
OLR Bill Analysis

sSB 219

AN ACT CONCERNING CIVIL PENALTIES FOR CERTAIN VIOLATIONS RELATING TO RENTAL SECURITY DEPOSITS.

SUMMARY

Existing law authorizes the Department of Banking commissioner to order a civil penalty of up to \$100,000 for violations of any provision of the statutes within his jurisdiction or any regulation, rule, or order adopted or issued under these statutes. This bill explicitly authorizes him, after an investigation, to order this penalty for certain violations of the security deposit laws, in addition to issuing cease and desist orders for violations of these laws, as existing law authorizes. (The law also authorizes specified penalties for security deposit law violations (see BACKGROUND).)

Existing law authorizes the banking commissioner to receive and investigate complaints about certain alleged violations of the security deposit laws. These laws apply to residential landlords and generally (1) cap maximum allowable security deposits, (2) require deposits be placed in an escrow account, (3) set the interest rate on security deposits, (4) require landlords to pay tenants annual interest on security deposits, and (5) set timeframes for paying security deposits and interest at the end of tenancy.

By law, the commissioner does not have jurisdiction when the landlord (1) fails to annually pay the tenant interest on a security deposit or (2) has a good faith claim for actual damages of which the tenant received written notice. The latter includes situations where a landlord refuses or fails to return all or part of the security deposit because he or she has a good faith claim for these damages. By law, anyone can take legal action in court to reclaim any part of their security deposit that may be due, and this does not stop tenants or landlords from recovering other damages to which they may be entitled.

EFFECTIVE DATE: October 1, 2026

BACKGROUND

Penalties for Security Deposit Law Violations

The law makes any landlord who fails to return a tenant's security deposit (less the value of any itemized damages) within the statutory timeframe liable for twice the security deposit amount. Any landlord who fails to pay the tenant the accrued interest on a security deposit is liable for the greater of \$10 or twice the accrued interest.

Landlords are also subject to specified penalties under the security deposit laws if they knowingly and willfully:

1. fail to pay all or part of a security deposit due when the tenancy ends (a fine of up to \$250 for each offense);
2. violate the escrow account requirements (a fine of up to \$500, up to 30 days in prison, or both for each offense if at the time of the offense the landlord leased four or more residential units); or
3. fail to make the required interest payments on security deposits (a fine of up to \$100 for each offense).

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute

Yea 13 Nay 0 (03/10/2026)