

No. 363

AN ACT

HB 2137

Amending the act of April 6, 1951 (P.L.69), entitled "An act relating to the rights, obligations and liabilities of landlord and tenant and of parties dealing with them and amending, revising, changing and consolidating the law relating thereto," limiting the amount of escrow funds that may be required providing for bonds in lieu of escrowing and providing for interest in certain cases.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. The act of April 6, 1951 (P.L.69), known as "The Landlord and Tenant Act of 1951," is amended by adding sections to read:

Section 511.1. Escrow Funds Limited.—(a) No landlord may require a sum in excess of two months' rent to be deposited in escrow for the payment of damages to the leasehold premises and/or default in rent thereof during the first year of any lease.

(b) During the second and subsequent years of the lease or during any renewal of the original lease the amount required to be deposited may not exceed one month's rent.

(c) If, during the third or subsequent year of a lease, or during any renewal after the expiration of two years of tenancy, the landlord requires the one month's rent escrow provided herein, upon termination of the lease, or on surrender and acceptance of the leasehold premises, the escrow funds together with interest shall be returned to the tenant in accordance with sections 511.2 and 512.

(d) Whenever a tenant has been in possession of premises for a period of five years or greater, any increase or increases in rent shall not require a concomitant increase in any security deposit.

(e) This section applies only to the rental of residential property.

(f) Any attempted waiver of this section by a tenant by contract or otherwise shall be void and unenforceable.

Section 511.2. Interest on Escrow Funds Held More Than Two Years.—(a) Except as otherwise provided in this section, all funds over one hundred dollars (\$100) deposited with a lessor to secure the execution of a rental agreement on residential property in accordance with section 511.1 and pursuant to any lease newly executed or reexecuted after the effective date of this act shall be deposited in an escrow account of an institution regulated by the Federal Reserve Board, the Federal Home Loan Bank Board, Comptroller of the Currency, or the Pennsylvania Department of Banking. When any funds are deposited in any escrow account, interest-bearing or noninterest-bearing, the lessor shall thereupon notify in writing each of the tenants making any such deposit, giving the name and address of

the banking institution in which such deposits are held, and the amount of such deposits.

(b) Whenever any money is required to be deposited in an interest-bearing escrow savings account, in accordance with section 511.1, then the lessor shall be entitled to receive as administrative expenses, a sum equivalent to one per cent per annum upon the security money so deposited, which shall be in lieu of all other administrative and custodial expenses. The balance of the interest paid shall be the money of the tenant making the deposit and will be paid to said tenant annually upon the anniversary date of the commencement of his lease.

(c) The provisions of this section shall apply only after the second anniversary of the deposit of escrow funds.

Section 511.3. Bond in Lieu of Escrowing.—Every landlord subject to the provisions of this act may, in lieu of depositing escrow funds, guarantee that any escrow funds, less cost of necessary repairs, including interest thereon, shall be returned to the tenant upon termination of the lease, or on surrender and acceptance of the leasehold premises. The guarantee of repayment of said escrow funds shall be secured by a good and sufficient guarantee bond issued by a bonding company authorized to do business in Pennsylvania.

Section 2. Subsections (a), (b) and (c) of section 512 of the act, added May 3, 1968 (P.L.107), are amended to read:

Section 512. Recovery of Improperly Held Escrow Funds.—(a) Every landlord shall within thirty days of termination of a lease or upon surrender and acceptance of the leasehold premises, whichever first occurs, provide a tenant with a written list of any damages to the leasehold premises for which the landlord claims the tenant is liable. Delivery of the list shall be accompanied by payment of the difference between any sum deposited in escrow, *including any unpaid interest thereon*, for the payment of damages to the leasehold premises and the actual amount of damages to the leasehold premises caused by the tenant. Nothing in this section shall preclude the landlord from refusing to return the escrow fund, *including any unpaid interest thereon*, for nonpayment of rent or for the breach of any other condition in the lease by the tenant.

(b) Any landlord who fails to provide a written list within thirty days as required in subsection (a), above, shall forfeit all rights to withhold any portion of sums held in escrow, *including any unpaid interest thereon*, or to bring suit against the tenant for damages to the leasehold premises.

(c) If the landlord fails to pay the tenant the difference between the sum deposited, *including any unpaid interest thereon*, and the actual damages to the leasehold premises caused by the tenant within thirty days after termination of the lease or surrender and acceptance of the leasehold premises, [**whichever first occurs,**] the landlord shall be liable in assumpsit to double the amount by which the sum deposited in escrow, *including any unpaid interest thereon*, exceeds the actual damages to the leasehold

premises caused by the tenant as determined by any court of record or court not of record having jurisdiction in civil actions at law. The burden of proof of actual damages caused by the tenant to the leasehold premises shall be on the landlord.

* * *

Section 3. This act shall take effect July 1, 1972.

APPROVED—The 29th day of December, A. D. 1972.

MILTON J. SHAPP

The foregoing is a true and correct copy of Act of the General Assembly No. 363.

A handwritten signature in black ink, reading "C. McLaughlin Tucker". The signature is written in a cursive, flowing style.

Secretary of the Commonwealth.