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Testimony for the public hearing scheduled on January 25, 2011 regarding

Raised Bill 5437 - AN ACT CONCERNING SECURITY DEPOSITS
Proposed Bill 5031 - AN ACT INCREASING THE MAXIMUM ALLOWABLE SECURITY DEPOSIT

The **Connecticut Apartment Association (CTAA)** is the state chapter of the National Apartment Association and represents over 26,000 units, the largest number of apartments represented by any association in the state. CTAA members consist of the state's leading property management companies in the multifamily rental housing industry. The association's mission is to provide quality rental housing to residents of Connecticut. Our parent organization, the National Apartment Association, represents more than 6 million apartment homes throughout the United States and Canada.

The Connecticut Apartment Association (CTAA) **Supports Raised Bill 5437 - AN ACT CONCERNING SECURITY DEPOSITS.**
The Connecticut Apartment Association supports any effort that assists apartment owners in acquiring the forwarding addresses of tenants for the purpose of the return of security deposits and hence supports the proposed language in Raised Bill 5437 allowing for notification of forwarding address by electronic mail. This will help to ensure the timely return of security deposits, which is in the interest of all parties involved.

More importantly, The Connecticut Apartment Association supports the removal of the statutory requirement that apartment owners must pay 1.5% interest on security deposits to tenants. Currently, in these market conditions, financial institutions are paying far less than 1.5% interest and therefore apartment owners are currently required by the State to pay a higher rate of interest than they are currently receiving. This causes apartment owners to pay interest to tenants from rent received from their other tenants.

The Connecticut Apartment Association (CTAA) **Supports Proposed Bill 5031 - AN ACT INCREASING THE MAXIMUM ALLOWABLE SECURITY DEPOSIT.**

As credit problems have become more abundant over the last few years, many Americans are finding it difficult to rent apartments since credit checks are a standard part of the screening process for property management companies. In the state of Connecticut this is particularly so for two reasons:

1. It typically takes three months to successfully evict a tenant for non-payment of rent.
2. The maximum allowable security deposit in the state is only two months' rent.

Property managers often refuse housing to applicants with qualifying income due to bad credit. The applicants could be offered an apartment if they paid a security deposit large enough to cover the costs of an eviction in the event of non-payment. Thus, increasing the maximum allowable security deposit to three months, the expected time period required to evict a non-paying tenant, will help property management companies rent apartments to individuals deemed to be credit risks. In this way, housing will become more readily available for those who have suffered financial difficulties in the past.

Notably, while people with bad credit can acquire houses, automobiles and other such items by paying above average interest rates on the associated loans, this is not an option in renting apartments. Property management companies cannot charge higher rents to individuals with credit problems since such rent differentials may be deemed discriminatory under Fair Housing laws. Therefore, the only way to make rental housing accessible to individuals with credit problems is through the amount of security deposit paid. There is no restriction on requiring larger security deposits from individuals deemed to be a credit risk.

Raising the permissible security deposit in the state should not be considered potentially harmful to tenants. The apartment industry is subject to the discipline of market forces. If a given apartment owner were to raise security deposits on all new residents to three months rent, they would likely lose market share as prospects would opt to rent in communities with lesser security deposits.

All in all, it is in the interest of both tenants and apartment owners to increase the maximum allowable security deposit in Connecticut to three months. By doing this, apartment owners will make housing more available to individuals with bad credit. In this way, apartment owners will gain more residents and, likewise, more housing will become available for people with checkered financial histories.

Sincerely,

Ela Lagasse
CTAA President