
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1793 Session of
1989

INTRODUCED BY RICHARDSON, LINTON, PRESTON, COHEN, ACOSTA,
BISHOP, CARN, EVANS, HARPER, JAMES, OLIVER, ROBINSON,
ROEBUCK, THOMAS AND R. C. WRIGHT, JUNE 28, 1989

REFERRED TO COMMITTEE ON URBAN AFFAIRS, JUNE 28, 1989

AN ACT

1 Providing for the guarantee of certain security deposits and for
2 grants to local governments and housing agencies; and
3 providing further duties of the Department of Community
4 Affairs.

5 The General Assembly finds that one of the most difficult
6 problems that temporarily homeless persons or families face in
7 seeking permanent housing is the necessity of paying a security
8 deposit in addition to paying the first month's rent. The
9 security deposit requirement is often impossible for the
10 temporarily homeless person or family to meet because their
11 savings are depleted due, for example, to purchasing temporary
12 shelter in a motel when space at an emergency shelter was not
13 available. A program to guarantee the security deposit for the
14 temporarily homeless person or family will help the poor in this
15 Commonwealth achieve adequate permanent shelter.

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

18 Section 1. Short title.

1 This act shall be known and may be cited as the Security
2 Deposits Act.

3 Section 2. Definitions.

4 The following words and phrases when used in this act shall
5 have the meanings given to them in this section unless the
6 context clearly indicates otherwise:

7 "Department." The Department of Community Affairs of the
8 Commonwealth.

9 "Nonprofit corporation." Includes local housing authorities
10 and all other public or private agencies which provide
11 subsidized housing or temporary shelter for low-income persons.

12 Section 3. Rental security deposit program.

13 (a) Grants and technical assistance.--The department shall,
14 by regulation, establish a rental security deposit guarantee
15 program. This program shall provide for grants and technical
16 assistance to local governments or nonprofit corporations,
17 including local housing authorities which operate emergency
18 housing shelters or transitional housing programs. These grants
19 shall be used for the payment of residential rental security
20 deposits under this act. The technical assistance shall help
21 local governments or nonprofit corporations apply for grants to
22 carry out the program. In order to be eligible for grants under
23 this program, the recipient local government or nonprofit
24 corporation must agree to provide 15% of the total amount needed
25 for the security deposit. The security deposit may include the
26 last month's rent where such rent is required as a normal
27 practice by the landlord.

28 (b) Revolving loan fund.--Grants and matching funds shall be
29 placed by the recipient local government or nonprofit
30 corporation in a revolving loan fund and deposited in a bank or

1 savings institution in an account that is separate from all
2 other funds of the recipient. The funds and interest earned on
3 these funds shall be utilized only as collateral to guarantee
4 the payment of a security deposit required by a residential
5 rental property owner as a condition for entering into a rental
6 agreement with a prospective tenant.

7 Section 4. Eligible tenants.

8 Prospective tenants who are eligible to participate in the
9 rental security deposit guarantee program shall be limited to
10 homeless persons or families who are residing in an emergency
11 shelter or transitional housing operated by a local government
12 or a nonprofit corporation, or to families who are temporarily
13 residing in a park, car, or are otherwise without adequate
14 shelter. The local government or nonprofit corporation shall
15 make a determination regarding the person's or family's
16 eligibility to participate in this program and a determination
17 that a local rental unit is available for occupation. A
18 determination of eligibility shall include, but not be limited
19 to:

20 (1) A determination that the person or family is
21 homeless or is in transitional housing.

22 (2) A verification of income and that the person or
23 family can reasonably make the monthly rental payment.

24 (3) A determination that the person or family does not
25 have the financial resources to make the rental security
26 deposit.

27 Section 5. Contracts.

28 (a) Parties and terms.--A three-party contract shall be
29 required of persons participating in the rental deposit
30 guarantee program. The parties to the contract shall be the

1 local government or nonprofit corporation operating a shelter
2 for homeless persons or transitional housing, the tenant, and
3 the rental property owner. The terms of the contract shall
4 include, but are not limited to, the following:

5 (1) The owner of the rental property shall agree to
6 allow the security deposit to be paid by the tenant over a
7 specified number of months as an addition to the regular
8 rental payment, rather than as a lump sum payment. The total
9 security deposit amount shall not exceed one month's rent.

10 (2) Upon execution of the agreement, the local
11 government or nonprofit corporation shall encumber or reserve
12 funds in the account created under section 3(b), as a
13 guarantee of the contract, in an amount not less than the
14 outstanding balance of the security deposit owed by the
15 tenant to the landlord.

16 (3) The tenant shall agree to a payment schedule of a
17 specified number of months in which time the total amount of
18 the required deposit shall be paid to the property owner.

19 (4) At any time during the operation of the guarantee,
20 the property owner shall make all claims first against
21 amounts of the security deposit actually paid by the tenant
22 and secondly against the guarantee. At no time during or
23 after the tenancy may the property owner make claims against
24 the guarantee in excess of that amount agreed to as the
25 guarantee.

26 (6) If a deduction from the guarantee fund is required,
27 it may be accomplished only to the extent permitted by the
28 contract and in the manner provided by law, including notice
29 to the legal agency or organization. The tenant shall have no
30 direct use of guarantee funds, including funds which may be

1 referred to as "last month's rent."

2 (b) Forms.--The department shall make available to local
3 governments and nonprofit corporations receiving grants under
4 this act the forms deemed necessary for the contracts and the
5 determination of eligibility. Local governments and nonprofit
6 corporations may develop and use their own forms as long as the
7 forms meet the requirements specified in this act.

8 Section 6. Administration of local programs.

9 A local government or nonprofit corporation receiving a grant
10 under this act may utilize a portion of the allocation for costs
11 of administering and operating its rental security deposit
12 guarantee program. The department shall approve the amount so
13 utilized prior to expenditure, and the amount may not exceed 5%
14 of the allocation. The staff of the grant recipient shall be
15 responsible for soliciting housing opportunities for low-income
16 homeless persons, coordinating with local low-income rental
17 property owners, making determinations regarding the eligibility
18 of prospective tenants for the program, and providing
19 information to prospective tenants on the tenant-property owner
20 relationship, appropriate treatment of property, and the
21 importance of timely rental payments. The staff of the grant
22 recipient assigned to administer the program shall be reasonably
23 available to property owners and tenants to answer questions or
24 complaints about the program.

25 Section 7. Rules and regulations.

26 The department shall, in the manner provided by law,
27 promulgate the rules and regulations necessary to carry out this
28 act. These rules and regulations shall include, but not be
29 limited to, the following:

30 (1) The eligibility of and the application process for

1 local governments and nonprofit corporations.

2 (2) The criteria by which grants and technical
3 assistance shall be provided to local governments and
4 nonprofit corporations.

5 (3) The criteria local governments and nonprofit
6 corporations shall use in entering into contracts with
7 tenants and rental property owners.

8 Section 8. Gifts and grants.

9 The department may receive such gifts, grants or endowments
10 from public or private sources as may be made from time to time,
11 in trust or otherwise, to be used by the department for the
12 rental security deposit guarantee program under this act.

13 Section 9. Effective date.

14 This act shall take effect in 60 days.