
**Housing, Human Services & Veterans
Committee**

HB 1515

Brief Description: Concerning security deposit waiver fees.

Sponsors: Representatives Peterson, Springer, Simmons, Santos, Taylor, Shewmake, Dufault, Barkis, Thai, Ormsby and Lekanoff.

Brief Summary of Bill

- Modifies the Residential Landlord-Tenant Act so that landlords may offer tenants the choice of paying an entirely or partially nonrefundable fee in lieu of a security deposit.

Hearing Date: 2/12/21

Staff: Lena Brodsky (786-7192).

Background:

Residential Landlord Tenant Act.

The Residential Landlord-Tenant Act (RLTA) regulates the relationship between residential landlords and tenants, and includes provisions regarding the duties of tenants and landlords, remedies for violations of those duties, and definitions. Subject to a few exceptions spelled out in statute, the rental of a dwelling unit for living purposes is generally covered under the RLTA. "Dwelling unit" is a structure or that part of a structure which is used as a home, residence, or sleeping place.

Deposits and Fees.

Landlords often collect deposits and fees and other amounts prior to, or at the outset of, a tenancy such as:

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- the tenant screening fee: The RLTA includes provisions governing the amount that may be charged and the information that must be provided to the tenant;
- the holding deposit or fee to hold the dwelling unit after the tenant has been offered the unit. If the tenant moves in, the landlord must credit the fee or deposit to the first month's rent or the security deposit;
- the damage or security deposit: The purpose of such a deposit is to cover any damage caused to the property by the tenant, in excess of normal wear and tear;
- the nonrefundable fee: This may include a cleaning fee; if that is the case, the landlord may not also charge the tenant for normal cleaning; and
- first and last month's rent.

Security Deposit.

Landlords often collect a damage or security deposit, the purpose of which is to cover any damage caused to the property by the tenant, in excess of normal wear and tear resulting from ordinary use. The RLTA requires that the deposit be placed in a trust account. Any interest earned generally belongs to the landlord.

The RLTA also requires that, in order to collect such a deposit, the rental agreement must be in writing and a written checklist or statement specifically describing the condition and cleanliness of, or existing damages to, the premises and furnishings, including walls, floors, countertops, carpets, drapes, furniture, and appliances be provided by the landlord to the tenant at the commencement of the tenancy.

Within 21 days after the termination of the rental agreement and vacation of the premises, or after abandonment by the tenant, the landlord must give a full and specific statement of the basis for retaining any of the deposit and pay any refund owed to the tenant. No portion of any deposit may be withheld on account of wear resulting from ordinary use of the premises.

Installment Payments.

Upon written request from a tenant, a landlord is generally required to permit the tenant to pay any deposits, nonrefundable fees, and last month's rent in installments, as follows:

- in all cases where premises are rented for a specified time that is three months or longer, the tenant may elect to pay in three consecutive and equal monthly installments, beginning at the inception of the tenancy;
- in all other cases, the tenant may elect to pay in two consecutive and equal monthly installments, beginning at the inception of the tenancy; and
- a landlord is not required to permit a tenant to pay in installments if the total amount of the deposits and nonrefundable fees do not exceed 25 percent of the first full month's rent and payment of the last month's rent is not required at the inception of the tenancy.

Summary of Bill:

A landlord may offer the tenant the choice of paying a fee in lieu of a full security deposit. The landlord may not use the fact that a prospective tenant opts to pay the fee in lieu of a security

deposit as a criterion in determining whether to rent to that tenant. Any landlord who offers the fee in lieu of the security deposit must offer the choice of the fee to every prospective tenant whose application for occupancy has been approved. Any tenant that agrees to pay a fee in lieu of a security deposit may opt out of the continuing fee and instead pay a security deposit that is otherwise in effect for the tenant's unit at the time the tenant chooses to opt out of the fee.

Any fee in lieu of a security deposit may be:

- entirely or partially nonrefundable; as long as the terms are disclosed in the lease and acknowledged by the tenant;
- used by the landlord to purchase insurance coverage for unpaid rent or unit damage; and
- payable upon any schedule and in any amount the landlord and tenant choose.

The fee may not be considered by a court, arbitrator, mediator, or other dispute resolution adjudicator to be a security deposit.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.