

Basic Principles of Returning Security Deposits

By Ken Roth

Should a resident decide not to continue with you as a resident, either now or eventually in the future, let's discuss general principles to follow regarding returning or withholding security deposits:

- A security deposit is NOT a tool for making a little extra money from your lease.
- The purpose of a security deposit is to cover damages to an item that is outside the realm of normal wear and tear.
- Normal wear and tear refers to the reasonable depreciation of an item by virtue of the use of the property for the purpose intended.
- The remedy for damages to an item may be the repair or replacement cost, depending on the item and the nature of the damages. Where replacement is the only option, you may have to consider the characteristics (such as the useful life, the age and the model) of the item being replaced as a factor in the amount of damages that you are seeking.
- Think before you withhold. Remember that this is a business, and there are costs associated with any business enterprise. This is probably the most important rule. Let me give you an example to put in perspective. Let us suppose that you buy two pieces of furniture; one from store "A" and one from store "B". Both pieces of furniture are delivered with minor defects. You return to the first store "A" and it gives you a hard time, refusing to replace or refund the item. Store "B" has a "no quibble" policy and sends a truck within the next three days for the slightly damaged item, no questions asked and gives you the choice of a store credit or a full refund. Obviously, you will continue to do business with store "B". It is the same with being a landlord.
- Human nature is fairly predictable. As a general rule, people tend to treat their own possessions better than the possessions of others. Don't expect that tenants will treat your possessions as if they were their own. If they do, consider yourself fortunate and try to keep those tenants, because they are a rare find.

Security deposits serve a number of excellent purposes:

1. The tenant is aware that you are holding his or her money and will make a natural effort to be more careful because he or she does want that money back. So it serves as a deterrent, albeit a minor one, to the tenant's having a free-for-all with your property.
2. There are times when it is very suitable to withhold a security deposit. Landlords must understand the law and be fair with their tenants, even when it appears that the tenants themselves are unfair.

One main objective of this article is to keep you out of court. Once in court, you become part of the system. You give up a certain degree of control. Your advantage as the landlord is diminished. What you want to do as landlord is maximize your profit, keep property rented and do not waste time being penny-wise and pound foolish. Court should be a last resort and only for serious issues not because you want to keep an extra few dollars or have the tenant "pony up" for anew paint job or a cleaning that the property needed in any event. I don't want to make you tough landlords – I want to make you good landlords. Sure, you may take a hit now and then, but in the long run, you will come out ahead and with a lot less stress.

Ken Roth is the author of [The Successful Landlord](#), available at [amazon.com](#).

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