

## SECURITY DEPOSIT DISPOSITION POLICY

### The Move-Out Date

For all documents and official records, The **Move-out Date** is the day that one of the following events occur:

1. The vacating resident *surrenders* keys; or
2. The vacating resident *notifies* the office that they have vacated; or
3. The date a *skip* is discovered.

Whether or not rent has been paid has no bearing in determining the move-out date.

**Residents must be moved out on the Rent Roll/HUD or RHS Manager system the same day as the Move-out Date.**

### Processing The Disposition Within 3 Days

As required by State law, a deposit disposition must be processed for every move-out on your property within thirty days of the lease termination date. This will “dispose” of the resident’s deposit, by either refunding or forfeiting their deposit. It is the responsibility of the on-site Manager to process the move-out disposition, and send to accounting within THREE DAYS OF THE MOVE-OUT DATE. This will enable accounting to send the resident forms within the thirty-day time limit.

### Determining Final Resident Charges

There are four possible resident charges, which must be ascertained before the Disposition can be completed:

- ◆ Determination of a Termination Fee (TERM), if any; then...
- ◆ Concession Recovery Fee (P-CONC negative); if any; then...
- ◆ Determination of Insufficient Notice Fee (for lack of proper move-out notice (NOTI)), if any.
- ◆ Assessment of turnover costs, i.e. physical damages (DAMG), cleaning (CLNG), (KEYS), etc.; then...

#### **1. Determination of the Termination Fee (TERM)- applicable to Market leases only.**

Most Market leases including those used in connection with Section 8 Vouchers will include a termination fee specified in the Lease. The termination fee is charged when a resident vacates before the initial term of the lease is fulfilled. Leases converted to month-to-month are not applicable.

If the resident vacates during their initial lease term, management must refer to the lease to ascertain whether or not a termination fee is specified, and the

amount therein. If an amount is specifically referred to in the lease, that amount should be charged as the final charge on the resident’s deposit disposition. Termination Fees are never prorated.

**2. Concession Recovery Charge (P-CONC negative)**

In market lease situations, a rental concession could have been given in exchange for a long-term lease. In the event the resident moves before the initial term of the lease is fulfilled, a pro-rata portion of the concession may be recovered according to the Lease Agreement. The recovery amount is posted as a negative payment to concessions (CONC).

**3. Determination of the Insufficient Notice Fee (NOTI)- (*applicable to all types of leases*)**

All Residents are required to give management a *notice of intent to vacate* at least 30 days prior to the actual move-out date.

The date of *notice of intent to vacate* is determined one of the following three ways:

- a) The date management receives written notice from a resident. The Manager should encourage the resident to use *Notice of Intent To Vacate form*, although any written notice will be accepted; or,
- b) The date a skip is discovered. Management will complete a *Notice of Intent to Vacate form*, and note that notice was not given.

If the *Notice of Intent to Vacate* is dated at least 30 days before the actual move-out date, no Insufficient Notice fee will be charged. The resident will be charged an Insufficient Notice fee for the number of days short of a full 30-day notice. The number of days short can be determined as follows:

Number of days on notice in the month Notice was given		AA
Number of days on notice in the month of move-out	+	<u>BB</u>
Total number of Days on Notice	=	CC
<b>DAYS SHORT</b> – Above subtracted from <i>actual days</i> in month	=	DD

To the extent the notice of intent to vacate was less than 30 days, an Insufficient Notice fee will be charged:

Resident’s current monthly rental charge ( <i>resident’s share</i> )		EE
Always divide by <b>actual</b> days in month ( <i>to obtain rent per day amount</i> ) i.e.	/	<u>30</u>
Multiply by Number of days notice is short	X (times)	<u>DD</u>
<b>Insufficient Notice Fee (NOTI)</b>	=(equals)	FF

#### **4. Assessing Turnover Costs- (*applicable to all types of leases*)**

The Manager should make every effort to walk the unit and assess damages with the resident at the time of move-out. In any event, the Manager will inspect each vacated unit within 24 hours of the move-out date. The inspection shall be recorded on a RA-7 *Move-In/Move-Out Condition Form*. Physical damage charges (DAMG), cleaning (CLNG), and keys (KEYS) must be made per the *Resident Charge Policy Disclosure Policy*. Be certain to describe IN DETAIL, charges made on the RESI ledger.

#### **Posting Final Charges To RESI Ledger**

After the four items above have been determined (within 3 days of move-out), the disposition should be prepared with the above charges being posted in the same order as listed above.

Before posting the charges,

1. If the RESI balance is less than the Security Deposit balance then...each charge shall be posted to the RESI ledger ("Y"...YES) until the RESI balance including move-out charges equals the security deposit balance; any remaining move-out charges shall be recorded on the disposition form but NOT posted to the RESI ledger ("N"...NO).
2. If the RESI balance exceeds the Security Deposit balance all move-out charges shall be recorded on the disposition form but NOT posted to the RESI ledger ("N"...NO).

#### **Posting Interest To The Security Deposit Accounts (*Only applies to HUD assisted properties at this time.*)**

After all of the *charges* have been applied, the next option would be to *apply* the *interest* earned on the Resident's security and/or pet deposit to the Resident's security deposit ledger. The interest payment must be shown on the resident's "Deposit Disposition". When the program asks whether to apply the payment to the ledger, answer, "YES". (See "Applying the Security Deposit Interest" for posting instructions).

After all move-out charges are posted, the security deposit should be applied up to the balance due (O – APLY).

Print the Security Deposit Disposition (showing all charges, applying the security deposit, and the final balance owed, or to be refunded).

Any amount OWED is then written off to (W/OA);or,

Any amount to be REFUNDED is then written off to (O-REF).

Reprint the Security Deposit Disposition (showing write offs).

Print RESI ledger

Print Security Deposit ledger

### **Filing and Distribution**

It is the responsibility of the Manager to process the move-out disposition and send the Move-out package to accounting within THREE DAYS OF THE MOVE-OUT DATE.

Move-Out Package contents:

- Security Deposit Disposition (showing balance owing/balance to be refunded)
- Security Deposit Disposition (showing W/OA or O-REF write offs)
- *Move-In/Move-Out Condition Form*
- *Notice of Intent to Vacate Form* – whether or not notice was given.
- TERM charge back-up, if applicable - Front page of lease
- Print out of RESI ledger
- Print out of Security Deposit ledger

Distribution:

Resident File:	One (1) full set of the Move-out package
To Accounting:	Accounting files - One (1) full set of the Move-out package
	Resident - One (1) each of Security Deposit Disposition
	<i>Move-In/Move-Out Condition Form</i>
	Compliance files- One (1) Security Deposit Disposition

Accounting will process a refund check if necessary, and send the final Security Deposit Disposition report to the former resident.

### **Accounting Department Responsibilities**

All Security Deposit Disposition Statements will be *mailed* to former residents *within 30 days* of the move-out date. Refund checks, if applicable, will accompany the Statement (Disposition). Statements will be mailed to the resident's forwarding address, or in the event no forwarding address was given, to their previous apartment address. A record of the date and address mailed will be noted on the accounting copy.