

# FINAL BILL REPORT

## EHB 1694

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Synopsis as Enacted

**Brief Description:** Allowing tenants to pay certain sums in installments.

**Sponsors:** Representatives Morgan, Macri, Riccelli, Goodman, Jinkins, Cody, Stonier, Robinson, Appleton, Pollet, Gregerson and Frame.

**House Committee on Civil Rights & Judiciary**  
**Senate Committee on Financial Institutions, Economic Development & Trade**

### **Background:**

#### *Residential Landlord Tenant Act.*

The Residential Landlord-Tenant Act (RLTA) regulates the relationship between residential landlords and tenants, and includes provisions regarding the duties of tenants and landlords, remedies for violations of those duties, and definitions. Subject to a few exceptions spelled out in statute, the rental of a dwelling unit for living purposes is generally covered under the RLTA. A dwelling unit is a structure or that part of a structure that is used as a home, residence, or sleeping place.

A tenancy may be for a specified time, such as one year. Alternatively, premises may be rented for an indefinite time, from period to period or month to month.

#### *Deposits and Installment Payment Plans.*

Landlords often collect deposits and fees and other amounts prior to, or at the outset of, a tenancy:

- Tenant screening fee: The RLTA includes provisions governing the amount that may be charged and the information that must be provided to the tenant.
- Holding deposit or fee to hold the dwelling unit after the tenant has been offered the unit. If the tenant moves in, the landlord must credit the fee or deposit to the first month's rent or the security deposit.
- Damage or security deposit: The purpose of such a deposit is to cover any damage caused to the property by the tenant, in excess of normal wear and tear. Under the RLTA, deposits must be placed in a trust account. Any interest earned generally belongs to the landlord.
- Nonrefundable fee: This may include a cleaning fee; if that is the case, the landlord may not also charge the tenant for normal cleaning.

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- First and last month's rent.

Landlords may, but are not required to, allow deposits and fees and last month's rent to be paid in installments. Where the landlord has provided an installment payment plan at the commencement of the tenancy, the landlord may treat any default with respect to an installment payment as rent owing and bring an unlawful detainer action.

*Landlord Mitigation Program.*

In 2018 both the Landlord Mitigation Program Account, in the custody of the State Treasurer, and the Landlord Mitigation Program (Program), in the Department of Commerce (Commerce), were created.

Landlords of private market rental units rented to low-income tenants using a housing subsidy program may be reimbursed by the Program for certain types of claims:

1. improvements identified as necessary in an inspection by the tenant's source of income. In order to be eligible, a landlord must pay the first \$500 for improvements and rent to the tenant whose source of income was conditioned on passing the inspection. Reimbursement may include up to 14 days of lost rental income;
2. reimbursement for damages as reflected in a court judgment against the tenant;
3. reimbursement for damages established by means of specified documentation presented to Commerce; and
4. reimbursement for unpaid rent and utilities to the extent that Commerce is satisfied by the evidence.

In 2019 the Program was expanded. With respect to any application for a stay in the context of an unlawful detainer action for failure to pay rent, the court must issue a finding as to whether the tenant is low-income, of limited resources, or experiencing hardship in order to determine if the parties would be eligible. If the court finds that the tenant is low-income, has limited resources, or is experiencing hardship, the court may issue an order finding that the landlord is eligible to receive on behalf of the tenant and may apply for reimbursement from the Program.

**Summary:**

*Deposits, Fees, and Installment Payment Plans.*

The Residential Landlord Tenant Act (RLTA) is amended to provide that, upon written request from a tenant, a landlord is generally required to permit the tenant to pay any deposits, nonrefundable fees, and last month's rent in installments, as follows:

- In all cases where premises are rented for a specified time that is three months or longer, the tenant may elect to pay in three consecutive and equal monthly installments, beginning at the inception of the tenancy.
- In all other cases, the tenant may elect to pay in two consecutive and equal monthly installments, beginning at the inception of the tenancy.
- A landlord is not required to permit a tenant to pay in installments if the total amount of the deposits and nonrefundable fees do not exceed 25 percent of the first full month's rent and payment of the last month's rent is not required at the inception of the tenancy.

A landlord may not impose any fee, charge any interest, or otherwise impose a cost on a tenant because the tenant elects to pay in installments. Installment payments are due at the same time as rent is due. All installment schedules must be in writing and signed by the landlord and the tenant.

A landlord who refuses to permit a tenant to pay any deposits or nonrefundable fees and last month's rent in violation of the RLTA's installment payment requirements is subject to a statutory penalty of one month's rent plus reasonable attorneys' fees, payable to the tenant.

Fees or deposits to hold a dwelling unit or secure that the tenant will move into the unit are not considered a deposit or nonrefundable fee for purposes of the installment payment requirements.

A landlord may not request a fee or deposit to hold a dwelling unit or secure that the prospective tenant will move into a dwelling unit in excess of 25 percent of the first month's rent.

*Landlord Mitigation Program.*

In any application seeking relief on grounds that the tenant defaulted in payment on an installment payment plan for nonrefundable fees or deposits, the court must issue a finding as to whether the tenant is low-income, limited resourced, or experiencing hardship to determine if the landlord is eligible for reimbursement from the Landlord Mitigation Program (Program).

In making this finding, the court may include an inquiry into the tenant's income relative to area median income, household composition, extenuating circumstances, or other factors and may rely on written declarations and oral testimony. After making a finding that the tenant is low-income, limited resourced, or experiencing hardship, the court may issue an order:

- finding landlord eligibility and that the landlord may apply to the Program;
- and
- directing the clerk to remit, without further order of the court, any future payments made by the tenant in order to reimburse the Program.

Nothing in these provisions is to be deemed to obligate the Department of Commerce to provide assistance through the Program if there are not sufficient funds. Upon payment of the remaining or total amount of the judgment to the landlord from the Program, the judgment is satisfied, and the landlord must file a satisfaction of judgment with the court.

**Votes on Final Passage:**

House	54	44	
Senate	30	17	(Senate amended)
House	53	44	(House concurred)

**Effective:** June 11, 2020