




→ Security Deposits in 2024

A webinar by  *turbotenant*

This webinar will be recorded and emailed to you within two business days.

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 using TurboTenant's Condition Reports 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.*



Security Deposit Basics →



Security Deposits Today



- ➔ ● More than half of the U.S. limits the amount landlords can charge
 - Average = \$2,011
- 91% of renters pay a security deposit upon move in
 - Only 42% report having it returned in full
- Security deposits must be refundable if proper conditions are met



Security Deposit: A Goldilocks Problem



→ **Deposit too low:** could result in financial loss if the tenant defaults on the lease or damages the property

→ **Deposit too high:** discourages potential tenants choosing between your property and another unit with a lower security deposit

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
5. “Riskier” tenants



Pro Tip: In states without caps, most landlords opt to charge between **one and two months' rent**. [Learn more >>](#)

Security Deposit vs. Pet Deposit



- Not the same thing!
- Pet deposit: only used on pet-related damages
 - Separate limit could exist, depending on your state
 - Typically \$100-\$600 and refundable
- Don't mix security deposit funds with pet deposit funds



Poll:

- **When do you collect the security deposit?**



When to Collect the Security Deposit



- Collect all move-in fees, *including the security deposit, first month's rent, and pet fees* when signing the lease
- Require the security deposit in full on that day
 - Half before + half on lease signing day works too
- Provide a security deposit receipt + keep one for your books

Security Deposit Receipt Info



Should list:

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



Pro Tip: You may need to provide additional details on the receipt + in your lease, like where the security deposit is being held. Check your local laws!

**Must-Know
Security
Deposit Facts** →



Reframing the Security Deposit



- Security deposit funds are your tenant's property
- Use it as common ground for rental upkeep
- When appropriate, remind renter that you want to help them get their full deposit back
 - Encourages them to maintain property standards
 - Strengthens your professional relationship

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
 - Make sure security deposit funds aren't spent unlawfully

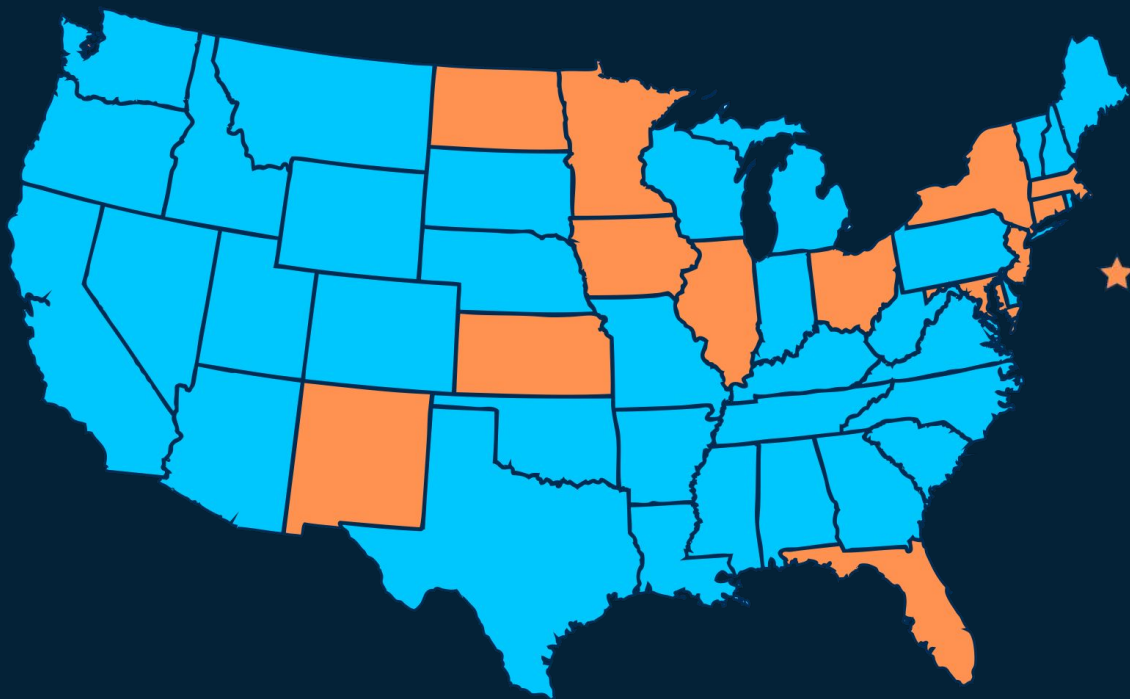
Pro Tip: Look up your state's maintenance of security deposit guidelines [here](#).

Do you have to return accrued security deposit interest?



Yes

No



When can the security deposit be used?



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

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

What is normal wear and tear?



- Damage from everyday use:

- Worn carpet
- Chipped paint
- Appliances dying



- Damage caused by irresponsible actions, intentional or otherwise, is *beyond* wear and tear:

- Carpet with cigarette burns
- Gouged walls
- A new microwave exploding



Assessing Property Damages



- Leverage TurboTenant's Condition Reports
- Conduct inspections every three to six months
 - *Point out damages that could be deducted so the tenant has a chance to fix problems*
- Consider how long they've resided in the property
- Reference Condition Report pictures to reflect on the tenant's impact



Keeping Security Deposit Funds



- ➔ ● Check your local laws to determine when you must reach out to your former tenant
 - Typically 30-60 days, but state laws get funky
- Provide an itemized security deposit receipt outlining:
 - The costs of your expenses
 - The companies used to complete the work
 - The amount of the security deposit used
 - Any remaining funds

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 with TurboTenant
- 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.*)
- Document all damages before move in and out with TurboTenant's customizable Condition Reports



Avoiding Security Deposit Lawsuits, pt. 2



- Conduct regular inspections to point out damage/document normal wear and tear, leaning on your digital Condition Reports
- Stay up to date with your maintenance responsibilities as a landlord
- Itemize all deductions from the security deposit with receipts in a timely manner



Accounting for Security Deposits



- ● 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
- Credit authorization products
- Guarantor products

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 Security Deposit Replacements (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 to 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

Streamline every part of
rental property management
by going **Premium**



- Unlock unlimited addendums and add security deposit details to your lease
- Upload receipts with your phone for on-the-go expense tracking
- Know who's *really* moving in with Income Insights

Final Poll:

- **How did today's session compare to your expectations?**

