

AN ACT

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IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend the Housing Regulations of the District of Columbia to require interest payments on rent security deposits to accrue at the statement savings rate; to extend the time period for the return of security deposits and the payment of interest on those deposits to tenants; to provide for penalties for nonpayment of interest on tenant security deposits; and to amend the Rental Housing Act of 1985 to authorize the Rent Administrator to adjudicate complaints for the nonpayment of interest on tenant security deposits.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may cited as the “Interest on Rental Security Deposits Amendment Act of 2006”.

Sec. 2. Section 2908 of the Housing Regulations of the District of Columbia, effective August 11, 1955 (C.O. 55-1503; 14 DCMR §§ 308 through 311), is amended as follows:

DCMR

(a) Paragraph (2)(a) and (b) (14 DCMR §§ 309.1 and 309.2) are amended to read as follows:

“2308.2(a) Within forty-five (45) days after the termination of the tenancy, the owner shall do one of the following:

“(1) Tender payment to the tenant, without demand, any security deposit and any similar payment paid by the tenant as a condition of tenancy in addition to the stipulated rent, and any interest due the tenant on that deposit or payment as provided in paragraph (4)(a) and (a-1) (14 DCMR § 311); or

“(2) Notify the tenant in writing, to be delivered to the tenant personally or by certified mail at the tenant's last known address, of the owner's intention to withhold and apply the monies toward defraying the cost of expenses properly incurred under the terms and conditions of the security deposit agreement.

“(b) The owner, within 30 days after notification to the tenant pursuant to the requirement of paragraph (2)(a)(2) (14 DCMR § 309.1(b)), shall tender a refund of the balance of the deposit or payment, including interest not used to defray such expenses, and at the same time give the tenant an itemized statement of the repairs and other uses to which the monies were applied and the cost of each repair or other use.”.

(b) Paragraph (4) (14 DCMR § 311) is amended as follows:

(1) Paragraph (4)(a) (14 DCMR §§ 311.1 and 311.2) is amended as follows:

(A) Strike the phrase “and shall accrue at the passbook rate then prevailing on January 1st and on July 1st for each 6-month period (or part thereof) of the tenancy which follows those dates. On those dates, the passbook rate in the District of Columbia financial institution in which the escrow account is held shall be used.” and insert the phrase “and shall accrue at not less than the statement savings rate then prevailing on January 1st and on July 1st for each 6-month period (or part thereof) of the tenancy which follows those dates. On those dates, the statement savings rate in the District of Columbia financial institution in which the escrow account is held shall be used. All interest earned shall accrue to the tenant except for that described in paragraph (4)(a-1) or as set forth in paragraph (2) (14 DCMR § 309)” in its place.

(B) Strike the phrase “unless an amount is deducted under procedures set forth in section 2908.2.” and insert the phrase “unless an amount is deducted under procedures set forth in paragraph (2) (14 DCMR §§ 309.1 and 309.2). Any housing provider violating the provisions of this section by failing to pay interest on a security deposit escrow account that is rightfully owed to a tenant in accordance with the requirements of this section, shall be liable to the Rent Administrator or Rental Housing Commission, as applicable, for the amount of the interest owed, or in the event of bad faith, for treble that amount. For the purposes of this paragraph, the term “bad faith” means any frivolous or unfounded refusal to return a security deposit, as required by law, that is motivated by a fraudulent, deceptive, misleading, dishonest, or unreasonably self-serving purpose and not by simple negligence, bad judgment, or an honest belief in the course of action taken. Any housing provider who willfully violates the provisions of this section by failing to pay interest on a security deposit escrow account that is rightfully owed to a tenant in accordance with the requirements of this section shall be subject to a civil fine of not more than \$5000 for each violation.” in its place.

(2) A new paragraph (4)(a-1) is added to read as follows:

“(a-1) If the housing provider invests the security deposit in an account with an interest rate that exceeds that of the statement savings rate as required in subparagraph (a)(14) (14 DCMR § 311.1), the housing provider may apply up to 30% of the excess interest for administrative costs or other purposes.”.

(3) Paragraph 4(b) (14 DCMR § 311.3) is amended by striking the phrase “no interest or other consideration shall inure to the benefit of the owner by reason of the owner's control over the escrow account nor shall the account be assigned or used as security for loans” and inserting the phrase “the owner shall not assign the account or use it as security for loans” in its place.

(c) Subsection 2908.5 (14 DCMR § 308.7) is amended to read as follows:

“The housing provider shall post in the lobby of the building and rental office at the end of each calendar year, the following information: where the tenants' security deposits are held

and what the prevailing rate was for each 6-month period over the past year. At the end of a tenant's tenancy, the housing provider shall list for the tenant the interest rate for each 6-month period during the tenancy.

(d) Paragraph (6) (14 DCMR § 309.5) is repealed.

(e) Paragraph (7) (14 DCMR § 309.6) is repealed.

Sec. 3. Section 217 of the Rental Housing Act of 1985, effective July 17, 1985 (D.C. Law 6-10; D.C. Official Code § 42-3502.17), is amended as follows:

Amend
§ 42-3502.17

(a) The existing text is re-designated as subsection (a).

(b) A new subsection (b) is added to read as follows:

“(b) The Office of Administrative Hearings may adjudicate complaints for the nonpayment of interest on tenant security deposits pursuant to section 2908 of the Housing Regulations of the District of Columbia (14 DCMR §§ 308 through 311).”.

Sec. 4. Fiscal impact statement.

The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813 D.C. Official Code § 1-206.02(c)(3)).

Sec. 5. Effective date.

This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of Columbia Register.

Chairman
Council of the District of Columbia

Mayor
District of Columbia