

SENATE BILL REPORT

EHB 1694

As Reported by Senate Committee On:
Financial Institutions, Economic Development & Trade, February 27, 2020

Title: An act relating to allowing tenants to pay certain sums in installments.

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.

Brief History: Passed House: 2/17/20, 54-44.

Committee Activity: Financial Institutions, Economic Development & Trade: 2/25/20, 2/27/20 [DPA, w/oRec].

Brief Summary of Amended Bill

- Authorizes tenants to pay certain deposits, fees, and last month's rent in up to three consecutive and equal installment payments for residential rental agreements three months or longer in duration.
- Authorizes tenants to pay certain deposits, fees, and last month's rent in up to two consecutive and equal installment payments for residential rental agreements less than three months in duration.
- Allows landlords to apply for reimbursement through the landlord mitigation program account if a court determines a tenant is low-income, limited resourced, or experiencing hardship.
- Subjects landlords that do not provide an installment payment option at the written request of a tenant to a statutory penalty of one month's rent payable to the tenant.
- Limits fees or deposits to hold a dwelling unit to one-third of the first month's rent, and they must be applied to the first month's rent once a tenancy begins.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: Do pass as amended.

Signed by Senators Mullet, Chair; Hasegawa, Vice Chair; Das, Ericksen and Hobbs.

Minority Report: That it be referred without recommendation.

Signed by Senators Wilson, L., Ranking Member; Braun.

Staff: Clint McCarthy (786-7319)

Background: Residential-Landlord Tenant Act. The Residential Landlord-Tenant Act (RLTA) regulates the creation of residential tenancies and the relationship between landlords and tenants of residential dwelling units. The RLTA establishes rights and duties of both tenants and landlords, procedures for the parties to enforce their rights, and remedies for violations of the RLTA.

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

1. Tenant screening fee: The RLTA includes provisions governing the amount that may be charged and the information that must be provided to the tenant.
2. 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.
3. 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.
4. Nonrefundable fee: This may include a cleaning fee; if that is the case, the landlord may not also charge the tenant for normal cleaning.
5. First and last month's rent.

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.

Summary of Amended Bill: Upon the request of a tenant, a landlord is required to permit the tenant to pay any deposits, nonrefundable fees, and last month's rent in installments. If the total amount of deposits and nonrefundable fees do not exceed 25 percent of the first full month's rent and payment of the last month's rent, the landlord is not required to permit a tenant to pay deposits and non refundable fees in installments.

When premises are rented for period of time that is longer than three months, the tenant may elect to pay any deposits, nonrefundable fees, and last month's rent in three consecutive and equal monthly payments at the beginning of the tenancy. For tenancies that are less than three months, the tenant must pay all deposits, fees, and last month's rent in two consecutive and equal monthly installment fees.

Courts may determine whether or not a landlord is eligible for reimbursement through the landlord mitigation program account if the court determines that the tenant is low-income, limited resourced, or experiencing hardships. The Department of Commerce is not obligated

to provide assistance in claim reimbursement through the landlord mitigation program if there are not sufficient funds available.

A landlord cannot charge a fee to a tenant choosing to pay in installments. If a landlord does not allow a tenant to pay in installments after a tenant has made a written request, the landlord is subject to a statutory penalty of one month's rent payable to the tenant.

A fee or deposit to hold a dwelling unit is not to be considered a deposit or nonrefundable fee. Fees or deposits to hold a dwelling unit are limited to one-third of the first month's rent and must be applied to the first month's rent once a tenancy begins.

EFFECT OF FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE COMMITTEE AMENDMENT(S):

- Allows landlords and tenants facing certain hardships to seek reimbursement from the landlord mitigation program account.
- Limits holding fees or deposits to no more than one-third of the first month's rent.
- Makes landlords that do not allow for installment payments of certain fees and rents subject to a statutory penalty of one-month's rent payable to a tenant.

Appropriation: None.

Fiscal Note: None.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Engrossed House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This is very important legislation. Rents have increased much faster than personal income. Increased rents have caused some of the homelessness in our region. Changing homes from one rental to another can cost as much as \$5,000. There are rentals in the Puget Sound that require as much as \$6,000 up front to secure the home. The city of Tacoma has passed ordinances that allow to pay some costs and fees in installments so that less money is required up front. This bill is a great start in continuing the work towards solving our state's homelessness crisis. This bill will help a lot of people get out of a state of homelessness, as well as get out of toxic living situations. Low-income people on fixed income have a difficult time getting enough money together to change their housing situation. Relationships and life situations change and sometime necessitate a change in housing situations, but a lot of people and families do not have the wherewithal to pay the high cost of moving and have to stay in place. The less money you have, the less likely you are to generate thousands of dollars to pay for a move. There is a loophole in this bill that does not limit the costs of holding fees. Four in ten adults would have a difficult time covering an unanticipated cost of \$400—these costs can be in the thousands of dollars. People who can afford to pay rent cannot afford to pay the cost of moving in many cases. There needs to be an enforcement mechanism that creates consequences for landlords not allowing installment payments. One of the biggest barriers for individuals that are victims of domestic violence to get out of their situation is the cost of

moving. Some supporters of the bill would like to see access to the Landlord Mitigation Fund be applicable to installment payments of rents and fees.

Persons Testifying: PRO: Representative Melanie Morgan, Prime Sponsor; Lisa Sawyer; Samantha Thompson, West Seattle Helpline; Dinah Braccio, Tenants Union; Sarah Nagy, Columbia Legal Services; Xochitl Maykovich, citizen; Michele Thomas, Washington Low Income Housing Alliance; Brett Waller, Washington MultiFamily Housing Association; Matthew Sutherland, Vice-President of Legislative Affairs, Graduate and Professional Student Association.

Persons Signed In To Testify But Not Testifying: No one.