

# Reconciling Security Deposits in NC

Best Practices & Legal Requirements for Landlords

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Link to Meeting Video Recording: <https://youtu.be/LVeKPeogxDE>

# Time Frame for Reconciliation

- NC law requires deposit reconciliation within 30 days
- 60-day extension allowed with interim notice. Extension letter must be mailed or emailed to tenant within 30 days of key turn in
- Must provide itemized accounting of deductions.

# Handling Tenant Disputes

- Always respond in writing
- Reference the lease and NC statutes
- Keep detailed records & photos
- Consider mediation before litigation

# Billing Repairs During Tenancy

- Bill tenants promptly for damage
- Avoid 'saving' repairs for deposit deduction
- Keeps accounting cleaner and avoids disputes

# Depreciation Guidelines

Category	Item	Estimated Useful Life
Flooring	Carpet	5–10 years
	Vinyl / Linoleum	10 years
	Tile	25+ years
	Hardwood (finished)	25+ years (refinish every 7–10 years)
Walls / Paint	Interior Paint	3–5 years
	Wallpaper	7 years
Appliances	Refrigerator	10–12 years
	Stove / Oven	10–15 years
	Dishwasher	8–10 years
	Microwave (built-in)	7 years
	Washer / Dryer	8–12 years
	Water Heater	8–12 years
Plumbing / Fixtures	Sink (porcelain/ceramic)	20–30 years
	Sink (stainless steel)	15–20 years
	Toilet	25 years
	Faucets	15 years
	Garbage Disposal	8–10 years
Doors / Windows	Interior Doors	20 years
	Exterior Doors	30 years
	Windows	20–30 years
	Blinds	3–5 years
HVAC	Central A/C	12–15 years
	Furnace	15–20 years
	Heat Pump	10–15 years
	Thermostat	10 years

# Normal Wear & Tear

- NC Realtors provide a helpful chart
- Cannot redistribute directly
- Encourage landlords to create their own version
- Distinguish 'wear' vs 'damage'

**WARNING:** Agents are strongly advised to stop and consult with an attorney before deducting damages from a tenant's security deposit if there is any question as to whether the alleged damage is normal wear and tear or not. This guide is only meant to provide general guidance and examples. It is not the law, and it cannot, and does not, supersede any statute in North Carolina's Tenant Security Deposit Act.

North Carolina General Statutes 42-51 and 42-52 provide the mandatory framework for handling a tenant's security deposit once the tenancy has ended. G.S. 42-51 lays out specific charges and fees that can be deducted, including "damage to the premises." G.S. 42-52 provides that the landlord must provide at least an interim accounting within 30 days, a final accounting within 60 days, or both, in order to have any right to deduct from the deposit any of the damages outlined in G.S. 42-51.

While G.S. 42-51 states that the deposit can be deducted for damages to the leased property, G.S. 42-52 states that "the landlord may not withhold as damages part of the security deposit for conditions that are due to *normal wear and tear* nor may the landlord retain an amount from the security deposit which exceeds his actual damages." This guide is provided to help landlords and tenants understand what "normal wear and tear" may mean when examining damage to the property after the tenancy has ended.

The term "normal wear and tear" is not specifically defined in North Carolina's general statutes. However, it can generally be understood as follows:

**Normal wear and tear includes damage to the property that occurs without the tenant's being negligent, careless, or abusive toward the leased premises nor any of the equipment, furnishings, appliances, or other items therein. This standard of care applies to the tenant and any other member of the tenant's household or other people on the leased premises with the tenant's consent.**

Some examples of this standard of care include, but are not limited to, the following. Note, these are only examples and this list is not complete or exhaustive.

*Normal Wear and Tear:*

*Damage:*

Minor marks on or nicks in wall	Holes in wall larger than nail size (picture hanger) or excessive nail holes
Faded, cracked or chipped paint	Crayon marks, writing on walls, unapproved paint color or excessive dirt requiring primer and paint to cover
Plaster cracks from settling	Holes in walls from doorknobs or carelessness
Loose wallpaper	Ripped, torn or marked up wallpaper
Carpeting/curtains slightly worn or faded by the sun	Torn, stained or burned carpeting/curtains
A rug worn thin by ordinary use	Stains and odors in rug caused by pets, spills or leaks
Minor scuffing on wood floor	Large gouges or scratches on wood floor



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Vinyl flooring worn thin	Vinyl flooring with tears, holes or burn marks
Water-stained flooring by shower due to ordinary use	Tiles or grout near shower that cannot be made clean
Stains on old porcelain fixtures that have lost their protective coating	Grime-coated bathtub and/or toilet
Bathroom mirror beginning to "desilver" (black spots)	Mirrors broken, missing or caked with grime
Running or unstable toilet	Broken toilet seat or tank top
Worn gaskets on refrigerator	Broken, chipped or missing refrigerator shelves, trays, bins or bars
Worn countertop	Burns or cuts in countertop
Cabinet doors that will not close	Greasy, sticky or broken cabinets and interiors
Loose hinges or door handles	Damage to door or door frame from forced entry; missing/broken door handles or locks
Closet door off track	Damaged or missing closet door, doorknobs/handles
Slightly dusty blinds	Missing, broken or bent slats on blinds; torn or missing strings
Slightly dirty windows or screens	Broken windows or torn or missing screens
Slightly dusty light fixtures	Broken/missing fixtures/lightbulbs
Stovetops that have deteriorated or discolored due to age	Greasy, sticky stovetops
Dry Lawn	Lawn with pet urine spots, dead areas, and/or excessive weeds
Lawn or shrubs needing routine trim or cut	Lawn and shrubs overgrown and have not been landscaped at least semi-annually

Agent: \_\_\_\_\_

Date: \_\_\_\_\_

Tenant: \_\_\_\_\_

Date: \_\_\_\_\_

Tenant: \_\_\_\_\_

Date: \_\_\_\_\_

Tenant: \_\_\_\_\_

Date: \_\_\_\_\_

Tenant: \_\_\_\_\_

Date: \_\_\_\_\_

# Returning Deposits

- Send to forwarding address if provided
- If none given: send to last known address
- Keep proof of mailing (certified mail recommended). Can also keep copy of check stub and disposition letter that was mailed
- Include itemized accounting

# Sample Reconciliation Letter

- When tenant receives refund:
  - see provided letter
  
- When tenant owes money:
  - see provided letter



Tenant received refund

Date

Company Name  
Company Full Address

Tenant Names (Financially Responsible)  
Tenant Full Address

Re: Security Deposit Return

Dear Tenant Names (Financially Responsible):

According to our records, your balance is \$Move Out Refund Amount, representing the refund of your security deposit and/or other amounts.

Move Out Disposition Table

If you have any questions or concerns, please contact us at Company Phone Number. Should you disagree with any charges disputes must be submitted in writing and no later than 30 days from date of this letter.

Regards,

**Rent-A-Home of the Triad, Inc**

(336)272-0767  
5606 W. Friendly Avenue  
Greensboro, NC 27410  
[gsorentahome.com](http://gsorentahome.com)

Tenant owes money.



Date

Company Name  
Company Full Address

Tenant Names (Financially Responsible)  
Tenant Full Address

Re: Security Deposit Statement

Dear Tenant Names (Financially Responsible):

Enclosed please find an itemized list of charges. Based on these charges, you have a balance due of \$Move Out Balance Due.

Move Out Disposition Table

Please remit the balance due immediately. Should you disagree with any charges disputes must be submitted in writing and no later than 30 days from date of this letter.

Regards,

**Rent-A-Home of the Triad, Inc**

(336)272-0767

5606 W. Friendly Avenue

Greensboro, NC 27410

[gsorentahome.com](http://gsorentahome.com)



Date

Tenant Names (Financially Responsible)

Tenant Full Address

Dear Tenant Names (Financially Responsible),

We have not yet completed the accounting of your deposit for the property at Unit Address 1. We are still waiting on invoices/estimates to be returned from the vendors who performed turnover work. This letter serves as notification that Rent-a-Home will extend the time for return of your deposit by 30 days. Your deposit may be returned before this 30 day period expires and in any event a final accounting will be delivered no later than 60 days from the end of your tenancy.

We thank you for your patience in this matter. Please contact our office at (336) 272-0767 with any questions.

Sincerely,

**Rent-A-Home of the Triad, Inc**

(336)272-0767

5606 W. Friendly Avenue

Greensboro, NC 27410

# Trust Accounts in NC

- Required for holding tenant funds
- Banks may call them 'Escrow' accounts
- Must be separate from personal/business funds
- Essential for compliance

# Interest Earning Accounts

- NC allows interest-bearing trust accounts
- Interest must be paid to tenant unless waived in lease
- Many landlords opt for non-interest accounts to simplify

# Key Takeaways

- Follow NC timelines strictly
- Document everything
- Differentiate wear vs. damage
- Use trust accounts correctly
- Communicate clearly with tenants

Following is Q&A for Tenants from NC Real Estate Commission – Free to Download from their website

## Questions and Answers on: TENANT SECURITY DEPOSITS

Each year, hundreds of thousands of North Carolinians rent houses, apartments, mobile homes, and other dwellings as their residences. For the first-time tenant—and some veteran renters—this can be a confusing and somewhat unsettling experience. The more you know about the process of renting residential real estate, the better you will be able to protect your interests and carry out your responsibilities under your rental agreement.

This booklet addresses an important aspect of the rental process which generates many questions from tenants—tenant security deposits.

How much security deposit can I be charged? Can my landlord charge me a “pet fee”? What happens to my security deposit while I’m a tenant? And what happens to it once my rental term is over? These are some of the questions that this booklet attempts to answer. Although this information focuses on security deposits from your perspective as a tenant, it should also be useful to landlords, property managers and rental agents.

The North Carolina Tenant Security Deposit Act (the “Act”) sets out the rights and responsibilities of residential tenants, landlords, and their agents regarding tenant security deposits. (See NC General Statutes Sections 42-50 through 42-56.) The Act applies to all residential properties except single rooms. The Act does not require landlords, or their agents, to collect security deposits, but they usually do in order to assure that they will be reimbursed if certain specified losses are caused by tenants. Landlords also frequently use the services of real estate agents to help them manage and rent their properties. These agents must be licensed by the North Carolina Real Estate Commission and, like the landlord, must comply with the Tenant Security Deposit Act as well as the N.C. Real Estate License Law and various rules adopted by the Real Estate Commission when renting the owners’ properties.

Read this booklet carefully! Then, if you still have questions about tenant security deposits, you are encouraged to contact your private attorney. You may call the N.C. Real Estate Commission’s Regulatory Affairs Division (919-719-9180) if a real estate broker or firm is managing the rental property or the N.C. Department of Justice (919-716-6000) if you are renting directly from an unlicensed landlord.

### Q & A

#### **Q: How much security deposit can a landlord charge?**

**A:** If your agreement with the landlord is to rent his property on a week-to-week basis, your deposit may not exceed the equivalent of two weeks’ rent. If you’re renting on a month-to-month basis, your deposit cannot be more than 1 1/2 months’ rent. And, if your rental period is greater than month-to-month, your deposit cannot be more than two months’ rent.

**Q: Can my landlord charge me a “pet fee”?**

**A:** Yes. In addition to the security deposit, your landlord may also charge you a non-refundable fee if you plan to keep a pet in the property or on the grounds. The “pet fee” can be any “reasonable” amount that the landlord wishes to charge. If your pet damages the property, the landlord may also keep all or a portion of the security deposit as necessary to repair the damage in addition to keeping the pet fee.

**Q: What happens to my security deposit while I’m a tenant?**

**A:** To ensure that your security deposit is safe during the period of your tenancy, State law requires the landlord or property manager to keep it in a “trust account.” A trust account is simply a bank account designated as “trust” or “escrow” that does not contain any of the landlord’s or broker’s personal funds. The trust account must be maintained in a licensed and insured depository institution authorized in North Carolina. Within 30 days following the beginning of your lease term, the landlord or agent must notify you in writing where your security deposit has been placed (typically, this notification is given in the lease). If your security deposit is moved to a different bank or savings and loan during your tenancy, you must be notified in writing of the new location.

**Q: Are there any exceptions to the requirement that my security deposit be placed in a trust account?**

**A:** Yes, there is one exception. If the owner is managing their own property, or the property is being managed by an agent who has agreed for the owner to hold the deposits, the owner may post a bond to cover the security deposits. In such case, the landlord must: (1) notify you and the other tenants of the name of the insurance company providing the bond; (2) purchase the bond from an insurance company licensed to do business in North Carolina; (3) name you and the other tenants as payees under the bond; and (4) assure that the amount of the bond is sufficient to cover all security deposits collected. However, this is uncommon and most landlords require a security deposit.

**Q: Can my security deposit be placed in an interest-bearing account?**

**A:** Yes, under certain conditions. If a real estate agent is managing property for the owner, they may place your deposit in an interest-bearing account *only if they have your written permission and the written permission of the owner*. If your lease authorizes the agent to place your security deposit in an interest-bearing account, the authorization in the lease must be stated in a clear and conspicuous manner. The interest may be paid to you, to the landlord, or to the agent, and depends upon your agreement with the landlord.

**Q: What will happen to my security deposit at the end of my lease term?**

**A:** If you stay for the entire lease term and you have paid all rent due, the landlord (or agent) may deduct from your security deposit only the actual cost of repairing any damage which you have done to the property. *You cannot be charged for damage caused by “ordinary wear and tear.”* What constitutes “ordinary wear and tear” must be

determined on a case-by-case basis. For example, if you are the most recent tenant in the property, the landlord cannot charge you to replace such items as carpet, plumbing, or appliances which need replacement because they are old and worn out. In fact, you cannot be charged for even contributing to the normal wear and tear of such items. On the other hand, if you caused the item to wear out because of your mistreatment of it, you may be charged for the amount of *unusual* wear which you caused (but not the entire cost of replacement). Ordinarily, costs for routine cleaning and maintenance (painting, carpet cleaning, etc.) may not be deducted from your security deposit. However, if you leave the property so filthy that unusual or extraordinary measures are necessary to clean or restore the premises, the landlord may deduct the cost of such cleaning from your security deposit.

**Q: What will happen to my security deposit if I vacate the property before the end of my lease?**

**A:** In addition to any physical damage which you may have caused to his property, the landlord may also deduct from your security deposit any actual damages caused by your moving out of the property before the end of your lease term; however, they may not charge you a “termination fee” or impose any other penalty or forfeiture of deposit for your early termination and must use their best efforts to fill the vacancy as soon as possible. For example, your rent is \$600 per month and you move out of the landlord’s property two months before the end of your lease. If it takes the landlord one month to re-rent the property, \$600 may be deducted from your security deposit as lost rent for the period during which the property was vacant. The landlord may also use the security deposit to recover any reasonable fees or commissions charged by a licensed broker to re-rent the property.

**Q: What will happen to my security deposit if, for some reason, I am unable to pay my rent?**

**A:** If you fail to fulfill your obligations under the lease, including your obligation to pay rent, the landlord or agent may evict you from the property. The court proceeding is known as “summary ejection.” In addition to having you removed from the property, the landlord or agent may recover from you any unpaid rent, late fees, and, of course, the cost of repairing any physical damage which you may have caused to the property—but not damage due to ordinary wear and tear. In addition, if you leave behind any of your personal property (furniture, clothing, etc.), the landlord may also recover from you the cost of storing your property. If your security deposit will not cover the landlord’s damages for unpaid rent, physical damage to the property, and storage of your personal property, you will be liable for payment of any remaining costs. If a civil judgment is entered against you by the court, it could adversely affect your credit rating.

**Q: Is there a deadline by which the landlord or agent must return my security deposit?**

**A:** Within 30 days after the termination of your tenancy, the landlord or agent must send you either a full refund of your deposit or a written itemized accounting of any deductions along with any remaining refund amount. Where the full amount of damage cannot be determined within 30 days, the landlord or agent must send you a written interim accounting of deductions claimed, followed by a final accounting no later than 60 days following the end of the tenancy. So, it is important to give your landlord or agent a full forwarding address. If you cannot be located,

the landlord or agent must hold any refund due for at least six months in their trust account. If the landlord or agent fails to refund your deposit or make the required accounting, you can sue for recovery of the deposit and reasonable attorney fees. The failure to make the accounting as required under the Act is a forfeiture of the landlord's right to retain any portion of the deposit.

**Q: What will happen to my security deposit if the ownership or management of the property that I rent is transferred to someone else?**

**A:** If the landlord who collected your security deposit transfers ownership of the property to someone else during the term of your lease, they must either refund your security deposit to you, or transfer your deposit to the new owner (after making any allowable deductions) and notify you in writing of the new owner's name and address. In either case, your deposit must be refunded or notice given to you of the new owner's name and address *within thirty days of the transfer*. Likewise, if you have paid your security deposit to the landlord's agent and the agent discontinues managing the property during the term of your lease, the agent must either transfer your deposit to the landlord/owner or, with the owner's permission, transfer your deposit to the new manager. In either case, the agent to whom you paid your security deposit must notify you of the new location of your deposit and, if your deposit is being transferred to the owner, advise the landlord of their responsibilities to you under the Tenant Security Deposit Act (NC Gen. Stat. § 42-50 et seq.).

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