

# Landlords can't ask for 'last month's rent' plus security deposit, thanks to new rent laws



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As of July 14th, it will be illegal for landlords to require you to pay last month's rent in addition to a month's security deposit when you sign a lease. New rent reforms (<https://www.brickunderground.com/rent/how-do-nyc-rent-reforms>)

Your security deposit is not supposed to be used as last month's rent.

Nor can landlords require renters with bad credit histories or annual salaries less than 40 to 45 times the monthly rent to pay multiple months of rent up front. In the past, they've typically asked for anywhere from three to 12 months worth of rent.

The new law lowers financial barriers to renting an apartment in New York City, a good thing for most renters. But it complicates things for renters who don't meet the landlords' income requirements (including students and retirees), have a blemish on their credit record or no credit history at all, such as international renters.

Elizabeth Stone, the managing agent at Stone Realty Management (<https://www.stonerealtymanagement.com/>), says the protections may backfire. "We are going to require guarantors or just reject the tenants outright. So those that have lower incomes are going to miss out because landlords are not going to take the risk," she says.

A lease guarantor is someone who lives in the tri-state area and earns an annual salary of around 80 times the monthly rent. Another option is an institutional guarantor like [Insurent](#) (a Brick Underground sponsor), which charges renters a fee for the service, usually 70 to 85 percent of one month's rent for U.S. renters and 90 to 110 percent of one month's rent for international renters without U.S. credit history for the 12 to 14 month lease.

What's the difference between a security deposit and last month's rent anyway? Your security deposit covers the cost of repairing damages to your apartment, while your last month's rent is pretty much what it sounds like. The two are not supposed to be interchangeable.

While the security deposit is capped at an amount equal to one month's rent, it doesn't change the fact any rent paid in advance and the deposit are different things and a landlord is entitled to deduct money from the deposit for any costs associated with damage to the apartment when a tenant moves out.

Your lease will make clear what the security deposit is for; it's designed to make sure you leave a clean, undamaged apartment with a working set of keys so the landlord can easily rent the unit to someone else.

In most buildings with more than six units, the landlord is required by law to put the security deposit in escrow, giving the tenant more protections than if the money was in a private account.

The practice of not paying the last month's rent Some New Yorkers claim they never pay their last month's rent, figuring the security deposit can stand in as the rent.

Adam Frisch, managing principal at Lee & Associates Residential NYC, (<http://leeassociatesnyc.com/>) a real estate company representing building owners in Manhattan, says a tenant might well tell a landlord, "I'm not going to initiate the final rent payment and you can keep my security and there's nothing you can do about it." He says they are right, "there isn't much we can do about it," but if there's damage to the apartment, a landlord would be entitled to sue to recover the costs.

"Tenants have gotten away with this and will continue to do so, but they are not supposed to," he says. Certainly, in situations where the apartment needs nothing more than a lick of paint, there's no loss to the landlord.

### Getting landlords and tenants in sync

In the past, the security deposit was legally required to be returned in a 'reasonable' time frame, a vague term that gave renters no reassurances. Landlords must now pay back the security deposit within 14 days of the end of the tenancy.

This has some landlords furious (<https://www.brickunderground.com/rent/new-rentlaws-require-security-deposit-return-14-days-landlords-NYC>), saying the timing is too tight to assess and price out any damage or close the escrow account where the security is held. They are also required to do walk-throughs at the beginning and end of a tenancy so any damage can be properly itemized.

If walk-throughs allow renters to work towards correcting any issues and they know they will get their deposit back promptly, it's possible landlords may find it cuts down on the practice of using the deposit as the last month's rent.

Stone disagrees, pointing out the kind of tenant who makes a landlord take the security deposit as the final rent payment is the same kind of tenant who doesn't take care of their rental during their tenancy.

"Limiting how much money [a landlord] can take up front and limiting the security deposit is designed to stop tenants being excluded from some of these apartments but I don't think in practicality, it will work for them."