

HB 3521 -5 STAFF MEASURE SUMMARY

House Committee On Housing and Homelessness

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Meeting Dates: 2/17, 4/7

WHAT THE MEASURE DOES:

The measure regulates when and how landlords can collect deposits from rental applicants. It ensures that landlords can only request a deposit after they have approved an applicant but before the rental agreement is officially signed. The measure also adds a penalty if the landlord fails to follow through on the agreement, which will be either the amount of the deposit or another agreed-upon amount. The measure specifies that these rules will apply to deposits received starting January 1, 2026.

Detailed Summary:

- Specifies that a landlord may charge deposit to an applicant for the purpose of securing the execution of a rental agreement only after approving the applicant's application but prior to entering into a rental agreement.
- Requires a landlord to provide the applicant with the written statement before receiving said deposit.
- Requires landlords to send by first class mail to the applicant the deposit plus a penalty equal to the greater of the deposit or an amount agreed to by the parties in the case where a rental agreement is not executed due to a failure by the landlord to comply.
- Permits tenants to recover the fees or deposit charged, the penalty, and \$150 if a landlord fails to send back the deposit and penalty.
- Specifies that these provisions apply to deposits received on or after January 1, 2026.

ISSUES DISCUSSED:

- Current Oregon law on deposit refunds
- Process of obtaining deposit refunds in cases of landlord noncompliance
- Protections for extenuating circumstances in which either landlords or tenants terminate lease

EFFECT OF AMENDMENT:

-5 The amendment requires the landlord to refund the deposit to a tenant if the applicant has rejected the agreement due to the discovery of material defects relating to the premise's habitability. It directs landlord to refund deposit within five days if the rental agreement is not executed due to a failure by the landlord to comply with the agreement to execute or due to a tenant's rejection of the agreement based on uninhabitability. The amendment allows tenants to recover from the landlord their deposit or if the landlord fails to refund the deposit within five days, and the failure to repay was not due to an act of God, a penalty equal to the greater of the deposit or an amount agreed to by the parties.

BACKGROUND:

Oregon law limits when a landlord can charge a deposit or fee to someone applying for a rental (ORS 90.927). A landlord cannot charge any deposit or fee to an applicant unless it falls under specific exceptions. However, a landlord can require a deposit after approving an applicant but before signing the rental agreement to secure the lease. Before accepting this deposit, the landlord must provide a written statement detailing the rent amount, any fees or required deposits, and the terms for refunding or keeping the deposit. If the rental agreement is finalized, the deposit must either be applied toward rent or other costs or refunded immediately to the tenant. If the applicant fails to follow through with signing the lease, the landlord can keep the deposit. But if the landlord is responsible for the agreement falling through, they must return the deposit within four days—either by making it

available at their business or mailing it by first-class mail. If a landlord does not follow these rules, the applicant or tenant can sue to recover the deposit or fee plus an additional \$150 penalty.

PRELIMINARY