§ 7-101. Money deposited or advanced for use or rental of personal property; waiver void. 1. Whenever money shall be deposited or advanced on a contract for the use or rental of personal property as security for performance of the contract or to be applied to payments upon such contract when due, such money, with interest accruing thereon, if any, until repaid or so applied, shall continue to be the money of the person making such deposit or advance and shall be a trust fund in the possession of the person with whom such deposit or advance shall be made and shall be deposited in a bank or trust company and shall not be mingled with other funds or become an asset of such trustee, excepting, however, that such trust funds may be deposited with other funds that have been deposited or advanced to the trustee as security for performance of a contract for the use or rental of personal property or be applied to payments upon such contract when due. If the money being deposited or advanced is for the use or rental of personal property and the money deposited or advanced is seven hundred fifty dollars or more and is for the use or rental of personal property for a period equal to or greater than one hundred twenty days, the person receiving such money shall deposit it pursuant to the provisions of subdivision one-a of this section.

1-a. Whenever the money so deposited or advanced is seven hundred fifty dollars or more and is for the use or rental of personal property for a period equal to or greater than one hundred twenty days, the person receiving such money shall, subject to the provisions of this section, deposit it in an interest bearing account in a banking organization within the state which account shall earn interest at a rate which shall be the prevailing rate earned by other such deposits made with banking organizations in such area. Such person shall not be required to keep the funds of the separate persons from whom security deposits or advances have been received in separate depository accounts, provided his books of account shall clearly show the allocation of the funds deposited in his general or special depository account. The person depositing such security money shall be entitled to receive, as administration expenses, a sum equivalent to one per cent per annum upon the security money so deposited, which shall be deducted from the interest earned on such security money from the banking organization and

shall be in lieu of all other administrative and custodial expenses relating to the security deposit or advance. The balance of the interest paid by the banking organization shall be the money of the lessee making the deposit or advance and shall either be held in trust by the person with whom such deposit or advance shall be made, until repaid or applied for the use or rental of the personal property, or annually paid to the lessee making the deposit of security money.

1-b. This section shall not be applicable to any advance payment of money under or with respect to any contract for the use or rental of personal property that, in accordance with the terms applicable to such payment, either (a) is not revocable by the person making such payment and is not otherwise subject to being returned or refunded to such person, or (b) otherwise satisfies or discharges an equivalent liability under such contract when such payment is made, whether or not such liability is otherwise then due and payable under the terms of such contract.

1-c. This section shall apply to money deposited or advanced on contracts for the use or rental of personal property as security for performance of the contract or to be applied to payments upon such contract when due, only if (a) such contract is governed by the laws of this state as the result of a choice of law provision in such contract, in accordance with section 1--301 of the uniform commercial code (subject to the limitations on choice of law by the parties to a consumer lease under section 2-A-106 of the uniform commercial code), or such contract is otherwise governed by the laws of this state in accordance with applicable conflict of laws rules, and (b) the lessee under such contract is located within this state, within the meaning of the uniform commercial code (with respect to the location of debtors), except that a foreign air carrier under the Federal Aviation Act of 1958, as amended, shall not be deemed located in this state solely as a result of having a designated office of an agent upon whom service of process may be made located in this state.

2. Any provision of a contract whereby a person who has deposited or advanced money on a contract for the use or rental of personal property

as security for the performance of the contract waives any provision of this section is absolutely void.

3. This section shall not be applicable to any deposit or advance of money made in connection with the borrowing of securities for any lawful purpose.