

Residential Security Deposit

What is a security deposit?

A security deposit is a payment, fee or deposit that a landlord collects from a tenant at the beginning of a lease or rental to compensate the landlord if the tenant (i) does not pay rent, (ii) damages the property, (iii) breaches the agreement or (iv) does not leave the property clean. Typically, deductions from the security deposit are made after the tenant has vacated the property.

Is there a legal limit imposed on residential security deposits?

Yes. Beginning July 1, 2024, the landlord is limited to collecting the first month's rent and up to one month security deposit. This limit applies regardless of whether the unit is furnished or unfurnished.

Is there an exception to the one-month security deposit maximum?

Yes. Where the landlord owns no more than two residential rental properties with not more than four dwelling units combined, then the landlord may collect the first month's rent and up to two months as a security. This exception applies to natural persons including where the owner is a family trust or LLC. But it will not apply when the tenant is a service member.

How can a property manager verify that the landlord qualifies for the exception?

Because the exception is fairly technical, the form Security Deposit Disclosure and Addendum (C.A.R. Form SDDA) was developed. Added as an addendum to the lease, this form gives a complete description of when the exception applies. It will allow the owner to verify that they indeed qualify for the exception. Likewise, there is an option for the tenant to declare their military status.

What if the owner was holding more than one month security prior to July 1, 2024?

As long as the security was collected or demanded prior to July 1, 2024, the landlord may continue to hold it.

May a landlord collect a cleaning fee or pet deposit or other amount in addition to a security deposit?

Regardless of how the security deposit is labeled -- cleaning fee, pet deposit, last month's rent or something else -- or how it is divided into different categories, if at all, money that is used by the landlord to protect from financial or other damage is all considered a security deposit and falls within the above one or two-month rent limits.

May security deposit be made in multiple payments?

Yes, if allowed by the landlord. If all payments are due before the commencement date of the lease or rental, but have not been paid, the landlord may have the right to terminate the agreement (C.A.R. form CLR, Cancellation of Lease or Rental).

What happens to the security deposit after the tenancy has terminated?

Within 21 days after the tenant vacates the property, the landlord is required to give the tenant a written statement identifying (i) the amount of security deposit received, (ii) the amount of security deposit spent, or anticipated will be spent, along with itemized statements for the expenditures, and (iii) the amount being returned to the tenant. A sample Security Deposit Return letter, found in the C.A.R. Sample Letters Library within zipForm®, may be used to document the application and return of a security deposit.