

The Backus Bulletin

"Your Management, Your Way"

September 2017

The Challenges of Security Deposit Returns

One of the most difficult tasks for a property manager and/or owner, can be refunding the tenant's security deposit to everyone's satisfaction. Any property manager (or owner) is elated when they can issue a full refund because the tenant has left the property in excellent condition, complied with their rental agreement, and paid their rent in full. Unfortunately, there are times when deductions must be made for loss of rent and damages, leading to the dissatisfaction of the departing tenant. However, steps can be taken to optimize a successful reconciliation between all parties.

Step 1 - "Start before the tenant moves in". This may sound like an odd approach to take but common sense steps in the beginning will increase the odds for success when the tenant moves out.

First, we prepare the unit in a clean, reasonable condition when the tenant moves in. *For example*, it is really difficult to charge for painting when the walls were scarred and marked when the tenant moved in. If the property is in good condition, then it is reasonable to expect the same condition when the tenant moves out.

- We document the property condition before the tenant moves in. With this completed at the beginning of the tenancy, there are grounds for deductions if there are tenant damages at the end. It may not always be possible to avoid litigation so it is

very important to have complete records to defend keeping any or all of the security deposit monies.

- We conduct a thorough tenant screening. Starting with the right tenant in the beginning eliminates most problems regarding a security deposit refund at the end of the tenancy. A good tenant will care for the property while renting, complete all required payments, and leave the residence in good condition. Good tenants want to maintain a good rental history and credit; in addition, they *want* their security deposit back.
- We complete a detailed rental agreement that complies with state laws and executed to ensure that the tenant fully understands and signs what is expected of them during tenancy and when they move out. Proper documentation details what rent is due until the end of the tenancy, when rent is to be paid, and what condition is expected of the property when they move out. The rental agreement also clearly states the amount of the security deposit paid by the tenant.

Step 2 - "Continue important functions during the tenancy." This can avoid legal issues where the tenant feels they have the right to use the security deposit for rent or repairs while they are still renting.

- Complete necessary repairs in a timely manner.
- Maintain accurate maintenance records.
- Keep accurate financial records on rent, late fees, and any other funds collected from the tenant.

Step 3 - "Complete the move out and refund of the deposit in a timely manner." It is important to remember that settling the security deposit in a timely manner will be to the benefit of *all* parties.

- The property condition is properly documented and completed with the tenant whenever possible.
- A refund and/or statement of condition detailing the deductions is issued in accordance with state laws.
- If circumstances dictate that the security deposit has been forfeited,
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 Saturday - by appointment
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WHAT CAN WE DO TO MAKE OWNING A RENTAL PROPERTY EASIER FOR YOU?

We won't know unless you tell us! Don't forget we have an "Eviction Protection" plan for \$20.00 per month that covers the \$1,000-\$1500 attorney fees if you have to evict a tenant. We also have "Rent Protection" at 2% additional management fee that means we will pay the rent if the tenant does not pay on time or not at all. Call or email our office: info@backuspm.com or 831-455-2052.

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we itemize repairs and details of all unpaid monies and issue a statement to the tenant at the last known address. This needs to be completed even if the tenant owes the property owner money.

- Failure to issue a security deposit statement and/or fund within the timeline of state law can lead to larger financial loss.

Step 4 – "Use common sense if there is any dispute regarding the security deposit."

- It is important to address the issue of normal depreciation in charging tenants for damages. For instance, the courts have generally held that carpet over 10 years old has no value, and the same with wall paint over five years.
- If the tenant challenges the deductions, it is important to evaluate if it is worth the dispute. Sometimes, even a small compromise will settle the matter. Remember that a legal action can be more costly than simply refunding the amount challenged.
- Most tenants do not dispute the loss of their security deposit when they owe more than they paid.
- If amounts owed by the tenants are not paid, the matter is turned over to a collection agency.

Handling a security deposit is not always easy. By taking the right steps from the beginning of the tenancy until the end, we find the process less difficult.