OLR Bill Analysis
sSB 926

AN ACT ALLOWING LANDLORDS TO ACCEPT CERTAIN ADVANCE RENTAL PAYMENTS.

SUMMARY

This bill allows landlords to accept rent assistance payments, including payments up to the total amount due to the landlord under the remainder of a tenant’s lease. Under the bill, rent assistance payments are advanced rental payments made directly to a landlord on a tenant’s behalf by a local, county, state, federal, or nonprofit program or organization. Under current law, landlords may only demand and accept advanced payments (1) for the first month’s rent and (2) for a security deposit, equal to two months’ rent for tenants under age 62, or one month’s rent for tenants 62 and older.

The bill requires landlords that receive a timely rent assistance payment covering one or more month’s rent to treat such payment as if it had come from the tenant for the time period such payment is intended to cover. It likewise prohibits the landlord from considering the tenant delinquent or in default, or from imposing a late charge or bringing a rent recovery or eviction action, during the period covered by the payment.

Under the bill, a landlord must provide each rent assistance program (i.e., the program or organization making advance rental payments) a written notice with the (1) amount of any payments being held for the tenant’s benefit, and (2) name and address of the financial institution at which the funds are being held. The notice must be provided within 30 days of the landlord receiving rental assistance payments (either from a rental assistance program or transferred from a previous landlord) or transferring the payments into another financial institution or escrow account.
The bill extends to rent assistance payments many of the same statutory protections existing law applies to security deposits, including how landlords must keep such payments and the process of returning excess payments after tenancy ends.

EFFECTIVE DATE: October 1, 2019

RENTAL ASSISTANCE PAYMENTS

As with security deposits, the rent assistance payments remain the property of the payer (i.e., the rent assistance program making the payments). In addition, the bill applies many of the same statutory protections to rental assistance payments as existing law applies to security deposits, as described below.

Return of Excess Payments Once Tenancy Ends

When tenancy ends, the bill requires excess payments, plus accrued interest, to be returned to the rent assistance program that paid them. It allows the rent program to provide the landlord a forwarding address for return of any balance payments and interest. In addition it:

1. specifies that the banking commissioner does not have jurisdiction over certain violations related to the failure to pay accrued interest and

2. fines landlords $250 per offense for knowingly and willfully failing to return rent assistance payments.

Escrow Accounts

The bill requires landlords to immediately deposit the entirety of the rent assistance payments received into an escrow account and specifies when and how escrow payments may be withdrawn, including to disburse monthly rent payments due to the landlord. It also requires landlords to:

1. pay the statutory minimum interest on rent assistance payments held in escrow and

2. provide information to the commissioner within seven days
from a written request, on any rent assistance payments, including the name of the financial institution in which any escrow account is maintained and the account number.

**Voluntary or Involuntary Transfers**

Under the bill, a landlord’s security interest in rent assistant payments is assigned to any person to whom he or she transfers the property. In addition, the bill specifies that a receiver of real estate must dispose of escrow accounts and deliver the funds to the successor for deposit in an escrow account for rent assistance payments, as provided by a court order.

If, after a voluntary or involuntary transfer of the real estate, the escrow account holds less than the combined security deposits and rent assistance payments paid by or on behalf of tenants, the bill requires the landlord to withdraw the payments and interest from escrow and deliver to the successor, if applicable, a pro rata share of any comingled funds.

The bill also:

1. requires rent assistance programs to be paid from the property’s operating income or escrow account for any amount due as determined by a court and

2. makes a successor to the landlord, other than a receiver, liable for the return of rent assistance payments.

**Legal Remedies**

Under the bill, a landlord is liable for twice the amount of rent assistance paid for not returning excess payments within specified timeframes (i.e., the later of 30 days after tenancy or 15 days after receiving a forwarding address). The landlord is also liable for twice the amount of accrued interest not returned or $10, whichever is greater.

The bill exempts rent assistance payments from attachment and execution by the landlord’s creditors and from being considered part
of the landlord’s estate in any legal proceeding. It also allows a person to bring a court action to reclaim rent assistance payments and recover other damages.

**COMMITTEE ACTION**

Banking Committee

Joint Favorable Substitute
Yea 15  Nay 0  (03/12/2019)