounts enrolled in our EscrowDirect Relationship product.

This rate is set annually by the Banking Commissioner, State Banking Department of CT. The above rate has been set for the 2010 calendar year.

If you have any questions, feel free to reach me at (860) 832-4110. Thank you.

Sincerely,



Maria L. Kerkorian
Vice President
TD Bank Cash Management
102 West Main Street
New Britain CT 06050

MLK:d

EscrowDirect

COMPREHENSIVE SOLUTION FOR MANAGING ESCROW

If your organization has escrow responsibilities, you are probably searching for more convenient ways to manage multiple sub accounts, initiate transfers, and view summary and detail information. EscrowDirect provides you with the most comprehensive solution to meet all of your Escrow management needs.

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Experience the simplicity of EscrowDirect through various convenient banking services

- Opening and closing client accounts via phone, fax or email to a specialized Escrow Operations team member
- Deposits through branch, mail or electronic payment
- Customer initiated disbursements via check
- Various interest posting options

SELECT FROM MULTIPLE REPORT FORMATS

EscrowDirect provides a full array of reports to keep you apprised of activity in all accounts.

- Mid-level setup offers three tiered reporting of sub-account, division and master account information
- Detailed reporting for clients
- Annual 1099 reporting and year end statement generation
- Monthly statements on CD ROM

MORE TOOLS TO SIMPLIFY YOUR PROCESS

- Web-based access to disbursement and sub-account balance information via TD Bank TreasuryDirect
- Secure online wire transfer initiation through TD Bank TreasuryDirect
- Separate view of Escrow accounts from operating accounts

PUT THE POWER OF TD BANK TO WORK FOR YOU

To find out more about EscrowDirect, contact Tom Gregory at 1-888-751-9000



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Deposit Products

Effective As Of February 24, 2010

Please REFRESH this page each time you visit to be sure you have the latest information. ****CD rates also apply to Individual Retirement (IRA) Accounts****

The interest rate and annual percentage yield (APY) on the variable rate accounts listed below may change, at the Bank's discretion, after the account is opened.



VARIABLE RATE ACCOUNTS	Minimum \$ to Open	Minimum \$ to earn APY	Interest Rate	APY
Statement Savings	25.00	5.00	.50%	.50%
Passbook Savings	25.00	5.00	.35%	.35%
Starters Club Statement Savings	5.00	5.00	.50%	.50%
Starters Club Passbook Savings	5.00	5.00	.35%	.35%
Tenant Security Passbook Savings	25.00	5.00	1.50%	1.51%
Money Market Statement Savings	2,500.00	50,000.00	1.09%	1.10%
0% interest earned on balances under \$1000.00		10,000.00	.75%	.75%
		2,500.00	.35%	.35%
		1,000.00	.10%	.10%
Money Market Passbook Savings	2,500.00	50,000.00	1.00%	1.01%
0% interest earned on balances under \$1000.00		10,000.00	.65%	.65%
		2,500.00	.25%	.25%
		1,000.00	.10%	.10%
Relationship Statement Savings ³	15,000.00	50,000.00	1.24%	1.25%
0% interest earned on balances under \$1000.00		15,000.00	1.00%	1.01%
		1,000.00	.50%	.50%
Bonus Checking (NOW account)	25.00	10,000.00	.40%	.40%
0% interest earned on balances under \$500.00		5,000.00	.25%	.25%
		500.00	.10%	.10%
18 Month Variable Rate Certificate 1	25.00	25.00	1.49%	1.50%
FIXED RATE CERTIFICATES OF DEPOSIT 1				
91 Day	1,000.00	1,000.00	.60%	.60%
6 Month	1,000.00	1,000.00	.75%	.75%
9 Month	1,000.00	1,000.00	.90%	.90%
12 Month	1,000.00	1,000.00	1.14%	1.15%
16 Month	1,000.00	1,000.00	1.34%	1.35%
18 Month	1,000.00	1,000.00	1.49%	1.50%
24 Month	1,000.00	1,000.00	1.73%	1.75%
30 Month	1,000.00	1,000.00	1.98%	2.00%
4 Year	1,000.00	1,000.00	2.71%	2.75%
5 Year	1,000.00	1,000.00	3.15%	3.20%
JUMBO FIXED RATE CERTIFICATES OF DEPOSIT 1				
91 Day Jumbo	100,000.00	100,000.00	.65%	.65%
6 Month Jumbo	100,000.00	100,000.00	.80%	.80%
9 Month Jumbo	100,000.00	100,000.00	.95%	.95%
12 Month Jumbo	100,000.00	100,000.00	1.19%	1.20%
16 Month Jumbo	100,000.00	100,000.00	1.39%	1.40%
18 Month Jumbo	100,000.00	100,000.00	1.54%	1.55%
24 Month Jumbo	100,000.00	100,000.00	1.78%	1.80%
30 Month Jumbo	100,000.00	100,000.00	2.03%	2.05%
4 Year Jumbo	100,000.00	100,000.00	2.76%	2.80%
5 Year Jumbo	100,000.00	100,000.00	3.20%	3.25%
VARIABLE RATE CERTIFICATES OF DEPOSIT 1, 2				
21 Month Jump Rate Plus	1,000.00	1,000.00	1.49%	1.50%

33 Month Jump Rate Plus II	1,000.00	1,000.00	1.73%	1.75%
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Withdrawals and fees may reduce earnings. Interest on all accounts is earned from the day of the deposit to the day of the withdrawal and is compounded daily. Interest is credited to the account on the second to the last day of each month. 1 A penalty may be imposed for withdrawal of principal prior to maturity from certificate accounts. The APY assumes that interest remains on deposit until maturity. 2 Rate may change if customer elects increase during the deposit term. 3 Relationship Checking account required. Refer to deposit contract or see a bank representative for specific terms.

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