

LEGISLATIVE DIGEST

[Administrative Code - Calculating Interest on Residential Rental Security Deposits]

Ordinance amending the Administrative Code to provide a new method for calculating the interest on residential rental security deposits beginning March 1, 2015.

Existing Law

Section 49(f) of the Administrative Code provides the methodology by which the Residential Rent Stabilization Board calculates the amount of interest a landlord must pay each year to residential tenants on security deposits. Subsection (f) provides a single methodology for that calculation for 2004 and future years, based on the Federal Reserve 6-Month Certificate of Deposit rate.

Amendments to Current Law

This amendment revises Section 49(f) to apply a new methodology for calculating the interest on security deposits for 2015 and later years, based on the 90-Day AA Financial Commercial Paper Interest Rate of the Federal Reserve.

Background Information

Section 49.2(f) requires that for the years 2004 and later interest on residential security deposits be calculated based on the Federal Reserve 6-Month Certificate of Deposit ("CD") rate. The Federal Reserve, however, ceased publishing that index for interest rates in December 2013 because it concluded there has been a reduction in the number and types of institutions that provide quotes that could be used to prepare reliable CD rates. The Federal Reserve continues to publish its 90-Day AA Financial Commercial Paper Interest Rate, which closely matches the 6-Month CD rates. Therefore, Section 49.2(f) is being amended to require the use of the 90-Day AA Financial Commercial Paper Interest Rate for 2015 and later years.

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