

## **BILL ANALYSIS**

Senate Research Center

S.B. 1783  
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4/8/2021  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Often, the most significant housing barrier faced by potential tenants is advance payment of first and last months' rent, plus a security/damage deposit. Millions of Texans' deposits sit unusable in their landlords' bank accounts—dollars which are desperately needed, especially during a pandemic.

A 2018 study found that security deposits intensify the housing affordability crisis and are extremely burdensome on those earning lower incomes.

S.B. 1783 would codify the current practice of utilizing a small monthly "deposit waiver fee" instead of a large down payment upon move-in. This will encourage landlords to use lease insurance and offer zero-deposit rentals, which will help thousands of Texans.

Lease insurance reimburses landlords for damages and unpaid rent. When tenants pay this small monthly deposit waiver fee to help landlords pay the insurance premium, landlords can eliminate security/damage deposits and tenants can save thousands of dollars on move-in day.

This current practice is already popular, although Texas law is silent on the issue. Ninety-two percent of tenants who are offered the option choose to pay a monthly fee in lieu of a large deposit. Explicit government approval would encourage more landlords to offer this option, which would provide greater access to affordable housing for thousands of Texans.

As proposed, S.B. 1783 amends current law relating to a fee collected by a landlord in lieu of a security deposit.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter A, Chapter 92, Property Code, by adding Section 92.111, as follows:

Sec. 92.111. FEE IN LIEU OF SECURITY DEPOSIT. (a) Authorizes the landlord, if a security deposit is required by a residential lease, to choose to offer the tenant an option to pay a fee in lieu of a security deposit.

(b) Requires that an agreement to collect a fee in lieu of a security deposit, if the tenant decides to pay a fee in lieu of a security deposit, be in writing and signed by the landlord or their legal representative and the tenant.

(c) Authorizes a fee in lieu of a security deposit to be a recurring monthly fee, or payable upon any schedule and in any amount that the landlord and tenant choose.

(d) Authorizes a fee collected under this Section 92.111 to be used to purchase insurance coverage for damages and charges for which the tenant is legally liable under the lease or as a result of breaching the lease.

(e) Provides that a fee collected under Section 92.111 is not a security deposit as defined by Section 92.102 (Security Deposit).

SECTION 2. Makes application of Section 92.111, Property Code, as added by this Act, prospective.

SECTION 3. Effective date: September 1, 2021.