



Rhino

# **A Property Owner's Guide to Security Deposit Alternatives**

Security deposits are a pretty simple concept. At the end of the day, property owners need something that anticipates various degrees of liabilities and offers protection for an asset — and a security deposit does just that.

Cash security deposits are often the traditional approach. However, alternative options (such as security deposit insurance) and the consequential nuances are often profoundly misunderstood.

So, how do you tell the difference? Furthermore, which one stands to offer the best bang for your buck?

Well, let's shed some light on these questions.

# Cash deposit

## What is a cash deposit?

A cash deposit is a sum of money intended to protect property owners against lost rent or excessive damages. A renter or tenant provides a cash deposit at the request of a property owner or manager. Cash deposits can vary in dollar amounts and are typically required upfront when a renter signs a lease.

### Alternative or example of cash deposit payment:

Cashier's check

## Pros

- Widely accepted practice amongst renters and property owners.
- Safety net should excessive damages or lost rent arise.
- Encourages a sense of responsibility and stewardship (of the property) with renters — no one wants to lose money!

## Cons

- Handling and returning (security deposits) can be complex, not to mention strict, with state laws varying widely.
- Lacking the true coverage or protection that property owners need due to regional ranges of dollar amounts.
- Typically squirreled away into an escrow account and can't be accessed until the end of the lease.
- The maximum dollar amount is often capped between one and three months' rent.
- An administrative headache for property operators during and after the leasing process.
- Adds significant upfront cost for renters.

## Lifecycle of a cash security deposit

### Renter applies for unit

### Lease is signed

- Security deposit and other dues are paid
- Renter typically receives keys shortly after
- Security deposit is stored in an escrow account (or something comparable)

### The lease ends, the unit is vacated

- Excessive damage (or something of the like) is found
- Damage is communicated to the renter

### Property manager sends renter itemized list of damages

- This step is similar to filing a claim for an insurance policy
- Itemized list may be disputed by the renter, resulting in a back-and-forth conversation
- Final funds are dispersed to the renter and/or property manager

### Relationship with renter ends



# Security deposit insurance

## What is security deposit insurance?

Security deposit insurance builds on the surety bond model. The surety (security deposit insurance provider) protects the property owner or manager who enters into a contract with the renters.

The property manager determines the insurance coverage amount, which covers excessive damages and loss of rent. It can be equal to their current cash security deposit or greater to meet the portfolio's needs.

Keep in mind, security deposit insurance is always optional.

## Alternative or example of security deposit insurance:

[Rhino](#)

## Pros

- Customizable coverage options.
- Flexible payment options for renters.
- Less time spent on admin tasks conducted by on-property staff.
- Increased leasing velocity by advertising properties as deposit-free.
- Enroll existing renters at the time of lease renewal.
- File a claim at any point throughout the leasing cycle.

## Cons

- Renters are only eligible if their property is enrolled with the provider.
- Monthly payments are not refunded at the end of a lease.

## Lifecycle of a security deposit insurance

### Renter applies for unit

- Landlord invites renter to use security deposit insurance
- An invitation should include coverage and leasing details
- Resident shares personal information
- Provider offers a quote
- Renter opts into the program and chooses a payment option

### Lease is signed

- Coverage begins and claims can be filed anytime during this period

### The lease ends, the unit is vacated

- Excessive damage or loss of rent is identified

### The property manager files a claim through security deposit insurance portal

- Security deposit insurance manages claims and renter communications
- Claims are typically processed within 48 hours

### Relationship with renter ends

# Security deposit replacement

## What is security deposit replacement?

A security deposit replacement is and does exactly as its name suggests — it replaces security deposits. Instead of paying a large sum of money upfront, renters pay a small monthly fee. Meanwhile, property owners maintain the financial protection that a cash security deposit once gave them — most security deposit replacements include a protection plan that covers, on average, \$5,000 in damages or lost rent.

**Alternative or example of security deposit replacement:** LeaseLock

## Pros

- Blanket coverage.
- Promotes a sense of renter responsibility for the unit.

## Cons

- There's a maximum on protection.
- Renters may be unaware that they're enrolled in a third-party security deposit replacement company.
- Coverage policies do not individually underwrite each renter based on risk assessment.
- Too expensive, or too much coverage, depending on state laws surrounding security deposits.
- Often entails a long, drawn-out claims process (up to 44 days), and property owners can often be forced to subrogate to reimburse the deposit replacement provider.

## Lifecycle of a security deposit replacement

### Renter applies for unit

- Renter is screened and approved for unit

### Lease is signed

- Renter is enrolled in a security deposit replacement program
- Renter pays monthly fee alongside rent

### Lease ends, the unit is vacated

- Excessive damage or loss of rent is established
- Landlord sends a letter requesting funds from renter
- Landlord waits 30 days to see if renter pays
- Security deposit replacement company pays landlord within 14 days
- Landlord is still responsible for recouping funds from renter
- Landlord reimburses security deposit replacement company for claims

### Relationship with renter ends

# Summary

Rhino

 LeaseLock

Jetty

Cash

	Rhino	LeaseLock	Jetty	Cash
Flexible payment options for renters	 Monthly* and upfront		 Monthly and upfront	
Personalized coverage for property managers				
Quote accessibility via website				
Cap on coverage for damages	No limit	Depends on the plan	No limit	No limit
Sign up existing renters at lease renewal				
Type of security deposit alternative	Security deposit insurance	Security deposit replacement	Security deposit insurance	Cash deposit

\*Monthly payment plans are only available for some renters

## The Rhino promise

Whoever you approve, Rhino will approve and write a policy for.

Rhino underwrites each renter in seconds, allowing us to offer competitively low premiums for your renters.

Claims can be processed at any point during lease terms, including while units are occupied and up to 60 days after.

Rhino provides flexible coverage: Renters can choose from a one-time, lump-sum payment or a low monthly payment.

Some of the largest names in the multifamily industry use Rhino



## About Rhino

2+ million homes

Est. 2017

Headquartered in NYC

Claims processed on avg. in 48 hours

Rhino is financially stable and poised to grow courtesy of our \$100M Series B funding, led by Tiger Global Management. For more details, please see [Bloomberg](#) news article.

