



Vote YES on Senate Bill 54: Security Deposits & Post-Closing Occupancy Agreements

Sens. Catlin & Snyder and Reps. Ricks & Richardson

A post-closing occupancy agreement (PCOA) is a short-term arrangement that allows a seller to remain in a home after it has sold and the buyer has taken legal title. Commonly, the seller is not required to pay any “rent” to the buyer in this situation. Current Colorado law, however, creates a practical challenge: the statutory cap on security deposits, set as a multiplier of rent, can make it impossible to collect a deposit when the buyer and seller agree to zero rent. This mismatch forces parties to rely on workarounds to provide basic protections, creating unnecessary complexity.

SB-054 fixes this issue by removing home sales from the security deposit cap meant for rental agreements, allowing post-closing occupancy agreements to function clearly, safely, and in line with the realities of home sale transactions.

Restores Clear Distinction Between Home Sales and Rentals

Colorado law ties the amount of a security deposit to the amount of rent charged (two months’ rent under C.R.S. § 38-12-102.5). In home sale transactions, buyers and sellers often agree that the seller may stay in the home for a short period of time (always less than 60 days) after closing without paying rent. In accordance with that statute, \$0 rent means the maximum deposit is also \$0 - and this prevents the parties from holding a security deposit even when both sides want reasonable protection during that temporary stay. By removing home sales from this statute, the bill corrects this unintended consequence for home sales in statute meant to address rental agreements.

Removes the Need for Complicated Workarounds in Home Sales

A common workaround used by buyers and sellers in transactions involving PCOAs has been to adjust the purchase price and allocate a portion of that amount to the PCOA so a deposit may be collected in compliance with statute. Because the full amount is reflected in the recorded sale price, the transaction may not clearly separate the property’s true sale value from amounts associated with temporary occupancy. By removing home sales from the statute that created the residential security deposit cap, the bill eliminates the need for this cumbersome structure and better aligns the law with the unique nature of PCOAs following a sale.

Vote YES on SB-054 – it allows buyers and sellers to provide short-term post-closing occupancy with appropriate protections, while ensuring the security deposit rules intended for rentals do not create barriers in home sales.