



STATE OF CONNECTICUT  
DEPARTMENT OF BANKING  
260 CONSTITUTION PLAZA – HARTFORD, CT 06103-1800



TESTIMONY SUBMITTED TO THE HOUSING COMMITTEE  
Bruce H. Adams, General Counsel, Department of Banking  
February 23, 2016

S.B. 154, *An Act Concerning Security Deposits*  
Position: Oppose

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Good afternoon Chairman Winfield, Chairman Butler, and members of the committee. My name is Bruce Adams and I am the General Counsel for the Department of Banking. I am here to testify regarding S.B. 154, *An Act Concerning Security Deposits*.

This bill seeks to accomplish a laudable aim by allowing a tenant to choose whether to receive the value of accrued interest on security deposits as a credit towards the next month's rent. This bill, however, would not alleviate the (admittedly minor) problem that needs fixing.

If anything, S.B. 154 would increase administrative burden by establishing a new, annual requirement on all landlords. Should individual tenants make disparate choices, the landlord must then keep track of each tenant's instructions. For large landlords, this could certainly prove burdensome and rife with risk for honest mistakes. These mistakes, could amount to an administrative action being filed with the Department of Banking—over disputes worth less than one dollar (\$1.00). As an example, for a \$1000 monthly rent, the accrued annual interest is only eighty cents (\$0.80).

Under current law, the landlord may choose from one of two choices at the anniversary date of the tenancy: make a payment of accrued interest to the tenant, or provide a credit against the next month's rent. The DOB bill currently pending in the Banking Committee (S.B. 171) would add a third choice of allowing either the tenant or the landlord to elect (in writing) to defer receipt of interest on security deposits to the termination of the tenancy. In the case of such an election, the accrued interest would compound annually.

The Department of Banking believes that this common sense change will benefit landlords and tenants alike. Landlords will no longer be forced to make these computations each year and, due to the new compounding rule, tenants will receive greater sums of money back than they are entitled to under current law. Finally, S.B. 171 should also serve to relieve some burden on the Department by reducing the number of complaints received by tenants.

The Department of Banking is happy to work with the Housing Committee to address their concerns within its bill (S.B. 171).

Respectfully Submitted,

Bruce H. Adams  
General Counsel