

LAW OFFICES
JOSEPH L. MOONEY, III, P.C.
315 MARKET STREET
MILL HILL
TRENTON, NJ 08611
(609) 393-2444
FAX 393-1282
jmooney@joemooneylawoffice.com

REAL ESTATE
jmurray@joemooneylawoffice.com

TENANCY
cmuro@joemooneylawoffice.com

JOSEPH L. MOONEY, III
MERLINO

Our File No.:

JOSEPH P.
(1952 -1998)

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TO MY LANDLORD CLIENTS

Friends:

I enclose the little synopsis of the changes to the Security Deposit Act that I forwarded you about a year ago. Please read it again to familiarize yourself with your responsibilities concerning security deposits and to avoid the penalties that the law prescribes.

I am writing to remind you that the law requires that a notice be given each of your tenants by January 31 of each year and that any interest earned on the deposit through January 1 be paid over to the tenant or credited against rent to come due.

The notice must tell the tenant:

1. The name and street address of the bank where the security is held.

2. The type of account where the security deposit is held - if you have ten or more units, you must keep the security deposits in a money market account; if you have less than ten units, you may keep the deposits in a savings account. You may keep all your deposits

in one account; you cannot commingle the deposits with your own funds.

3. The current rate of interest being paid on the account.

4. The amount of the deposit held - it should be the amount of the security deposit that you received because you will be paying the interest earned to the tenant or crediting it against future rent.

If you fail to give the annual notice or to pay over the interest to the tenant, the law allows the tenant to give you written notice to do so and if you fail to give the notice or pay the interest within thirty days, the tenant can apply the security deposit, plus interest at the rate of 7% per year to rent due or to come due, and once that happens, the tenant cannot be required to pay a security deposit for as long as the tenant lives there.

If you fail to give the initial notice (the one you are required to give within 30 days after you receive the deposit or purchase the property) or the notice required to be given within thirty days of moving the security deposit to another bank, another account or merger of your bank with another, the tenant can have the security deposit plus 7% annual interest applied to the rent without the thirty day waiting period. Even if you failed to deposit the security in the type of account required within thirty days after receipt or failed to give the initial notice when required, make sure you deposit the funds now and send the annual notice by January 31, 2005. This may "cure" the earlier violation of the law and allow you to avoid having the tenant apply the security deposit.

Some banks actually offer special security deposit accounts and will send the initial notice and the annual notice and the tenant a check for the interest earned. Check around and if you find a bank that offers this service, use it. Remember, if you move the deposit to a different bank or account or should your bank merge with another, a notice containing the information above must be given to the tenant.

As long as we are in the educational mode, I strongly recommend that you visit the Legal Services of New Jersey website which contains a very good treatise on the legal rights and responsibilities of

landlords and tenants in New Jersey. An hour spent reading it will help you to avoid some of the pitfalls that plague landlords trying to navigate in this highly regulated field. Just go to www.lsnjlaw.org, click on "The Place I live", then click on "I Rent My Home", then click on "Tenants' Rights in New Jersey".

If after reading this letter and the enclosure, and visiting the website suggested above, you have any questions about security deposits or any other matter touching upon the landlord-tenant relationship, please feel free to give my office a call. Like Syms, at our office an educated client is our best client.

Best wishes for success in the new year.

Very truly yours,

Joseph L. Mooney, III