

## UNDERSTANDING LEASES AND RENTAL AGREEMENT CONTRACTS

Leases and rental agreements are important legal documents that form the contractual basis of the landlord-tenant relationship. These agreements are typically (and ideally) in writing, although oral leases and rental agreements are legal for month-to-month tenancies and, in most states, for leases of a year or less.

Here's an overview of the two types of agreements and common terms you'll find in both.

### Rental Agreements

A rental agreement is a contract between a landlord and a tenant which gives the tenant the right to occupy an apartment, house, or other rental unit for a short period of time (usually 30 days, or on a month-to-month basis) in exchange for the payment of rent and compliance with terms such as no pets. Most rental agreements include a provision which allows for the automatic renewal or extension of the agreement unless the landlord or tenant gives the proper amount of written notice to the other party of the intention not to renew. The typical rental agreement gives the landlord the right to change the terms of the agreement as long as the landlord gives the tenant proper written notice. State laws (and local rent control rules in some areas) usually specify the rules and procedures on how landlord may end a rental agreement or change the terms.

### Leases

The terms "lease" and rental agreement" or often used interchangeably. A lease, however, is an agreement between a landlord and tenant which gives the tenant the right to occupy a property for a longer (fixed) period of time, usually six months to a year. In exchange for the right of occupancy, the tenant agrees to pay rent and abide by the other terms of the lease. A landlord may not unilaterally end a lease unless the tenant has violated one of the terms of the lease (for example, by failing to pay rent or keeping a pet in violation of the lease). State laws set out detailed rules and procedures for how landlords may end a tenancy under a fixed-term lease. Some states allow tenants to break a lease (without further liability for rent) under specified circumstances, such as if the landlord fails to provide a habitable rental unit.

### Rental Contract Terms and Conditions

Certain terms and conditions are common to most leases and rental agreements. These include:

- description or address of the premises being leased or rented
- name and address of landlord
- name(s) of tenant(s)
- term of the tenancy (and whether lease or rental agreement)
- amount of security deposit and how it may be used and returned
- rent amount
- rent due date (including any grace period), and
- late rent fees and returned (bounced) check charges.

Rental and lease agreements may also include provisions relating to the maximum number of occupants living in the rental unit; rent increases; landlord and tenant repair and maintenance

responsibilities; utility charges; pets; the landlord's right to enter the premises; the landlord's remedies if the tenant violates the terms of the lease; prohibitions against illegal activities on the property; and any other information the landlord feels is important, such as a restriction against tenant bringing in a new roommate or subletting the rental unit without landlord permission. Some states and cities require that certain disclosures be included in leases and rental agreements, such as whether the rental unit is in a flood area.

### **Rental Terms Tenants Should Look Out For in Leases and Rental Agreements**

Tenants should never sign a lease or rental agreement without understanding what their legal rights are (for example, state limits on security deposits). The following provisions usually create problems for tenants and should be removed or renegotiated if at all possible.

- **Limit on landlord responsibility to provide habitable housing.** As a general rule, landlords are legally required to provide housing that is livable and complies with health and safety codes—no matter what a lease or rental agreement says.
- **Shared utility meters.** While many states require that landlords disclose shared utility arrangements, it's a good idea to get details on utilities before signing a lease or rental agreement. If you do share a utility meter, ask the landlord to install a separate meter for things such as a water heater that serves several apartments.
- **Automatic rent increases.** Avoid clauses which give the landlord the right to automatically raise your rent to defray an increase in the property taxes, insurance, utilities, or any other operating costs of the property.
- **Unrestricted access by landlord.** Laws in many states protect tenant privacy and limit landlord access to rental property—regardless of what a lease or rental agreement says.
- **Hold harmless clauses.** These clauses attempt to relieve the landlord in advance from liability for injuries or damages you suffer as a result of the landlord's negligence or failure to maintain the property. Even though most courts will not enforce these types of clauses, ask the landlord to restrict similar language from the lease or rental agreement before you sign it.