



To: Rental Services Commission
From: Housing Bureau Policy Staff
Date: February 13, 2018
Re: Security Deposit Regulation Comparative Analysis

Security Deposit Regulation Comparative Analysis

Oregon: Existing State Law

Landlords may charge tenants a security deposit when they move into a rental housing unit. The security deposit is a refundable fee which covers the cost of repairing damage the tenant causes to their unit beyond “normal wear and tear”. As defined by state law, security deposits may include prepaid “last month’s rent” as well as “pet deposits” covering damage caused by a tenant’s pet. When the tenancy ends, the landlord can keep any money from the deposit needed to repair damage beyond “normal wear and tear” and to make up for unpaid rent or fees. The rest of the deposit must be refunded to the tenant within 31 days after the tenancy ends, with a “written accounting” of any deductions the landlord kept.

General protections in state statute

- Any written rental agreements must disclose the security deposit to the tenant, and the landlord must provide the tenant with a receipt after they pay their deposit.
- A landlord cannot require a tenant to pay a second security deposit, or add onto their original deposit payment, within the first year of a tenancy. If an additional deposit payment is required after that, the tenant must be given at least three months to pay it.
- Service and companion animals are exempted from having to pay pet deposits
- Security deposits cannot be withheld for basic cleaning, except for machine-cleaning carpets if specified in the lease agreement and if the carpet was clean when the tenant moved in.
- Any portion of the deposit withheld to pay for hired labor must be based on a “reasonable hourly rate” of pay
- Landlords may not charge tenants any fees except ones directly related to a violation of the rental agreement, or to paying for applicant screening, homeowners association fees, processing fees when the tenant pays their rent using a credit card, or services requested by the tenant which the landlord is not legally required to provide. The landlord may require that the tenant get renters insurance.

Areas not regulated in state statute

- No limits on the amount which can be charged upon move-in as part of a security deposit
- Landlords are not required to provide proof withholdings from the security deposit are necessary for repairs. Landlords can withhold money from the security deposit without making repairs (ORS 90.220)
- Landlords are not required to inform tenants on how they can ensure a deposit is properly refunded

Overview of Other Jurisdictional Requirements

Caps on Security Deposits

- California limits the total cost of move-in payments (including first and last month's rent, security deposit and move-in fees) to the equivalent of 3 months' rent for an unfurnished apartment or 4 months' rent for a furnished apartment.
- Seattle caps the total cost of security deposits plus any fees charged upon move-in to no more than the first month's rent payment, and caps pet deposits at ¼ monthly rent.
 - Seattle also allows tenants on a month-to-month or fixed-term rental agreement the option of paying their security deposit, and move-in fees besides applicant screening charges, in installments. Tenants may waive their right to an installment plan with a lawyer's approval if a signed addendum to their written rental agreement specifies they are doing so and there is "no substantial inequality" in bargaining. Landlords cannot charge additional fees on installment payments. Exemptions exist when the total cost of security deposit and move-in fees is less than ¼ the first month's rent payment and no pre-payment of last month's rent is required, and for landlords renting only a single unit which is in their primary residence.

Tenant Education and Move-In Condition Reports

- Seattle requires that any rental agreement which includes a security deposit must be in writing, and the landlord must provide the tenant with a city-approved information packet on landlord-tenant law. The landlord or tenant must perform a walk-through of the rental unit when the tenant moves in, documenting any existing damage in writing. The landlord must either provide the tenant with a copy of the unit condition report upon move-in, or must provide a city-approved form the tenant can use to document unit condition themselves.
- Massachusetts requires landlords to provide tenants with a unit condition report form within 10 days of move-in. The tenant has 15 days to complete the form and send a copy to their landlord, who has another 15 days to either agree to the condition report or respond with their own.
- California requires landlords to perform a walk-through of the rental unit and complete a condition report documenting any damage when the tenant moves in and within two weeks before they move out – but only if the tenant specifically requests this. The tenant has the right to be present for any walk-through if they wish.

Proof of Repair Costs

- California requires landlords to provide receipts proving they have spent any charge above \$126 they withhold from a tenant's security deposit, unless the tenant signs an agreement waiving this right. If the landlord does repairs themselves, they must send the tenant a receipt which includes their "reasonable" hourly labor charge and how many hours they worked.

Security Deposit Trust Accounts & Interest Payments

- A number of cities – including Los Angeles, New York City, Berkeley and San Francisco – and some states – including Illinois, Ohio, Massachusetts, and Minnesota – require landlords to place security deposits into a trust or escrow account, and to annually pay the tenant any interest which accrues on this account (if it is not withheld to pay for repairs and unpaid rent or fees) either directly or through rent reductions.