

2019

BROKER / OWNER



LEASING WITH ZERO SECURITY DEPOSIT OPTIONS

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ABR

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OUTLINE

TOPIC:

**Exploring Leasing Homes without a Security Deposit
from All Sides of the Transaction**

INTENT:

Be Your Secret Shopper!

ENDSTATE:

Open Up New Opportunities



WHO IS THIS GUY?

**Owner & Broker of RentWerx based
In San Antonio, TX**

Manage 900 +/- Single Family Homes



Started the Property Management Mastermind Podcast

Facebook Group: Property Management Mastermind



Security Deposits



**Standard Security Deposits are
Vicinity One Month's Rent**

It's "always" Been Done Like This

Some States Do "First and Last Month's Rent"

INTENT: Holds Tenants Accountable for Any Damages Left

Security Deposit Problems

Creates a Nightmare of Accounting for Landlord's / PM's

Timeline to Complete

Laws are Very Strict

Mistakes Carry Triple Damages + Attorney Fees

Most PM Legal Issues are from Security Deposits!



Attorneys Weigh In

Attorneys Make a Living on Security Deposit Disputes

Costly to the Landlord / PM

Full of Pitfalls

One Technicality Sinks the Ship

Governed by State Law and Sometimes Poor Judges



Attorneys Love This!

Harry - I'm preparing my presentation on "No Security Deposit Options". Can you tell me what rough percentage of Property Management litigation (legal issues) stems from and around Security Deposits? Just a professional guess of yours. 50%? 80%?

**Florida Eviction
Attorney**

Harry Heist



Besides evictions, all of it stems from sec dep disputes. I would say over 95%.



A NEW IDEA!

Concept Comes from the Apartment Industry

“Lease Ups” are Challenging in Some Markets

Security Deposits Create a Barrier
of Entry into New Rental Units

Multi Family Apartment Owners
Look for a Better Way

Consider the “No Security Deposit” Option



Opt-In Concept

Create a “Preferred Tenant Program”

Depends on YOUR Market and Risk Tolerance

Give Tenants Option of “Regular” Security Deposit

OR – They Can Choose No Security Deposit Option

Key Point: YOU Become the Filter



Mandatory Concept

Remove the Mandate For Security Deposit

Depends on YOUR Market and Risk Tolerance

Do you even charge for this program?

In a HOT Market – WHY?

In a DOWN Market – WHY NOT?

Key Point: End of Lease Bill Collection



Preferred Tenant Program

**Create This Additional Program for
Well Qualified Applicants**

You Decide For Your Market What That Means

Tenant OPTS IN to the Program

May Charge An Up Front Fee?

**Document and Outline This Clearly in
Screening Criteria**



HOW?

How Do You Protect The Owner?

Offer Owners a FREE
Security Deposit
Guarantee



Guarantee Up To Your Common and Customary
Security Deposit Amount for Tenant Damages

HOW?

How Does the Preferred Tenant Program Work?

Give Applicants and Tenants an **OPTION** by either choosing to pay for a Security Deposit, or Opt-In to your Preferred Tenant Program



HOW?

How Does This Program Add Value?

Lowers the Barrier of Entry to Leasing (Less Up Front \$\$\$)

Creates Very Attractive Tenant Marketing

Modernizes Leasing Methods

Avoids Security Deposit Legal Concerns



Where Do You “WIN”?

Possible Monthly or One Time Fee Revenue

Huge Reduction in Legal Issues and Legal Fees

Provide a Great Service to Tenants and Owners (See point 2)

Rent Homes Faster

Create a Loyal Tenant Base



HOW?

How Do You Screen For the Right Tenants?

Create this program and put it into your up front screening criteria. Decide what qualifications applicants must meet to be in the **Preferred Tenant Program**.



Who Gets Approved?

Applicants With Strong Credit – YOU DEFINE THAT

Applicants With Adequate Income – YOU DEFINE THAT

No Bankruptcies, No Charge Offs, No Broken Leases

Citizenship? Open To Your Marketplace

INTENT: YOU Become the Filter



What Do You Charge?

Market Dependent – Research with the Multi Family

Ultimately Depends on HOW you Structure It

Consider Charging a Percent of Rent – No Financial Disparity

Don't Do Flat Fees – It's Not Fair at Varying Price Points

INTENT: Make It Appropriate, Fair, and a Win-Win



What Do You Collect?

Amount Due to Reserve Property

Collect At Lease Signing

Typically One Month's Rent which Applies to First Month's Rent. **NOT a Security Deposit.**

Governed by Whatever YOU Put In Writing



HOW?

How Do You Cover Damages at the End?

This depends on the program you establish, and which methods you adopt.

Damages

Create Itemized Bill of Damages

Document Everything with Pictures and Video

Approach Tenant (Or 3rd Party Service) With Evidence

Tenant or 3rd Party Service Pays

NOT Governed Like a Security Deposit



Treat Different Than Sec Dep?

Gather All Evidence – Prepare for a Court Battle Tomorrow!

Can Create No Interest Terms for Re-Payment

Charge Tenant Credit Card?

ACH Funds From Tenant Account With Approval?

Possible Risk of Non-Payment



PROS

Allows us to advertise “No Security Deposit” as an Option

Lowers the Barrier of Entry – Rents Homes Faster

Lower Days on Market = More Attractive to Owners

AGAIN - Attorneys Love (and possibly hate) This!

Less Stress on Staff – No Itemization Timeline!



CONS

**There will always be ONE tenant who destroys a home
Guard against this by choosing Preferred Tenants carefully!**

Owners Understanding this Program – Explain Guarantee

What if Owner Terminates?

**Break Out of Your Shell of Doing Things How
They Have Always Been Done!**



How Do You Back
This Up?

THREE METHODS

**SURETY
BONDS**

SELF INSURED

**BILLING
AUTHORIZATION
TECHNOLOGY**

Surety Bonds

SURETY BONDS

Insurance Based “bond”

Been around for 20+ years

Varies around 17% of the Deposit Size for Cost

Example: \$175.00 FEE for \$1,000 in Coverage

**End of Lease Claims are Treated Like
Insurance Claims**



Surety Bonds

What is the Difference Between a Surety Bond and a Security Deposit?

The Security Deposit Laws and Regulations Do Not Apply

No Trust Accounting (Audits / Theft / Commingling)

No Security Deposit Itemization Timelines (Georgia)

No Limits To Amount (California)



Surety Bonds

Focused & Created for Lower End Rental Units >\$1,000

Created for “Higher Risk” Tenants

Some Vendors Offer Rebates

Sticker Price of Bond Will Raise with High Payouts

Claims at End of Lease have 30+ Day Pay Cycle



Surety Bonds

There Are 20+ National Vendors

All Charge Different Rates

All Treat Claims Like a Hail / Flood / Fire Claim

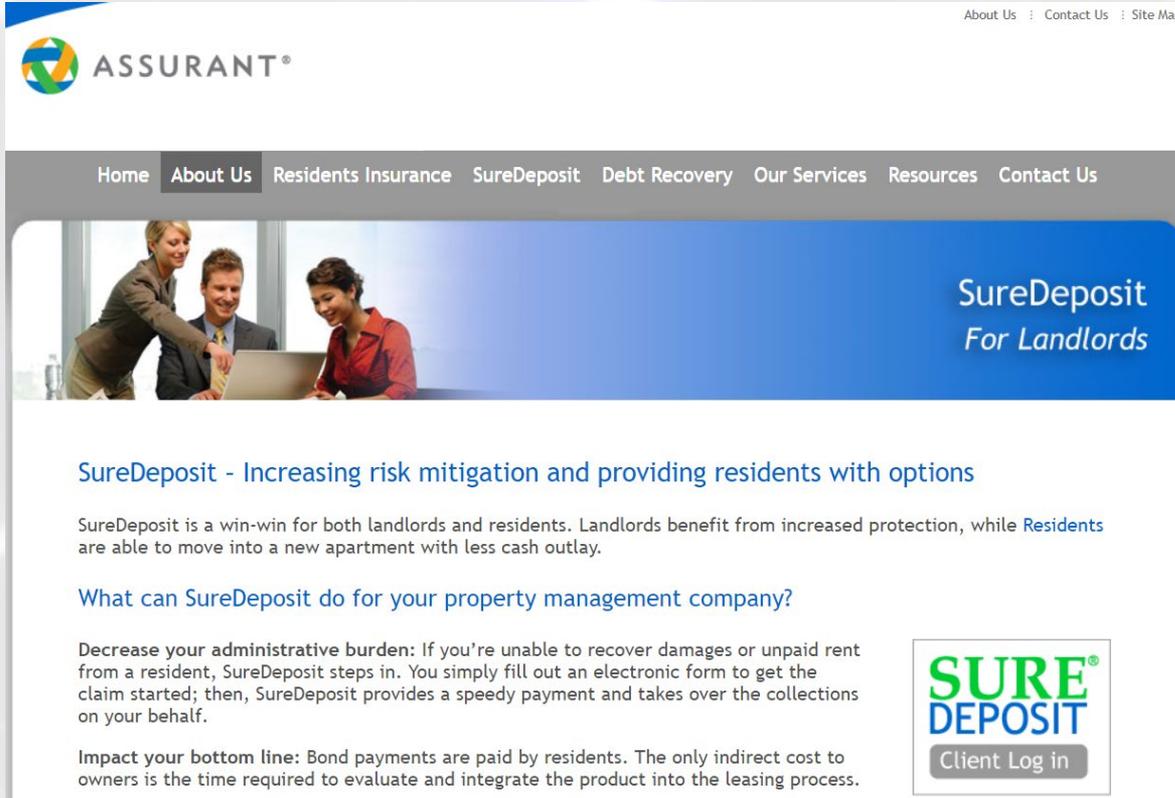
Once the “Pool” of Money Runs Dry....you may have PROBLEMS!

Scaling Up to High End Single Family Homes....Expensive!



Surety Bond Vendors

www.SureDeposit.com



The screenshot shows the SureDeposit website for landlords. At the top right, there are links for "About Us", "Contact Us", and "Site Map". The main navigation bar includes "Home", "About Us", "Residents Insurance", "SureDeposit", "Debt Recovery", "Our Services", "Resources", and "Contact Us". The header image shows three business professionals in an office setting. The text "SureDeposit For Landlords" is prominently displayed. Below this, the main content area features a sub-header "SureDeposit - Increasing risk mitigation and providing residents with options", followed by a paragraph explaining the win-win for landlords and residents. A section titled "What can SureDeposit do for your property management company?" lists two key benefits: reducing administrative burden and impacting the bottom line. A "SURE DEPOSIT Client Log in" button is located in the bottom right corner of the content area.

ASSURANT®

About Us | Contact Us | Site Map

Home | About Us | Residents Insurance | SureDeposit | Debt Recovery | Our Services | Resources | Contact Us

SureDeposit
For Landlords

SureDeposit - Increasing risk mitigation and providing residents with options

SureDeposit is a win-win for both landlords and residents. Landlords benefit from increased protection, while **Residents** are able to move into a new apartment with less cash outlay.

What can SureDeposit do for your property management company?

Decrease your administrative burden: If you're unable to recover damages or unpaid rent from a resident, SureDeposit steps in. You simply fill out an electronic form to get the claim started; then, SureDeposit provides a speedy payment and takes over the collections on your behalf.

Impact your bottom line: Bond payments are paid by residents. The only indirect cost to owners is the time required to evaluate and integrate the product into the leasing process.

SURE DEPOSIT
Client Log in



Surety Bond Vendors

www.LeaseLock.com



844-LET-LEASE [FAQ](#) [Renters](#) [Enroll Now](#)

We Eliminate Deposits™

Renters pay a low monthly fee insuring properties for rent & damages.

[Enroll Free Now](#)

[Are You a Renter?](#)



Surety Bond Vendors

www.LeaseTermSolutions.com

leasetermSM
SOLUTIONS

LeaseProtect AssetProtect Our Company Contact Us

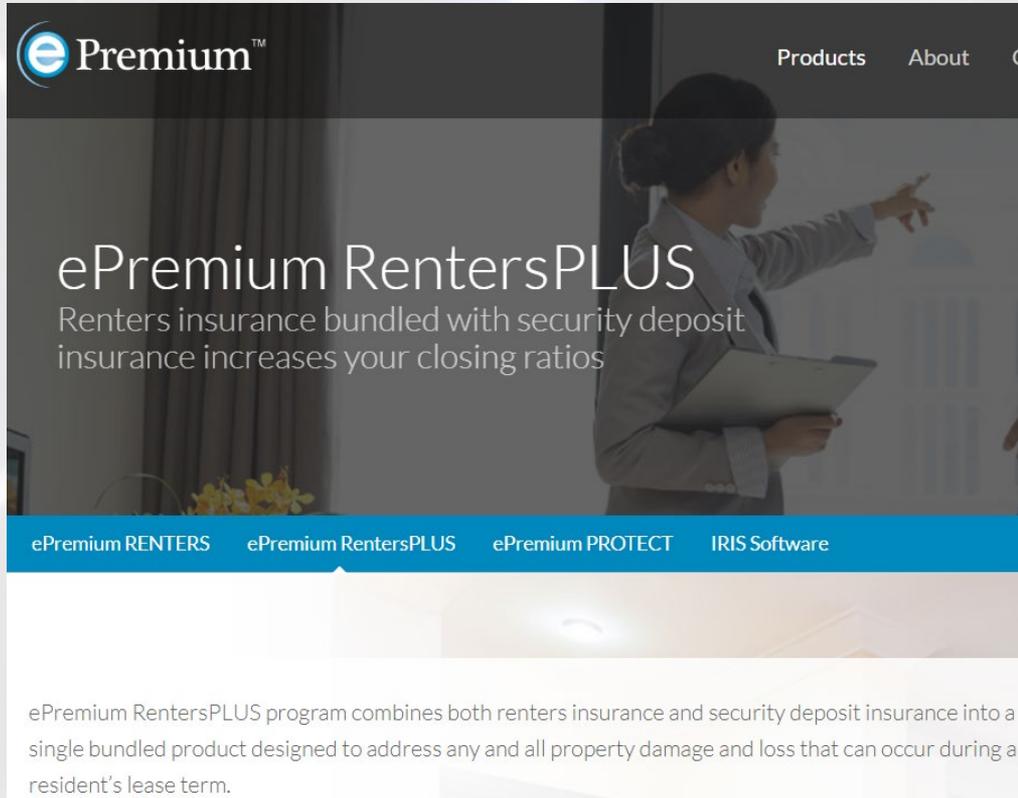
Consultative Approach to Risk Management

LeaseProtect
The Next Generation in Security
Deposit Alternatives

AssetProtect
A Unique Approach to Renters
Insurance

Surety Bond Vendors

www.EPremium.com



The screenshot shows the ePremium website interface. At the top left is the ePremium logo. To the right are navigation links for 'Products', 'About', and 'Contact'. The main content area features a background image of a woman in a business suit pointing at a whiteboard. The text reads: 'ePremium RentersPLUS' in large font, followed by 'Renters insurance bundled with security deposit insurance increases your closing ratios'. Below this is a blue navigation bar with links for 'ePremium RENTERS', 'ePremium RentersPLUS', 'ePremium PROTECT', and 'IRIS Software'. At the bottom, a white text box contains the following description: 'ePremium RentersPLUS program combines both renters insurance and security deposit insurance into a single bundled product designed to address any and all property damage and loss that can occur during a resident's lease term.'



Surety Bond Vendors

<https://App.DepositIQ.com>

DepositIQ Smart Risk Solutions

As the trusted risk mitigation solution to the multifamily housing industry, we offer the most advanced Renters Insurance and Security Deposit Alternatives. By offering seamless solutions, our clients have benefited from unparalleled adoption rates and complete asset protection.

[Learn about our solutions »](#)

Financial Advantage

- + Reduce bad debt
- + Transfer resident risk
- + Increase resident retention
- + Generate ancillary income

Marketing Advantage

- + Drive more traffic to your communities
- + No deposit move-in option
- + Lease apartments faster
- + Increase closing ratios



Surety Bonds In Practice

EXAMPLE ONE: \$1,000 Rental Unit

Charge a \$175 Fee Up Front – No Security Deposit

EXAMPLE TWO: \$2,000 Rental Unit

Charge a \$350 Fee Up Front – No Security Deposit

Both Fee Examples Get Paid To the BOND COMPANY



Surety Bonds

PROS / CONS

PRO: Great for Lower End Tenancies – Reduces Barriers

CON: Money Goes to Bond Company

PRO: Rebate Programs with Some Bond Vendors

PRO: Open Design For Additional Charges

CON: Treated Like an Insurance Claim At End of Lease

Self Insured

SELF INSURED

Create This In House

All Fees (and Risk) Fall On YOU

PREFERRED TENANT PROGRAM – Your Brainchild!

Hand Select Tenants Based on Credit & Income

**Charge a Monthly Amount to OPT OUT
of Security Deposit**



Self Insured

PRO: Rent Homes Faster

PRO: Can Generate a TON of Revenue

PRO: Completely Open to Your Market & Imagination

CON: Tougher to Sell to Owners with No 3rd Party Back Up

PRO: Lowers Barrier of Entry – Can Be Made Very Affordable



Self Insured

PRO: With no “Re-Insurance” Back Up = More Profit

CON: Collection of “Damage Bill” Due at End of Lease

IDEA: You could “TIER” This Program

Example: Charge “X” For One Level Credit

Charge “X” + or – “x” for Second Level Credit



Self Insured

IDEA: Gather Credit Card Information (Big Hurdle)

Charge Credit Card at End of Lease – Like a Hotel

Create a Reserve Fund for Damage Issues

**Create a Minimum Lease Amount –
Or Monthly Pay Amount**

Design Program to Attract the Renewals!



Billing Technology

www.MyObligo.com

**BILLING
AUTHORIZATION
TECHNOLOGY**

 obligo

The New Standard
For Security Deposits

Zero locked-up cash. Full security.

**NOTE: Only Vendor On Market Doing Billing Technology
for Property Managers**



Billing Technology

Full Concept:

Billing Authorization Technology (Open Banking)

Vendor Gathers Credit Card Info – Verifies Balance Available

Vendor Gathers Bank Account Info – Verifies Balance

Can Offer Instant “Approval” – Collect Move In Funds

Denials Can Be Given Option for Regular Cash Deposit



Billing Technology

Vendor Collects Directly From Tenant

End Of Lease: Regular Inspections

Mindset For All: Prepare to Win In Court Now!

Send Vendor a Bill for Tenant Charges

Vendor Bills Tenant – Offers to Break Up Charges



Billing Technology

Tenant Can Refute Charges (Just like a Security Deposit)

Vendor Will Assist to Mitigate With Tenant

Vendor Pays PM CO Right Away for Tenant Charges

Vendor Charge: Depends on Amount Needed

Vendor Charge: Depends on Your Market



Best Practices

Fully Disclose in Screening Criteria

Use for New Lease Agreements – No Security Deposit

Use for Lease Agreement Renewals – Return Security Deposit

Use for Cash Payment Required for Security Deposit

Amount Due to Reserve Property

Best Practices

Minimize Any Cleaning or Up Front Animal Fees

Shoot for High Adoption Rates: 75%+

Charge a Set Up Fee?

**Use as an Owner Point of Difference in
New Client Marketing**

Offer to Existing Tenant Base



OBLIGO

Vendor: www.MyObligo.com

Only “Billing Authorization Technology” on the market

**PM Co Signs Up with Obligo –
Implements Screening Procedures**

PM Controls the Obligo Invites. You Are the Filter!

**Obligo Approves and Collects Directly
From Tenant**



Protecting Owners

Create a FREE Security Deposit Guarantee

PM CO Guarantee's Up to Customary Security Deposit

PM Creates Screening Guidelines

Assure the Owners that YOU Have Them Covered

Tie This Into Other Preferred OWNER Programs



End of Lease

Could You Charge a Cleaning Fee?

In Person Move Outs?

Document Everything – Inspection App and Videos

**Technique: Post All Evidence To Your
Website Under Password**

**In Your Move Out Letter –
Reference Link and Password**



Company Revenue

WIN: Possibly Huge Revenue Generator for Company

LOSS: Eventually Lose Incentives from Massive Trust Accounts

WIN: Huge Savings from Reducing Litigation

LOSS: Dealing with the One Owner who creates a problem

IDEA: Do you charge ancillary fees to tie into this program?

IMPLEMENTATION

- 1) Create the Plan In Writing**
- 2) Revise your Screening Criteria – Post It**
- 3) Revise Lease Agreement – Edit or Add Addendum**
- 4) Revise Leasing Processes – Approval Methods**
- 5) Revise Cash Acceptance Terms –
Amount Due to Reserve Property**

IMPLEMENTATION

- 6) Add Questions to Electronic Screening Application**
- 7) Add New GL Codes for Accounting**
- 8) Create Owner Update and Security Deposit Guarantee**
- 9) Make Mention in Property Management Agreement (optional)**
- 10) Revise Lease Renewal Process to Offer to Existing Tenants**

MARKETING

**MLS and Website Advertisements – Tenant Focused
Video Posts About Features & Benefits**

Social Media Posts

Tenants “STAY” to look for YOUR Homes Only

Tenants “Transfer” When Moving



FAQ'S

What if a Tenant Stops Paying Monthly?

Surety Bond – N/A

Self Insure – Start Eviction

**Billing Authorization Technology – Vendor Pursues
Other Account**



FAQ'S

How Do We Collect At The End of the Lease?

Surety Bond – N/A

Self Insure – Send Bill & Charge Account

**Billing Authorization Technology – Vendor Pursues
Tenant After PM Is Paid Out**



EXPLAIN TO OWNERS

They are Still Made “WHOLE” With This Program

Create a Security Deposit Guarantee – Add to PMA

**Guarantee Up To The Amount of the Standard
Security Deposit**

Explain How This Will Attract Tenants and Lease Faster

**Explain That YOU Are The Filter and
Want the SAME Thing!**



Security Deposits

PODCAST EPISODE #63

www.PropertyManagementMastermind.com

Episode 63

No Security
Deposit Option



Casey Winter
-Obligo

#63 No Security Deposit Option with Casey
Winter Obligo

Interview Casey Winter
from MyObligo.com
Download from Itunes



No Security
Deposit Info

BLOGS

<https://www.buildium.com/blog/surety-bonds-as-alternatives-to-security-deposits/>

<https://blog.suretysolutions.com/suretynews/moving-in-surety-bond-vs-security-deposit>

Security Deposits

FINAL MESSAGE

www.PropertyManagementMastermind.com



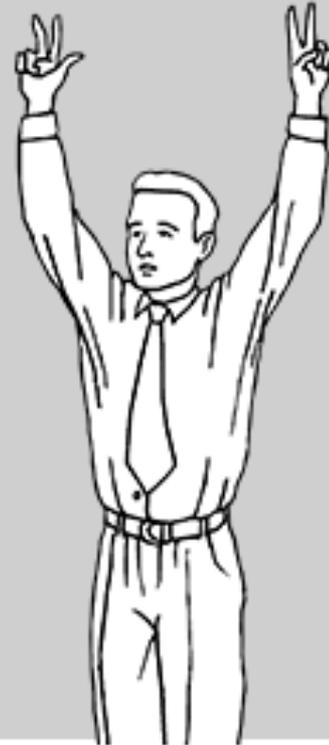
FACEBOOK

The Property Management
Mastermind Group



Security Deposits

MIC DROP



someecards
user card

