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## SENATE BILL NO. 653

Offered January 8, 2020

Prefiled January 7, 2020

A *BILL to amend and reenact § 54.1-2108.1 of the Code of Virginia, relating to the Department of Professional and Occupational Regulation; real estate brokers; escrow funds.*

Patron—Boysko

Referred to Committee on General Laws and Technology

**Be it enacted by the General Assembly of Virginia:**

**1. That § 54.1-2108.1 of the Code of Virginia is amended and reenacted as follows:**

**§ 54.1-2108.1. Protection of escrow funds, etc., held by a real estate broker in the event of foreclosure of real property; required deposits.**

A. Notwithstanding any other provision of law:

1. If a licensed real estate broker or an agent of the licensee is holding escrow funds for the owner of real property and such property is foreclosed upon, the licensee or an agent of the licensee shall have the right to file an interpleader action pursuant to § 16.1-77.

2. If there is in effect at the date of the foreclosure sale, a real estate purchase contract to buy the property foreclosed upon and the real estate purchase contract provides that the earnest money deposit held in escrow by a licensee shall be paid to a party to the contract in the event of a termination of the real estate purchase contract, the foreclosure shall be deemed a termination of the real estate purchase contract and the licensee or an agent of the licensee may, absent any default on the part of the purchaser, disburse the earnest money deposit to the purchaser pursuant to such provisions of the real estate purchase contract without further consent from, or notice to, the parties.

3. If there is in effect at the date of the foreclosure sale, a tenant in a residential dwelling unit foreclosed upon and the landlord is holding a security deposit of the tenant, the landlord shall handle the security deposit in accordance with applicable law, which requires the holder of the landlord's interest in the dwelling unit at the time of termination of tenancy to return any security deposit and any accrued interest that is duly owed to the tenant, whether or not such security deposit is transferred with the landlord's interest by law or equity, and regardless of any contractual agreements between the original landlord and his successors in interest. Nothing herein shall be construed to prevent the landlord from making lawful deductions from the security deposit in accordance with applicable law.

4. If there is in effect at the date of the foreclosure sale a tenant in a residential dwelling unit foreclosed upon pursuant to § 55.1-1237, the foreclosure acts as a termination of the rental agreement by the landlord and the tenant may remain in possession of such dwelling. If rent is paid to a real estate licensee acting on behalf of the landlord as a managing agent, such property management agreement having been entered into prior to and in effect at the time of the foreclosure sale, the managing agent may collect the rent and shall place it into an escrow account by the end of the fifth business banking day following receipt.

5. If there is in effect at the date of the foreclosure sale a written property management agreement between the landlord and a real estate licensee licensed pursuant to the provisions of § 54.1-2106.1, the foreclosure shall convert the property management agreement into a month-to-month agreement between the successor landlord and the real estate licensee acting as a managing agent, except in the event that the terms of the original property management agreement between the landlord and the real estate licensee acting as a managing agent require an earlier termination date. Unless altered by the parties, the terms of the original property management agreement that existed between the landlord and the real estate licensee acting as a managing agent shall govern the agreement between the successor landlord and the real estate licensee acting as a managing agent. The property management agreement may be terminated by either party upon provision of written notice to the other party at least 30 days prior to the intended termination date. Any funds received or held by the real estate licensee acting as a managing agent shall be disbursed only in accordance with the terms of the property management agreement or as otherwise provided by law.

B. Notwithstanding any other provision of law:

1. Any ~~prepaid rent paid more than one month prior to the rent due date~~ to a real estate licensee acting on behalf of a landlord client in connection with the lease shall be placed in an escrow account by the end of the fifth business banking day following receipt, *regardless of when received*, unless otherwise agreed to in writing by the principals to a lease transaction. ~~Any rent paid less than one month prior to the rent due date shall be current rent and may be deposited into an operating account of~~

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59 the real estate licensee.

60 2. Any security deposits paid to a real estate licensee acting on behalf of a landlord client in  
61 connection with the lease shall be placed in an escrow account by the end of the fifth business banking  
62 day following receipt, unless otherwise agreed to in writing by the principals to a lease transaction.

63 3. Any application deposit as defined by § 55.1-1200 paid by a prospective tenant for the purpose of  
64 being considered as a tenant for a dwelling unit to a real estate licensee acting on behalf of a landlord  
65 client shall be placed in escrow by the end of the fifth business banking day following approval of the  
66 rental application by the landlord, unless otherwise agreed to in writing by the principals to a lease  
67 transaction.

68 4. Such funds shall remain in an escrow account until disbursed in accordance with the terms of the  
69 lease, the property management agreement, or the applicable statutory provisions, as applicable.

70 5. Except in the event of foreclosure, if a real estate licensee acting on behalf of a landlord client as  
71 a managing agent elects to terminate the property management agreement, the licensee may transfer any  
72 funds held in escrow by the licensee on behalf of the landlord client to the landlord client without his  
73 consent, provided that the real estate licensee provides written notice to each tenant that the funds have  
74 been so transferred. In the event of foreclosure, a real estate licensee shall not transfer any funds to a  
75 landlord client whose property has been foreclosed upon.

76 6. A real estate licensee acting on behalf of a landlord client as a managing agent who complies with  
77 the provisions of this section shall have immunity from any liability for such compliance, in the absence  
78 of gross negligence or intentional misconduct.