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## **OLR Bill Analysis**

### **sHB 5234**

#### ***AN ACT CONCERNING THE RIGHTS AND RESPONSIBILITIES OF LANDLORDS AND TENANTS.***

#### **SUMMARY**

This bill makes a number of changes in laws about landlords and tenants.

The bill allows landlords to accept certain bonds and commercial insurance coverage (i.e., "damage insurance coverage") in place of traditional security deposits. The bill establishes limits to the amount of damage insurance coverage landlords may demand that align with existing caps on security deposits. Among other things, the bill also establishes criteria for these policies and the companies that offer them.

Beginning January 1, 2023, the bill requires landlords to give tenants the opportunity to request and complete a pre-occupancy "walk-through" of a dwelling unit after or at the time of entering into a rental agreement. The bill prohibits a landlord from keeping any portion of a tenant's security deposit or seeking payment for conditions specifically identified during the walk-through. Rental agreements entered into before January 1, 2023, are exempt from the bill's walk-through requirements.

The bill limits rental application-related fees that landlords may demand from prospective tenants to reimbursements for tenant screening reports that cannot exceed \$20. It requires landlords to (1) provide tenants with these reports and a receipt or invoice and (2) waive the fee if the prospective tenant provides a recent tenant screening report that is satisfactory to the landlord.

Beginning January 1, 2023, the bill requires landlords or their agents to provide certain "protected tenants" with a written Department of Housing (DOH) notice summarizing applicable protections when a unit

is rented to, or a rental agreement is entered into or renewed with, them.

The bill also requires landlords who own the dwelling unit to provide all tenants who are eligible to apply for admission as an elector with a voter registration application when the tenant executes a residential rental agreement.

Finally, the bill makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2022

### **§ 1 — DAMAGE INSURANCE COVERAGE FOR RENTERS**

The bill allows landlords to accept "damage insurance coverage" in place of security deposits and designate certain insurance companies from which he or she will accept policies. It requires lease agreements between landlords and tenants to identify these accepted insurance companies.

Under the bill, damage insurance means a bond or commercial insurance coverage, in an amount specified in the rental agreement and not to exceed the existing caps on security deposits, to secure the tenant's performance of the rental agreement's terms and conditions. By law, landlords cannot demand a security deposit that exceeds (1) two months' rent for tenants under age 62 or (2) one month's rent for tenants age 62 or older. The bill applies these caps to damage insurance coverage.

The bill requires a landlord, after previously accepting a tenant's damage insurance coverage exceeding one month's rent in place of a security deposit, to later accept replacement damage insurance from the tenant in amount up to one month's rent if the tenant subsequently turned 62-years-old during his or her lease agreement.

Under the bill, damage insurance coverage policies must meet the following criteria:

1. be provided by an insurance company that (a) is licensed or authorized to do business in the state and (b) agrees to approve

or deny claim payments in accordance with the Insurance Department's regulations;

2. permit monthly payment of premiums unless the tenant selects a different payment schedule;
3. take effect when a tenant makes the first premium payment and remain effective for the entire lease time with certain exceptions; and
4. provide per claim coverage not less than the amount the landlord would have required for the security deposit.

Additionally, the bill requires insurance companies that provide damage insurance coverage to provide landlords with written notice within 10 days after a tenant cancels a policy or allows it to lapse.

Finally, the bill allows tenants that have opted to use a damage insurance coverage policy to cancel it at any time and instead pay the full security deposit their landlord requires. In such a case, the bill prohibits a landlord from altering the lease terms. (Presumably, this means altering the terms other than the security deposit provision.)

## **§ 2 — PRE-OCCUPANCY WALK-THROUGHS**

Beginning January 1, 2023, the bill requires landlords to give tenants the opportunity to request and complete a pre-occupancy "walk-through" of a dwelling unit after or at the time of entering into a rental agreement.

Under the bill, a "walk-through" means a joint, in-person inspection of a dwelling unit by the landlord and tenant or their designees to note and list the unit's existing conditions, defects, or damages using a DOH checklist. The bill requires the DOH commissioner to prepare this standardized, pre-occupancy walk-through checklist and make it available on DOH's website by December 1, 2023. Following a walkthrough, landlords and tenants or their designees must each sign and receive duplicate copies of the checklist.

When a tenant vacates the dwelling unit, the bill prohibits a landlord from keeping any portion of a tenant's security deposit or seeking payment for a condition, defect, or damage noted in the preoccupancy walk-through checklist. In administrative or judicial proceedings, this checklist is admissible, but not conclusive, as evidence of the unit's condition at the beginning of a tenant's occupancy.

### **§ 3 — LIMITS ON APPLICATION FEES FOR PROSPECTIVE TENANTS**

The bill prohibits landlords from requiring prospective tenants to pay rental application-related fees or make any other payments before or at the start of tenancy unless the fee is for a tenant screening report. Under the bill, a "tenant screening report" means a credit report, a criminal background report, an employment history report, a rental history report, or any combination of these that a landlord uses to determine a prospective tenant's suitability.

The bill allows landlords to charge prospective tenants a fee or fees to reimburse costs associated with conducting a tenant screening report. The cumulative fee cannot exceed \$20 or the actual cost of the report, whichever is less. Additionally, the bill requires landlords to waive the tenant screening report fee if a prospective tenant provides a copy of a tenant screening report that (1) is satisfactory to the landlord and (2) was conducted within 30 days of the tenant's rental application.

### **§ 4 — REQUIRED NOTICE FOR PROTECTED TENANTS**

By law, "protected tenants" are generally those residing in certain buildings or mobile manufactured home parks who are (1) at least age 62 or (2) individuals with disabilities. Existing law prohibits protected tenants from being evicted solely for their lease expiring (i.e., lapse of time). It also requires that their rent only be increased by an amount that is fair and equitable and allows those aggrieved by a rent increase, and residing in a municipality without a fair rent commission, to bring action to contest the increase in Superior Court. Beginning January 1, 2023, the bill requires landlords or their agents to provide protected tenants with a written DOH notice summarizing these provisions when a unit is rented to, or a rental agreement is entered into or renewed with,

them.

Under the bill, the DOH commissioner must create a one-page, plain-language summary of protected tenants' rights and post it on the department website by January 1, 2023. The bill requires that the notice be available in other languages in addition to English, as determined by the commissioner.

## **BACKGROUND**

### ***Related Bill***

HB 5233 (File 107), favorably reported by the Housing Committee, extends protections available to “protected tenants” to all tenants in those buildings.

## **COMMITTEE ACTION**

Housing Committee

Joint Favorable Substitute

Yea 15    Nay 0    (03/15/2022)