

Legal Assistance Resource Center ❖ of Connecticut, Inc. ❖

44 Capitol Avenue, Suite 301 ❖ Hartford, Connecticut 06106
(860) 278-5688 x203 ❖ (860) 836-6355 cell ❖ (860) 278-2957 fax ❖ RPodolsky@larcc.org

H.B. 5437 -- Minimum interest rate on tenant security deposits

Insurance Committee public hearing -- January 25, 2011

Testimony of Raphael L. Podolsky

Recommended Committee action: NO ACTION

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 should be able to find a 1.5% account in Connecticut.



Bank

America's Most Convenient Bank®

ESCROWDIRECT



Bank

America's Most Convenient Bank®

WHY *ESCROWDIRECT*?

EscrowDirect helps business customers reduce paperwork and costs related to the time consuming process of tracking individual escrow deposits. Our EscrowDirect customers are attorneys with client trust and IOLTA/IOLA/IOTA funds, realtors, townships, homeowner associations, funeral homes, landlords, 1031 qualified intermediaries and other escrow account agents.

EscrowDirect is a simplified way for customers to segregate and manage funds for others. Interest is earned under their client's tax identification number and each sub account is FDIC insured separately up to the allowable FDIC limit.

CONVENIENT ESCROW BANKING

- Open & close client sub accounts via phone, fax or e-mail to specialized Escrow Operations Team
- Deposit via branch, mail or wire
- Customer initiated disbursements via check
- No cost for accounts and services



Bank

America's Most Convenient Bank®

BENEFITS

- Consolidated statement that shows all sub account information by client
- Different statement sorting options (Account # order, Alphabetical order, Memo field)
- Notice Generation (Initial deposit, zero balance, quarterly statements, etc.)
- Numerous interest split options
- 1099s are produced and mailed by TD Bank to each sub account holder
- Only one checkbook to maintain, ability to write checks off master disbursement checking account
- No fee for checks, deposit slips, Return Deposit Items or TD TreasuryDirect online access*: (Free package includes: balance reporting, book transfers, stop payments, image viewing, wire transfers)

*TD TreasuryDirect may be additional for Tenant/Landlord escrow, if needed

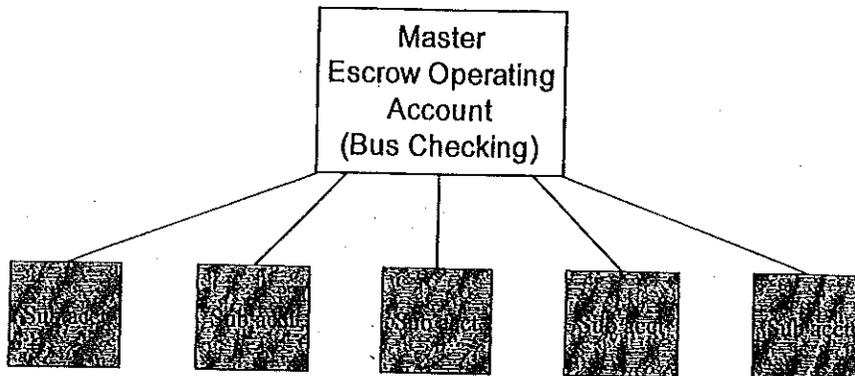
CUSTOMER SUPPLIES

All supplies will be ordered by Cash Management at no additional charge to the customer:

- Blank or pre-printed deposit slips
- Personalized checks
- Endorsement stamp
- Transfer forms
- Pre-paid postage envelopes
- W-9 forms

SAMPLE OF ACCOUNT LAYOUT

XYZ Properties





Savings Accounts

	Balance Range	Interest Rate	Annual Percentage Yield
Statement Savings	All	0.10%	0.10%
Passbook Savings	All	0.10%	0.10%
Totally Free Savings*	All	0.10%	0.10%
Totally Free Savings**	All	0.20%	0.20%
Secured Credit Card Savings	All	0.10%	0.10%
Premier Savings	\$0 to \$9,999	0.20%	0.20%
	\$10,000 to \$24,999	0.50%	0.50%
	\$25,000 - \$49,999	0.70%	0.70%
	\$50,000 to \$99,999	0.75%	0.75%
	\$100,000 and up	0.90%	0.90%
WebsterOne Savings***	\$0 to \$9,999	0.10%	0.10%
	\$10,000 to \$24,999	0.25%	0.25%
	\$25,000 - \$49,999	0.35%	0.35%
	\$50,000 to \$99,999	0.50%	0.50%
	\$100,000 and up	0.60%	0.60%
Premium Money Market Savings	\$0 to \$9,999	0.10%	0.10%
	\$10,000 to \$24,999	0.20%	0.20%
	\$25,000 to \$49,999	0.35%	0.35%
	\$50,000 to \$99,999	0.45%	0.45%
	\$100,000 and up	0.50%	0.50%
Retirement Money Market Savings	\$0-\$9,999	0.10%	0.10%
	\$10,000 to \$24,999	0.40%	0.40%
	\$25,000 to \$49,999	0.50%	0.50%
	\$50,000 to \$99,999	0.50%	0.50%
	\$100,000 and up	0.60%	0.60%
→ Tenant Escrow Accounts	All	1.50%	1.51%

Checking Accounts

	Balance Range	Interest Rate	Annual Percentage Yield
Webster Value Checking	All	N/A	N/A
Opportunity Checking	All	N/A	N/A
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	0.10%	0.10%
	\$25,000 - \$49,999	0.10%	0.10%
	\$50,000 +	0.10%	0.10%

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.

Member FDIC

Effective Date: January 12, 2011

All



[Home](#) | [Contact Us](#) | [Help](#) | [Privacy Policy](#) | [Internet Disclaimer](#) | [Calculators](#)

[About Us](#)

[Online Banking](#)

[Personal Banking](#)

[Business Banking](#)

[Security & Privacy](#)

[Rates](#)

[LOGIN](#)

[Apply Here](#) | [Demo](#) | [More Info](#)

[LOGIN](#)



In This Section

[Certificates of Deposit](#)

[Checking/Savings](#)

[Loan](#)

Rates

Deposit Rates - Rates effective 12/02/2010

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	0.03%	0.03%		
\$10,000.00 - \$24,999.99	0.05%	0.05%		
\$25,000.00 - \$49,999.99	0.07%	0.07%		
\$50,000.00 and up	0.09%	0.09%		
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	0.25%	0.25%		
\$50,000.00 - \$249,999.99	0.45%	0.45%		
\$250,000.00 and up	0.65%	0.65%		
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](#)



[Disclosures](#)



Supplement to
Disclosure Handbook

Schedule of Business Deposit
Account Rates

Effective January 24, 2011

Type of Account	Minimum Deposit To Open	Tier (1)		Tier (2)		Tier (3)		Tier (4)		Tier (5)	
		Interest Rate	A.P.Y.								
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								
Business Savings Accounts											
Business Passbook Savings	\$ 50	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Business Statement Savings	\$ 50	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Something Extra Free Business Statement Savings	\$ 50	0.30	0.30	0.30	0.30	0.40	0.40	0.40	0.40	0.40	0.40
Business Tenant Escrow Account*	\$ 50	1.50	1.51	1.50	1.51	1.50	1.51	1.50	1.51	1.50	1.51
Commercial Tenant Escrow Account*	\$ 50	1.50	1.51	1.50	1.51	1.50	1.51	1.50	1.51	1.50	1.51
Business Money Market Accounts											
Business Money Market	\$ 2,500	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Premium Business Money Market Account											
Premium Business Money Market	\$ 5,000	0.50	0.50	0.60	0.60	0.75	0.75	0.75	0.75	0.75	0.75

Term	Minimum Deposit To Open	Relationship CDs			Non-Relationship CDs		
		Interest Rate	A.P.Y.	Product Offered	Interest Rate	A.P.Y.	
CDs							
3 Month	\$ 1,000	n/a	n/a	n/a	0.25	0.25	
4 Month	\$ 1,000	n/a	n/a	n/a	0.25	0.25	
6 Month	\$ 1,000	n/a	n/a	n/a	0.25	0.25	
7 Month	\$ 1,000	n/a	n/a	n/a	0.25	0.25	
9 Month	\$ 1,000	n/a	n/a	n/a	0.25	0.25	
10 Month	\$ 1,000	n/a	n/a	n/a	0.25	0.25	
11 Month	\$ 1,000	n/a	n/a	n/a	0.30	0.30	
12 Month	\$ 1,000	n/a	n/a	n/a	0.30	0.30	
13 Month	\$ 1,000	n/a	n/a	n/a	0.30	0.30	
15 Month	\$ 1,000	n/a	n/a	n/a	1.09	1.10	
18 Month	\$ 1,000	n/a	n/a	n/a	0.65	0.65	
2 Years	\$ 1,000	n/a	n/a	n/a	0.75	0.75	
3 Years	\$ 1,000	n/a	n/a	n/a	1.84	1.85	
5 Years	\$ 1,000	n/a	n/a	n/a	2.47	2.50	
Retirement CDs							
Business Retirement	\$ 500	n/a	n/a	n/a	0.18	0.18	
Instant CDs							
7 Days to 365 Days	\$100,000	n/a	n/a	n/a	Rate Change Daily	Rate Change Daily	
Special CDs (See "Requirements")							
Month Negotiated CD***	\$ 1,000						

Customer Information:

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.

D APYs assume funds will stay on deposit until maturity. Early withdrawal could result in fee penalties which could reduce earnings on the account.

For more information, please call our Customer Contact Center at 800-892-2096, 203-789-2767 or 860-645-2183.

Member FDIC





Thomaston Savings Bank

MEMBER FDIC

DEPOSIT RATES EFFECTIVE AS OF - January 19, 2011

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	APY
• Statement Savings	25.00	5.00	.25%	.25%
• Passbook Savings	25.00	5.00	.15%	.15%
• Tenant Security Passbook Savings	25.00	5.00	1.50%	1.51%
• Money Market Statement Savings	2,500.00	50,000.00	.70%	.70%
0% interest earned on balances under \$1000.00		10,000.00	.40%	.40%
		2,500.00	.20%	.20%
		1,000.00	.10%	.10%
• Money Market Passbook Savings	2,500.00	50,000.00	.60%	.60%
0% interest earned on balances under \$1000.00		10,000.00	.30%	.30%
		2,500.00	.15%	.15%
		1,000.00	.10%	.10%
• Relationship Statement Savings ²	15,000.00	50,000.00	1.00%	1.01%
0% interest earned on balances under \$1000.00		15,000.00	.75%	.75%
		1,000.00	.30%	.30%
• Bonus Checking (NOW account)	25.00	10,000.00	.25%	.25%
0% interest earned on balances under \$500.00		5,000.00	.25%	.25%
• Health Savings Account	0.00	50,000.00	1.00%	1.01%
		5,000.00	.75%	.75%
		0.00	.50%	.50%
• 18 Month Variable Rate Certificate ¹	25.00	25.00	1.00%	1.01%
FIXED RATE CERTIFICATES OF DEPOSIT¹				
• 91 Day	1,000.00	1,000.00	.40%	.40%
• 6 Month	1,000.00	1,000.00	.45%	.45%
• 9 Month	1,000.00	1,000.00	.60%	.60%
• 12 Month	1,000.00	1,000.00	.75%	.75%
• 13 Month	1,000.00	1,000.00	.85%	.85%
• 16 Month	1,000.00	1,000.00	1.00%	1.01%
• 18 Month	1,000.00	1,000.00	1.00%	1.01%
• 24 Month	1,000.00	1,000.00	1.24%	1.25%
• 30 Month	1,000.00	1,000.00	1.34%	1.35%
• 3 Year	1,000.00	1,000.00	1.73%	1.75%
• 4 Year	1,000.00	1,000.00	1.98%	2.00%
• 5 Year	1,000.00	1,000.00	2.47%	2.50%
JUMBO FIXED RATE CERTIFICATES OF DEPOSIT¹				
• 91 Day Jumbo	100,000.00	100,000.00	.45%	.45%
• 6 Month Jumbo	100,000.00	100,000.00	.50%	.50%
• 9 Month Jumbo	100,000.00	100,000.00	.65%	.65%
• 12 Month Jumbo	100,000.00	100,000.00	.80%	.80%
• 13 Month Jumbo	100,000.00	100,000.00	.90%	.90%
• 16 Month Jumbo	100,000.00	100,000.00	1.05%	1.06%
• 18 Month Jumbo	100,000.00	100,000.00	1.05%	1.06%
• 24 Month Jumbo	100,000.00	100,000.00	1.29%	1.30%
• 30 Month Jumbo	100,000.00	100,000.00	1.39%	1.40%
• 3 Year Jumbo	100,000.00	100,000.00	1.78%	1.80%
• 4 Year Jumbo	100,000.00	100,000.00	2.03%	2.05%
• 5 Year Jumbo	100,000.00	100,000.00	2.52%	2.55%

Withdrawals and fees may reduce earnings. Interest is credited to the account on the second to the last day of each month. ¹A penalty may be imposed for withdrawal of principal prior to maturity from certificate accounts. The APY assumes that interest remains on deposit until maturity. ²Relationship Checking account required. Refer to deposit contract or see a bank representative for specific terms.