

## **Alternatives to Security Deposits<sup>1</sup>**

September 2020

The traditional cash security deposit was designed to protect landlords by providing funds to repair damages caused by tenants, but it also serves as a windfall to owners and creates an unfair barrier for many families seeking to move. A number of state and local governments are recognizing that property owners can be protected in other ways – without extracting up-front payments from families who cannot afford them.

### **1. Alternatives to Security Deposits - Passed**

#### **Cincinnati**

- **Status:** Passed in January 2020
- **Summary:** Establishes a “renter’s choice” program that requires landlords to accept alternatives to the traditional lump-sum security deposit payment. Landlords in Cincinnati “shall” accept installment payments or a low monthly “insurance” payment in place of a lump-sum security deposit if renters so choose.
- **Application:** All landlords with 25 units or more.
- **Cite:** CINCINNATI, OHIO, ORDINANCE 10-2020 (2020).
- **Link:** [Ordinance 10-2020](#)

#### **Virginia**

- **Status:** Passed in April 2020, effective July 1<sup>st</sup>, 2020
- **Summary:** Based on the Cincinnati ordinance, this law allows landlords and tenants to agree on a monthly insurance premium instead of an up-front lump-sum security deposit.
- **Application:** Sec. 55-1 Ch. 12 applies to all single- and multi-family dwelling units in Virginia.
- **Cite:** VA. CODE tit. 55.1 ch. 12 (2020).
- **Link:** [H-1333](#)

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<sup>1</sup> We are indebted to the journalists who initially publicized these recent law reform developments. See Karen Weese, *Security deposits can be a high cost hurdle to affordable housing*, Washington Post, May 21, 2020, [https://www.washingtonpost.com/realestate/clearing-a-housing-access-hurdle-options-for-a-security-deposit/2020/05/20/4508d4e6-5263-11ea-b119-4faabac6674f\\_story.html](https://www.washingtonpost.com/realestate/clearing-a-housing-access-hurdle-options-for-a-security-deposit/2020/05/20/4508d4e6-5263-11ea-b119-4faabac6674f_story.html); Liza Ramrayka, *Cincinnati’s Bold New Law Could Help Renters Survive The Eviction Crisis*, HUFFPOST (Aug. 27, 2020), [https://www.huffpost.com/entry/cincinnati-law-renters-eviction-crisis\\_n\\_5f46a729c5b6cf66b2b2070c?ncid=engmodushpimg00000004](https://www.huffpost.com/entry/cincinnati-law-renters-eviction-crisis_n_5f46a729c5b6cf66b2b2070c?ncid=engmodushpimg00000004).

## **2. Alternatives to Security Deposits - Proposed**

### **Pennsylvania**

- **Status:** Introduced to the state legislature in April 2020
- **Summary:** Would require landlords who ask for security deposits to alternatively accept a schedule of installment payments or a lease insurance program. The deposit alternative or lease insurance must be with a state-approved and licensed carrier.
- **Application:** Residential leaseholds.
- **Cite:** H.B. 2427, 2019-2020 Gen. Assemb., Reg. Sess. (Pa. 2020).
- **Link:** [HB-2427](#)

[New York City]

- In February 2020, Mayor Bill de Blasio announced support for alternative to security deposit legislation during his [State of the City](#) speech. No bill has been introduced to the City Council at the time of this writing.

[North Carolina]

- In January, after the passage of the Cincinnati ordinance, North Carolina state [Rep. Ashton Clemmons](#) expressed interest in a similar law for their district of Greensboro, which has the highest eviction rate in the country. Nothing has been introduced yet.

## **3. Limits on Security Deposits**

In 2019, New York passed two laws designed to protect prospective and current tenants: the Statewide Housing Security & Tenant Protection Act of 2019 and the Housing Stability & Tenant Protection Act of 2019. These acts limit security deposits to a maximum of 1 month's rent.<sup>2</sup>

## **4. Limits on application fees and broker fees**

The two rental regulation acts signed into law in New York in 2019 bar broker fees, historically as much as 15% of annual rent,<sup>3</sup> and limits total application fees to \$20.<sup>4</sup>

## **5. Private Sector**

[Leaselock](#) and Rhino have announced plans to implement installment payments and monthly insurance options. These moves by industry have in part inspired state and local legislators. For example, in New York City the Rent Stabilization Association is [partnering](#) with Rhino.

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<sup>2</sup> N.Y. GEN. OBLIG. LAW § 7-108 (2020).

<sup>3</sup> See Matthew Haag, *They Wanted the Apartment. Then the Broker Asked for a \$2,850 Fee.*, THE NEW YORK TIMES (Mar. 4, 2020), <https://www.nytimes.com/2020/03/04/nyregion/nyc-rent-laws-broker-fees.html>.

<sup>4</sup> NEW YORK DEP'T OF STATE, GUIDANCE FOR REAL ESTATE PROFESSIONALS CONCERNING THE STATEWIDE HOUSING SECURITY & TENANT PROTECTION ACT OF 2019 AND THE HOUSING STABILITY AND TENANT PROTECTION ACT OF 2019 (Jan. 31, 2020), <https://www.dos.ny.gov/licensing/pdfs/DOS-Guidance-Tenant-Protection-Act-Rev.1.31.20.pdf>.