



LANDLORD'S LETTER RETURNING SECURITY DEPOSIT & GUIDE

Included:

Overview

Dos and Don'ts Checklist

Landlord's Letter Returning Security Deposit Instructions

Sample Landlord's Letter Returning Security Deposit

1. Overview

Landlords have many responsibilities under the law, one of the most of important of which is collecting and returning security deposits. Security deposits help ensure that rental units are left in good condition and that landlords receive all payments they're owed before a tenant's departure. If a tenant damages property or owes rent, a landlord can use the security deposit to cover those expenses. After the tenant's departure, the landlord must send a letter explaining what deductions were taken together with the balance of the deposit.

This package contains everything you'll need to draft a letter returning a security deposit, ensuring that you are providing all relevant information and limiting disputes about the security deposit's deductions and return. In every way, this paves the way for a smooth and agreeable end to the landlord/tenant relationship.

2. Dos & Don'ts Checklist

- ☐ A security deposit is a payment required by landlords from tenants to cover the cost of repairing damage to rented property. Damage usually does not include normal wear and tear. These deposits are used by landlords to guard against the time and expense of bringing lawsuits to recover money paid to repair or replace property.
- ☐ Before sitting down to draft your letter, review all relevant lease information, including any provisions about termination and its consequences. Make sure that you have met all of your obligations under the lease before moving forward.
- ☐ A common problem with security deposits is proving that the condition at the time of the tenant's departure is significantly different than that at the time he or she moved in. It's a good idea to have non-tenant witnesses examine the property at both the beginning and the end of the term. Ask them to sign statements about the condition of the apartment and any other details they may notice.
- ☐ At the beginning of the lease term, give the tenant an inventory checklist that lists everything in the unit and provides space for him or her to note the condition of each item. It may be a good idea to accompany the tenant on the walk-through when he or she is writing down impressions. Both the landlord and the tenant should keep a copy of the completed checklist.
- ☐ At the end of the lease, the landlord should again walk through the property with the tenant. The two should complete an inventory checklist listing any damage or changes to the condition of the property. It's a good idea to take pictures to document the state of the unit at the time of the tenant's departure.
- ☐ A landlord can deduct money from a security deposit to pay for cleaning the property after a tenant's departure, but only to make the unit as clean as it was when that tenant moved in. The landlord cannot deduct for routine cleaning to prepare the unit for the next tenant. These types of cleaning expenses are different than repair or replacement costs, and they cannot be deducted from a security deposit.

- ☐ Security deposits are not the same as rent. A security deposit is money that actually belongs to the tenant, but is held by the landlord in case of tenant-caused damage to rental property (and sometimes past-due rent). Unless both parties agree, a security deposit can't be used as the last month's rent.
- ☐ Certain states place limits on the amount of a security deposit that a landlord may hold. It is essential to review your state's laws before demanding a large security deposit for your property.
- ☐ There are many state laws establishing where residential security deposits can be kept (i.e., what types of institutions). These laws may also specify the time within which the deposit must be returned to the tenant after he or she moves out. If your state provides such restrictions, be careful to follow them.
- ☐ Generally, a landlord must pay interest on security deposits. The rate of this interest varies from state to state, but is often between from 2% and 5%. A landlord that deliberately doesn't pay this required interest within the required time period may be fined.
- ☐ A landlord can usually deduct for property damage, unpaid rent, and unpaid late fees. Some states allow deductions for professional cleaning, carpet cleaners, painters, and handymen. In these states, landlords can deduct the cost of hired labor, but not for their own time spent repairing rentals. Every deduction must be accompanied by a receipt or an estimate, and these documents must be provided to the tenant. Review your state's rules to see what may be required or permitted in your area.
- ☐ In general, a security deposit is fully refundable. If a landlord wants to deduct from a security deposit, a list of permissible deductions must be included in the lease. You should let your tenants know the conditions under which deductions will be made and spell it out clearly in the lease.
- ☐ A landlord must give an itemized, written notice explaining all of the deductions taken within a certain time after the tenant has terminated the lease and moved out. If the tenant doesn't receive an itemized list, the landlord could lose its right to keep any part of the security deposit. Even if there is extensive damage that will cost more than the security deposit to repair, the landlord must send a letter to the tenant explaining the damage and the landlord's intent to keep the security deposit to pay for this damage.
- ☐ Some states require landlords to advise tenants of their security deposit rights when the tenant pays the security deposit. These rights may include the right to be present at the inspection of the property. Be sure to follow your state's rules: failure to do so may forfeit your right to keep any part of the security deposit.
- ☐ The balance of a security deposit (together with the itemized letter) must be sent to the tenant's next address. Remember to ask the tenant to provide a forwarding address before he or she moves out. It's also a good idea to send this letter and check using certified mail. If the tenant later claims that he or she did not receive either, you will have clear proof that you mailed these items.

3. Landlord Letter Returning Security Deposit Instructions

The following provision-by-provision instructions will help you understand the terms of your letter. Please review the entire document before starting your step-by-step process.

- **Address.** Enter the tenant's new address, which should be provided by the tenant at the time he or she moves out. If you don't have this, or are unsure about the address you've been given, contact your former tenant to confirm where to send the letter and the balance of the deposit.
- **Introduction.** The first part of the letter refers to the original lease, its effective date, the tenant's move out date, and the amount of the security deposit. Enter the appropriate dates and amounts in the blanks provided. You should also write in the name of the applicable state and the number of days within which you must return a security deposit under your state's laws. Your state's landlord association may have information about applicable time limits and other restrictions in your area.
- **Security Deposit Settlement Chart.** The detailed deductions from the security deposit. Each deduction should be included under the appropriate heading below. At the end, you will calculate the amounts and determine the balance to be returned to the tenant.
 1. **Initial Security Deposit.** Enter the total amount you received from the tenant as a security deposit at the beginning of the lease term. Do not include any amounts that were designated and used to pay the last month's rent or for similar purposes.
 2. **Pet Damage Deposit.** If applicable, enter the total amount you received from the tenant as a pet damage deposit. If this was included in the amount you listed in 1, do not include it again here. If you did not receive a pet damage deposit, leave this line blank.
 3. **Interest Rate.** Enter your state's applicable interest rate in the blank provided. This interest rate will also apply to any pet deposit you requested. Write in the amount of interest you have received on the security deposit and the pet damage deposit.
 4. **Total of 1-3.** Add the numbers provided in 1, 2, and 3. Enter the total of these three in the space provided.
 5. **Repairs and Maintenance.** List any expenses you paid or think (reasonably) you will pay for repairs and replacements. If you took pictures of the property during your walkthrough with the tenant, you may want to attach those to the letter.
 6. **Cleaning.** This includes costs of cleaning of the premises, carpets, curtains, and appliances, but only to the extent this cleaning encompasses more than normal wear and tear. Remember: a landlord can deduct for cleaning costs only if the tenant left the premises noticeably dirtier than when he or she moved in. The tenant cannot be charged for cleaning carpets, drapes, walls, or windows in preparation for the next tenant. There is space in the chart for you to itemize cleaning costs (e.g., for curtains or carpets), but this may not apply in every case.

7. **Painting.** The amount spent by the landlord to repaint the premises. Generally, landlords cannot deduct for normal wear and tear resulting from a tenant's ordinary use of the property. For example, if a tenant installs a fan that damages the wall when it is removed, the landlord can deduct the cost of painting and repairing that wall from the security deposit. However, if a wall is discolored because of smoke from a stove used in the ordinary course of the tenant's residency, the tenant should not be charged.
8. **Missing Fixtures or Appliances.** If you prepared a checklist at the beginning of the lease term that listed the fixtures and appliances in the unit, use this list to check for missing items. Any amounts paid or estimates for replacing these items should be included here.
9. **Damaged Fixtures or Appliances.** If you prepared a checklist at the beginning of the lease term that listed the condition of fixtures and appliances, use this list to compare the original condition to the condition at the end of the lease. Any amounts paid or estimates for repairing these items should be included here.
10. **Pet Damage.** The cost of any damage caused by the tenant's pet.
11. **Unpaid Rent.** If the tenant owes rent to the landlord, the landlord may deduct the amount of that unpaid rent from the security deposit. Enter the total of all unpaid rent here.
12. **Total of 5-11.** Add the numbers provided in 5, 6, 7, 8, 9, 10, and 11. Enter this total in the space provided.
13. **Balance.** The original security deposit minus any deductions taken by the landlord will leave a balance. In other words, subtract the total from line 12 from the total from line 4. This is the amount that will be sent to the tenant.

Remember: you must send a letter even if you do not owe any money to your tenant (i.e., the balance is zero or the tenant owes you money). Note that if your tenant owes you money, it may be a good idea to draft a letter in addition to the enclosed that demands payment within a certain period of time. Consider talking to a lawyer if you are owed significant amounts and worry that you may not receive payment.

- **Conclusion of the Letter.** Enclose a check for the balance of the security deposit (if any). Indicate whether the payment is of all of the balance, or only part of it. Don't forget to insert your name in the bracketed space, and to sign the letter.
- **Enclosures.** Remember to include receipts or estimates for repair or replacement costs. Make copies of these documents for your own records.

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Form Sample

LANDLORD'S LETTER RETURNING SECURITY DEPOSIT

[Landlord Letterhead]

VIA CERTIFIED MAIL

[Date]

[Tenant Name(s)]

[Street Address]

[City, State, Zip Code]

Re: Return of Security Deposit

Dear [Tenant Name(s)]:

This letter concerns the _____ [residential][commercial] lease agreement, dated as of _____, between you and _____ (the "Lease"), in which you lease the following premises:

_____, you paid a security deposit of _____.

I enclose _____.