



→ Security Deposits Uncovered

A webinar by  *turbotenant*

This webinar will be recorded and emailed to you after our session ends.

Key Points



- Security deposit rules vary by state and county.
- Use a dedicated security deposit bank account to keep finances separate.
- Go over expectations at lease signing and conduct regular inspections to nip damages in the bud.
- Security deposit alternatives are more affordable in the short term for tenants, *but there's more to know before jumping in.*

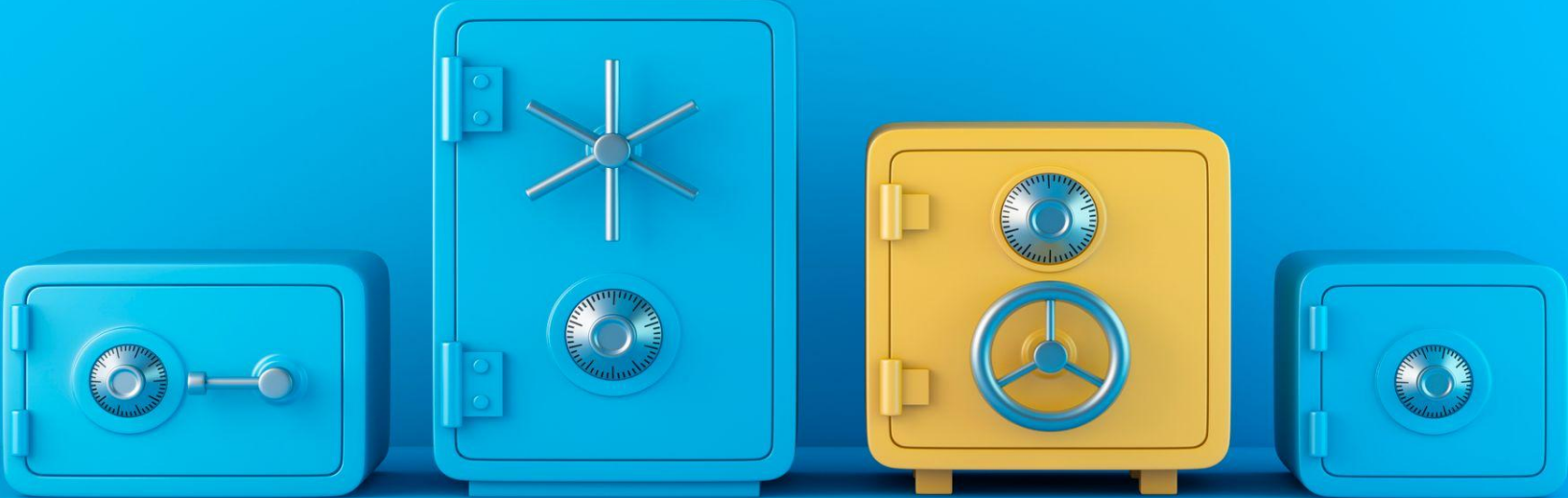


Intro Poll:

- **How many rental units do you own?**
- **Have you attended a TurboTenant webinar before?**
- **Do you have a TurboTenant account?**
- **How much do you charge for your security deposits on average?**



Security Deposits 101 →



What is a Security Deposit?



→ One of the fees a renter pays when signing a lease

- Covers damage and costs incurred by lease violations via the tenant or their guests during the lease agreement
- Different than a pet deposit or an apartment deposit

How Much Can I Charge for a Security Deposit?



Depends on your state:

- About half limit security deposit amounts
 - There may be rules tied to your local municipality as well
- The other 25 states, including Florida and Texas, don't cap security deposits

Pro Tip: Require the same security deposit from all renters to [avoid fair housing violations](#).

Finding a Balance



→ **Deposit too high:** discourages potential tenants who are choosing between your property and another unit

Deposit too low: could force you to pay out of pocket if the tenant defaults on the lease or damages the property

How Much *Should* I Charge for a Security Deposit?



Consider:

1. Your state and local laws
2. The rental price of your unit
3. Property amenities
4. Your competition

Pro Tip: Most landlords opt to charge between **one and two months' rent** as their security deposits.

When to Collect the Security Deposit



→ Typically:

- Collect all move-in fees, *including the security deposit, first month's rent, and pet fees* as applicable when signing the lease
- Require the security deposit in full
- Provide the tenant a security deposit receipt + keep one for your books

Security Deposit Receipt Tutorial



Lists:

- Who paid
- For which property
- When it was paid
- Signatures + contact info for all involved parties



Poll:

- **Do you list the bank details, including its address, where the security deposit is held in your lease?**
- **Do you return interest that accrues on a security deposit?**



Must-Know Security Deposit Facts →



Holding the Security Deposit



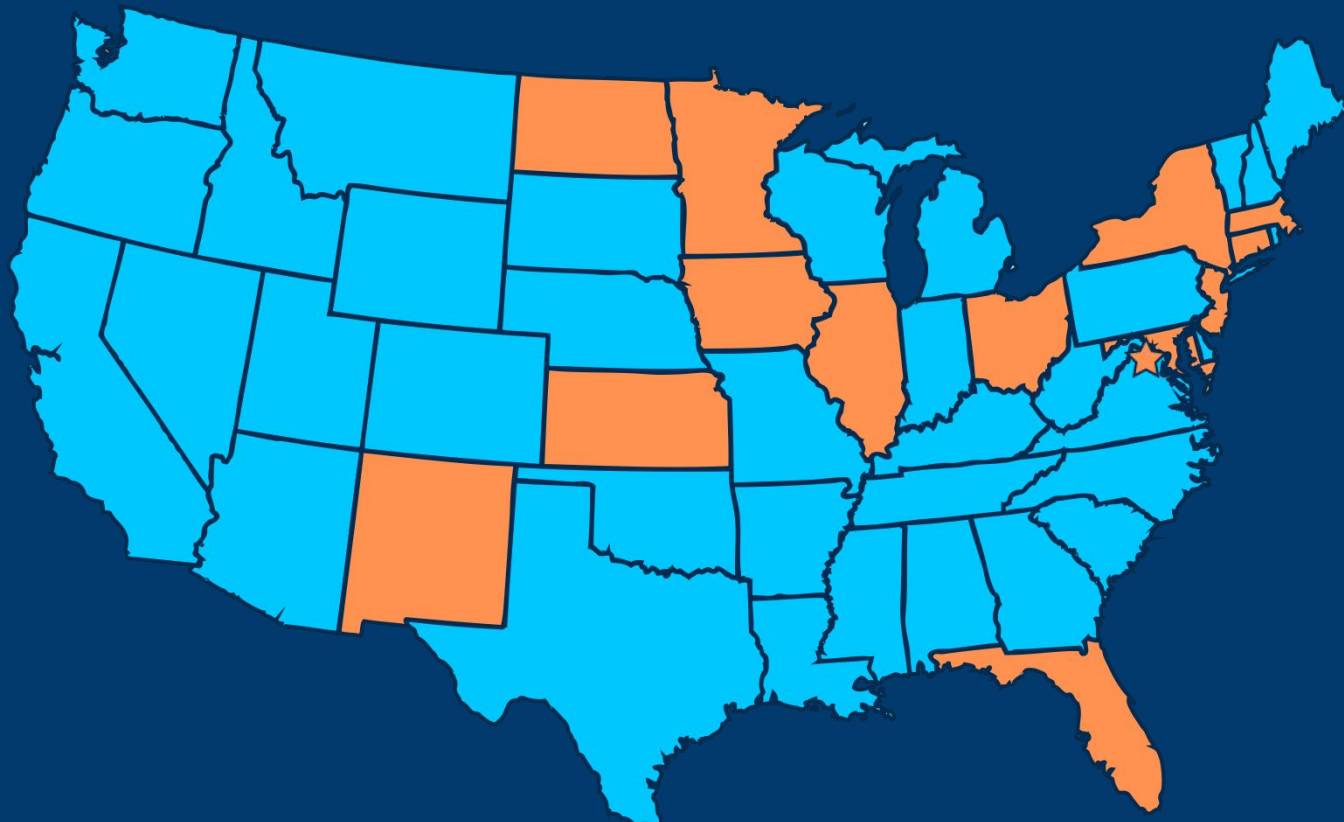
- Some states mandate landlords keep security deposits in a separate account or procure a security bond
- Many states require an escrow-type trust be used to protect the funds from creditors since **the funds remain the legal property of the tenant**
 - Make sure security deposit funds aren't spent unlawfully

Pro Tip: Knowing [your local landlord-tenant laws](#) is crucial when handling security deposits. We'll convince you of that shortly.

Do You Have to Return Accrued Security Deposit Interest?



- Yes
- No



When Can the Security Deposit Be Kept?



- *Check your local landlord-tenant laws*
- Common reasons include:
 - Nonpayment of rent
 - Property damage exceeding normal wear and tear
 - Unpaid utilities
 - Cost to remove abandoned property
 - Cleaning costs
 - Terminating the lease early

Pro Tip: If your lease doesn't clearly outline when you can keep all or part of a tenant's security deposit, **get it amended ASAP** - or risk a strong case against you for wrongfully withholding tenant funds.

What is Normal Wear and Tear?



- Damage from expected use
 - You can't withhold security deposit funds
- Damage caused by irresponsible actions, intentional or otherwise, is *beyond* wear and tear

Assessing Property Damages



- Conduct inspections every three to six months
 - *Point out damages that could be deducted so the tenant has a chance to cure issues*
- Consider how long they've resided in the property
- Reference move-in pictures to reflect on quality of the unit and its amenities prior to lease

Wear and Tear vs. Tenant Damage: The Game



Keeping Security Deposit Funds



- Check your local laws to determine when you must reach out to your former tenant
- Provide an itemized security deposit receipt outlining:
 - The costs of your expenses
 - The amount of the security deposit used
 - Any remaining funds
- If the tenant disputes the charges, they could file a lawsuit

Did You Know? One in four renters have lost their security deposit without an explanation from their landlords, according to a [Rent.com survey](#).

What if the Damages Exceed the Security Deposit?



- Check your local landlord-tenant laws to know how soon you have to return the deposit/request additional funds
 - Typically have three weeks to two months
- Take pictures and videos of all damages before they're repaired
- List the damages and costs to repair, then bill the tenant for the difference
 - ***Save your receipts***

Avoiding Security Deposit Lawsuits, pt. 1



- Maintain good tenant screening processes
- Add language to the lease that communicates your expectations
 - Have a conversation with your tenant
 - Provide a list of approved changes/upgrades *(e.g., tenants may use Command strips to hang up items weighing 5 lbs. or less - else any ensuing damage will be deducted from security deposit; tenant can paint if original color is restored at move out; etc.)*



Avoiding Security Deposit Lawsuits, pt. 2



- Conduct regular inspections to point out damage/document normal wear and tear
- Stay up to date with your maintenance responsibilities as a landlord
- Document all damages before move in and out with a walkthrough checklist
- Itemize all deductions from the security deposit with a receipt

Accounting for Security Deposits



- Makes sense to keep security deposits in separate escrow accounts or other bank accounts
- Track:
 - Which security deposits have been collected
 - Accrued interest
 - When (and if) deposits are returned
- Record refundable security deposits as a liability

Did You Know? Whether you record some or all the deposit as income depends on the tenant situation, according to the [IRS](#).

Security Deposit Alternatives →



Poll:

- **Do you accept security deposit alternatives?**



Alternatives to Consider



- Surety bonds
- Insurance policies
- Rent guarantees

Did You Know? A legislative movement called "[Renters Choice](#)" is pressing cities/states to loosen laws around security deposits to allow these new products, called "security deposit replacements" or SDRs.

How Most SDRs Work



- Tenant pays a nonrefundable monthly fee to an SDR company for “coverage” up to the amount you would have charged for the deposit
- Any claims against the tenant must be submitted to the SDR company
- They pay your claim up the coverage maximum, then pursue subrogation against the tenant

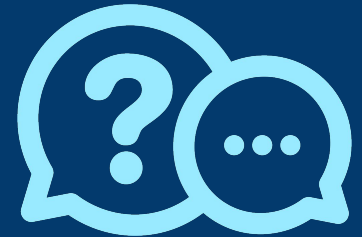
SDR Pros and Cons



| Benefits | Drawbacks |
|---|---|
| Reduced move-in costs for the tenant | Coverage isn't always what it appears for tenants |
| No need to keep track of security deposit funds | Often creates a poor tenant experience |
| Easier to submit claims | Aren't widely allowed |

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Final Poll:

- **How did today's session compare to your expectations?**
- **I can use the information from this webinar:**

