RENT SECURITY DEPOSONS

Virtually all leases require tenants to give their landlords a security deposit. The security deposit is usually one month’s rent. If a lease is renewed at a greater amount or the rent is increased during the term of the lease, the owner is permitted to collect additional money from the tenant in order to bring the security deposit up to the new monthly rent. A landlord may use the security deposit as a reimbursement for the reasonable cost of repairs beyond normal wear and tear, if the tenant damages the apartment, or a reimbursement for any unpaid rent.

The landlord must return the security deposit, less any lawful deduction, to the tenant at the end of the lease or within a reasonable time thereafter. The landlord is obligated to return the security deposit whether or not the tenant asks for its return. To avoid any disputes, the tenant should thoroughly inspect the apartment with the landlord before moving in and document any pre-existing conditions. Upon vacating, the tenant should leave the apartment in clean condition, removing all personal belongings and trash from the apartment, and making any minor repairs needed.

Landlords, regardless of the number of units in the building, must treat the deposits as trust funds belonging to their tenants and they may not co-mingle deposits with their own money. Landlords of buildings with six or more apartments must put all security deposits in New York bank accounts earning interest at the prevailing rate. Each tenant must be informed in writing of the bank’s name and address and the amount of the deposit.

Landlords are entitled to collect annual administrative expenses of one percent of the deposit. All other interest earned on the deposits belongs to the tenants. Tenants must be given the option of having this interest paid to them annually, applied to rent, or paid at the end of the lease term. If the building has fewer than six apartments, a landlord who voluntarily places the security deposits in an interest bearing bank account must also follow these rules.

For example: A tenant pays a security deposit of $800.

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