LOS ANGELES HOUSING DEPARTMENT

Rent Stabilization Bulletin

Interest Payment on Security Deposit

The interest rate set by the Rent Adjustment Commission for 2026 is 3.03%.

What is a Security Deposit?

A security deposit is essentially any money paid by a tenant to a landlord, which is subsequently held by the landlord for the purposes of providing compensation for a tenant's failure to pay rent, for repairing damages to the premises exclusive of ordinary wear and tear caused by the tenant or a guest or licensee of the tenant, for cleaning the premises upon termination of the tenancy, and for remedying any future defaults by the tenant in complying with any term under the rental agreement to restore, replace, or return personal property or appurtenances, should the rental agreement authorize the security deposit for this use. For an expanded discussion of what a security deposit is, please refer to Subsection (b) of Section 1950.5 of the California Civil Code.

Under what conditions must landlords pay interest on security deposits?

Landlords of rental units subject to the Rent Stabilization Ordinance (RSO), which includes dwelling units, suites, condominiums, duplexes, guest rooms, and rooms in a hotel, motel, rooming house or boarding house occupied by the same tenant for more than 30 consecutive days in the City of Los Angeles with a certificate of occupancy first issued before October 1, 1978, must pay interest on all security deposits held for at least one (1) year for their tenants. The RSO does not require payment of interest on security deposits for mobile home parks.

How does the landlord determine the amount of interest and what is the amount required to be paid?

Since 2004, interest payable to tenants may be determined in two ways: 1) use the simple interest rate established by the Rent Adjustment Commission; or 2) pay the tenant the actual amount earned on the security deposit. If the second method is used, the landlord must provide the tenant with a copy of a bank statement indicating the interest earned on their deposit for the year. If the security deposit is not placed in an interest bearing account, then the simple interest rate established by the Rent Adjustment Commission shall be applied.

INTEREST PAYMENT ON SECURITY DEPOSIT BULLETIN

When did interest on security deposits start accruing?

Interest on security deposits began accruing on November 1, 1990, on a monthly basis for tenants who had a security deposit with the landlord for the prior 12 months and who were legal tenants as of November 1, 1990 (per Ordinance 166368). This was amended by Ordinance 174017, effective June 7, 2001. Effective January 1, 2004, the Los Angeles City Council passed Ordinance 175020, which further amended the Security Deposit requirements for rent stabilized rental units and waived interest payments for deposits held during calendar year 2002.

What interest rates have been in effect since 1990, when the Ordinance was amended?

CHRONOLOGY OF INTEREST RATES ON SECURITY DEPOSITS*

For Time Period:	Interest Rate	For Time Period:	Interest Rate
01-01-1990 to 12-31-2000	5%	01-01-2014 to 12-31-2014	0.18%
01-01-2001 to 12-31-2001	2%	01-01-2015 to 12-31-2015	0.12%
01-01-2002 to 12-31-2002	0%*	01-01-2016 to 12-31-2016	0.06%
01-01-2003 to 12-31-2003	1%	01-01-2017 to 12-31-2017	0.07%
01-01-2004 to 12-31-2004	.26%	01-01-2018 to 12-31-2018	0.07%
01-01-2005 to 12-31-2005	1.21%	01-01-2019 to 12-31-2019	0.06%
01-01-2006 to 12-31-2006	1.74%	01-01-2020 to 12-31-2020	0.23%
01-01-2007 to 12-31-2007	2.39%	01-01-2021 to 12-31-2021	0.06%
01-01-2008 to 12-31-2008	3.22%	01-01-2022 to 12-31-2022	0.03%
01-01-2009 to 12-31-2009	1.76%	01-01-2023 to 12-31-2023	0.04%
01-01-2010 to 12-31-2010	0.55%	01-01-2024 to 12-31-2024	0.52%
01-01-2011 to 12-31-2011	0.29%	01-01-2025 to 12-31-2025	4.32%
01-01-2012 to 12-31-2012	0.22%	01-01-2026 to 12-31-2026	3.03%
01-01-2013 to 12-31-2013	0.15%		

**No interest was required on security deposits for the period of January 1, 2002, through December 31, 2002 by Council action (Ordinance 175020).*

How and when is the payment of interest on security deposits to be made?

1. **During the Tenancy:**

   A tenant is to be given the unpaid accrued interest on security deposit in the form of either a direct payment or a credit against rent. The landlord must choose between the two **(2) methods of payment** and must notify the tenant in writing of his/her choice. The landlord may choose to pay the accrued interest on a monthly or yearly basis.

2. **Upon Termination of the Tenancy:**

   Payment of any unpaid accumulated interest on the tenant's security deposit must be made at the same time and in the manner required for return of security deposits in California Civil Code Section 1950.5(f).

3. **Upon Termination of a Landlord's Interest in a Property.**

   All accumulated interest on security deposits must be disposed of in the same manner as required for security deposits by California Civil Code Sections 1950.5(g) and 1950.5(h).

Who may I contact to learn more about State law on security deposits found in Section 1950.5 of the California Civil Code?

To learn more about Section 1950.5 of the California Civil Code, you may contact the Los Angeles County Consumer Affairs, 320 W. Temple Street, Room G-10, Los Angeles, CA 90012. The telephone number is (800) 593-8222.

May landlords still exercise their own discretion in investing security deposits?

Yes. Nothing in the Rent Stabilization Ordinance No. 151.06.02(F) prevents landlords from exercising their own discretion rights in investing deposits.

What action can a tenant take to recover the amount owed if he is not paid interest?

The tenant may bring an action in a court of appropriate jurisdiction including, but not limited to, Small Claims Court, to recover the amount owed as provided in the Rent Stabilization Ordinance 151.06.02 (G).

***NOTE*: The Rent Stabilization Division (RSD) of the City of Los Angeles will not investigate complaints concerning non-payment of interest on security deposits** as the Rent Stabilization Ordinance, Section 151.06.02 (G), only provides a civil remedy in a court of appropriate jurisdiction.

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