

SECURITY DEPOSITS

The Virginia Residential Landlord and Tenant Act (VRLTA) governs handling of security deposits by all landlords except those who own no more than four single-family houses or condominium units. Below is a summary of the main provisions of the law:

- 1) Maximum Amount. A landlord may not require a security deposit greater than two months' rent.
- 2) Tenant Right to be Present at Inspection. Upon receiving a tenant's vacate notice, a landlord must notify that tenant of his right to be present for the inspection of the property after he has vacated. If the tenant wants to be present, he advises the landlord in writing. The landlord must make the inspection within 72 hours of the termination of the tenancy and must inform the tenant of the time and date. If the tenant is present, the landlord must give him an itemized list of damages found during the inspection.
- 3) Deductions from Deposit. The landlord may keep part or all of the deposit to pay for:
 - a) damages beyond normal wear and tear; or
 - b) rent owed, plus reasonable late charges specified in lease; or
 - c) other damages provided for in the lease.
- 4) Return Within 45 Days. The security deposit, plus interest due, must be returned to the tenant within 45 days after the tenancy ends, along with an itemized accounting for deductions made.
- 5) Forfeiture. The deposit cannot be forfeited automatically because the tenant is breaking the lease, unless the lease specifies that the deposit (or some other sum) is to be paid as "liquidated damages" in the event the tenant breaks the lease. In such cases the tenant would be responsible for the amount specified in the lease as "liquidated damages," but not for additional costs attributable to breaking the lease.
- 6) Penalty. If the landlord fails to return any of the security deposit or interest due, the tenant may sue him in Court for part or all of the deposit, plus actual damages and reasonable attorney's fees.
- 7) Landlord Records. The landlord must keep a public record for two years of all deductions made from security deposits because of tenants' failure to maintain their units.
- 8) Interest. If the landlord is governed by VRLTA and holds the security deposit for more than 13 months, he/she must pay the tenant simple interest when the tenant vacates. This interest accrues from the beginning of the rental agreement and is to be paid no later than 30 days after the end of the agreement. On July 1, 1998, the law changed and

no longer requires interest to be calculated in six-month increments.

The interest rate has changed periodically since VRLTA was enacted. In 1999 the law was amended so that from January 1, 1995 on, the interest paid is to be computed annually at one percent below the Federal Reserve Board Discount Rate. The following table shows the rates to be used, either for long-term leases or month-to-month extensions, starting at various dates:

<u>Date</u>	<u>Annual Rate</u>
7/1/75–12/31/79	3%
1/1/80–12/31/81	4%
1/1/82–12/31/84	4.5%
1/1/85–12/31/94	5%
1/1/95–12/31/95	4.75%
1/1/96–12/31/96	5.25%
1/1/97–12/31/98	5%
1/1/99–6/30/99	4.5%
7/1/99–12/31/99	3.5%
1/1/00–12/31/00	4%
1/1/01–12/31/01	5%
1/1/02–12/31/02	.25%
1/1/03–12/31/03	0%
1/1/04–12/31/04	1%
1/1/05–12/31/05	2.25%
1/1/06–12/31/06	4.25%

Note: Do not compound interest.

The following table is an example of how to calculate interest owed on a deposit of \$1,000 for a tenancy beginning January 1, 1994 and ending May 1, 1999:

<u>Date</u>	<u>Rate</u>	<u>Interest Owed</u>
Jan.-Dec. '94	Calculated @ 5%	\$50.00
Jan.-Dec. '95	Calculated @ 4.75%	\$47.50
Jan.-Dec. '96	Calculated @ 5.25%	\$52.50
Jan.-Dec. '97	Calculated @ 5%	\$50.00
Jan.-Dec. '98	Calculated @ 5%	\$50.00
Jan.-Apr. '99	Calculated @ 4.5%	\$15.00
Total	Due	\$265.00 in interest + \$1,000= \$1,265

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