



Security Deposit vs. Surety Bond

By Helen McMahon, Western Regional Marketing Director for SureDeposit

On October 1, 2009, a new law, A.B. 512, went into effect that affirms that Nevada apartment owners and property managers can offer a surety bond or a combination of a surety bond and other security money as an option in lieu of a traditional security deposit.

Nevada was the latest state to update its landlord tenant laws and formally recognize that security deposit alternatives in the form of a surety bond benefit both apartment renters and owners. According to SureDeposit, which has been offering its surety bond program nationally since 2001, this has already helped renters retain more than \$750 million of their hard earned money that they have not otherwise had to sink into a traditional security deposit. In Nevada alone, more than 100 apartment communities already offer SureDeposit, including those managed by such leading real estate firms as Stout Management Company and Alliance Residential.

The timing of this new provision is noteworthy because surety bonds as a secu-

rity deposit alternative can greatly benefit both renters and landlords in the current economy. Renters dramatically lower their move-in costs at lease signing by opting to pay the lower cost surety bond premium instead of a larger, traditional cash security deposit which the landlord ties up in escrow for the duration of the lease term.

For example, the resident can opt to pay only \$87.50 for SureDeposit's surety bond premium as an alternative to the traditional security deposit. This provides for \$500 worth of coverage to the apartment community against losses due to skipped rent or damages that exceed normal wear and tear.

But this lower-cost alternative can also significantly reduce a property company's bad debt and improve its net operating income

in the process. This is because the surety bond better protects the owner against financial losses than would a traditional security deposit, while requiring the resident to comply with the terms of the lease.

For example, Stout Management, which is responsible for over 8,900 units in Nevada, offers SureDeposit's security deposit alternative program. Liz Ritchey, a regional manager at Stout Management, says, "As a leasing tool, it has been a real asset to our new residents because they can save a lot of money up front if they choose the surety bond. We have found that the vast majority of people choose the bond."

"But just as important is the fact that we have recovered far more money that residents have owed at move-out with SureDeposit than we have collected historically with traditional security deposits. It has been a real boost to our bottom line," added Ritchey. ■

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