



**Sandhills
RENTALS**

PROPERTY MANAGEMENT

LANDLORDS HANDBOOK

Sandhills Rentals, LLC

Southern Pines Office

130 Turner Street, Suite B
Southern Pines, NC 28387
Phone: (910) 684-5050

Sanford Office

329 Carthage Street
Sanford, NC, 27330
Pone: (919) 483-5353

www.SandhillsRentals.com

www.SandhillsVacationRentals.com



National Association of Residential Property Managers

Please keep this document in a safe place for future reference.

Welcome to Sandhills Rentals, LLC

Staff Contact Information:

Office Hours: 8:30 AM – 5:30 PM
Monday – Friday



Marcus Larose
Owner/Broker
Commercial Property Manager
(910) 528-2244
Marcus@SandhillsRentals.com



Tammy Stroupe
Director of Operations
Long Term Property Manager
(910) 690-3450
Tammy@SandhillsRentals.com



Todd Camplin
Vacation Rental Manager
Golf Package Coordinator
(910) 690-5773
Todd@SandhillsRentals.com



As your new property management team, we would like to welcome you and thank you for choosing to work with us. Our Mission is to manage the properties entrusted to our care in a manner that will maintain and enhance the value of those properties and result in the placement of responsible, long-term tenants while developing relationships with owners and tenants that will benefit all. Through our software program we use to manage our properties we are able to provide our owners with current information on the status of their properties via an online web portal. You will have access to statement, reports, work orders, payment and all owner and property specific documentation. Please see below for instructions on how to login to your portal.

Owners Web Portal

To begin using the website, please go to www.SandhillsRentals.com and click on "Owners" and then "Owners Portal". You will need to set up your password by clicking on "Create Password" then enter your email. You will receive an email with a link that will allow you to create your owner password.

Sandhills Rentals, LLC

Welcome to the Owner Portal

If you haven't logged in with a password before, [click here](#) to create your password.

Email

Password

[Create a password](#) | [Forgot your password?](#)

Sandhills Rentals, LLC

Sign up for the Owner Portal

We've updated our login process. For security purposes, enter your email address below so we can send you an account activation email.

Check your email and follow the instructions. You will be asked to create a password.

Email

Already have a user name & password? [Log in](#)

Accounting

We pride ourselves on our thorough, accurate record keeping. Our software program allows us to provide services that would be difficult or impossible with a conventional manual accounting system. Accounting is done on single-entry cash basis with separate income and expense ledger maintained for each property, just as if your property had its own checking account. Each property always has its own separate complete accounting record. All bills are kept on file throughout the year. We provide you with a copy of each bill with your monthly statement upon request. We will be happy to provide duplicate copies for a nominal fee upon request. Owner distributions are schedule to arrive around the 15th of each month

Rent Collection

All rent is due on the 1st of each month and is considered late after the 5th. If rent is not received by the 5th the tenants are notified and eviction proceedings in most cases are initiated if the tenant has not made arrangements for rent payment. With our new software program all tenants are encouraged to set up auto payments online. All rent payments made by check will be charge a \$5 processing fee.



Vacancies

Vacancies are expensive for both of us. We make every effort to keep vacancies to a minimum. We have a large network of people looking for rental property for their clients and employees. Our software program allows us to carefully monitor our lease expiration dates. It gives us the opportunity to renegotiate the rent on a renewal lease. Approximately 75 days before a tenant's lease agreement is due to expire, we notify the tenant of the lease renewal and if any of the terms of the existing lease are going to change, i.e. rent. If the new lease is declined, the tenant is required to give us 60 days prior written notice of their intent to vacate. This helps prevent unexpected vacancies and gives us plenty of time to prepare, advertise and show your property. If the tenant chooses to vacate, the property must pass a thorough check-out inspection before the deposit is returned. This minimizes the preparation and turn-around time before your property is re-leased. The inspection will not be made until the tenant has removed all furnishings and other personal belongings and turned over the keys. The tenant is not allowed to re-enter the property once the inspection is complete.

Maintenance and Repairs

Timely, competent maintenance is one of the keys to maximizing your investment. Our goal is to provide you with this important service at a reasonable price using only the best people. Specially trained technicians perform our repair and maintenance services. Each has been selected because of their ability to provide you the



best possible service. Each is properly insured. Any work over an agreed upon dollar limit, which is not an emergency or part of a routine turnover would be discussed with you for approval. Our maintenance technicians will not perform any unauthorized maintenance requests from a tenant. In addition, maintenance and repairs that are the tenant's responsibility, or a repair caused by the tenant's negligence, will be charged to the tenant.

Insurance

In addition to your normal homeowner's fire and extended coverage insurance policy, you need to maintain proper liability coverage. The purpose is to provide you coverage now that you have a tenant. We must have proof of insurance coverage before we can manage your property. We must also be listed as additional insured on your policy so we can keep track of it.

Security Deposits

The amount of the deposit is based on the monthly rental rate and the credit worthiness of the tenant. Applicants with pets are required to pay a Non Refundable pet fee. All deposits are kept in a special escrow account, as required by North Carolina statutes, until they either are refunded to the tenant upon a successful checkout inspection of your property or are forfeited to cover damage caused by lease violations. Pet fees are paid to you with your first monthly payment.

Management Fees

We charge a 10% - 15% management fee and it is payable when the rent is received. It is automatically deducted from your account. Since one of our jobs is keeping your property occupied, we will not take our normal management fee as long as your property remains vacant. These are some of our basic policies and procedures we have implemented to provide you with proper, professional management of your investment property. There are five reasons a property remains occupied: Location, Price, Terms, Condition of the property, and the property manager. You control four of these. We are specialists in the management of single family homes and other small residential rental property.

Our Management Services include:

1. Efficient Rent Collection, Processing and Distribution
2. Property Maintenance
3. Property Inspections
4. Move-in/Move-out Inspections & Reports
5. Professional Accounting and Bill Paying Services

Tenant Procurement

We charge a Finder's Fee for placing a tenant in a property equal to one month's rent based on a 12 month rental. Any lease for less than 12 months the Finder's Fee will be prorated. Management Fee for managing the property on a monthly basis is equal to 10% of the monthly rent. 50% of the Finder's Fee will be offered to the tenants agent or landlord sub agent for bring a qualified tenant

Re-rent policy: If managing the property and the tenant has been in the property for less than 2 years, we do NOT charge a finder's fee on the listing side but will charge 50% of the first month's rent for tenant agent commission. 2+ years we will charge the full first month's rent for a finder's fee when placing a new tenant. Should a tenant break the lease early we will withhold the Security Deposit which will be used to pay out a finder's fee for the next tenant put in place.

SERVICES

Start-up Services:

- We conduct an initial site evaluation of your property and provide you with price evaluation, if requested, which is reviewed with you. This helps guide us in how you want your property handled.
- We meet with your existing tenants and go over new procedures.
- We review all existing leases.
- We evaluate any vacancies and assess action needed to rent the property.
- We analyze the market and determine the property position in the area.
- We take control of all keys, test them on the locks and code each key.
- We obtain past records and set up your property in our computer system and make appropriate files to keep your records.



Property Protection:

- We perform an inspection of each new tenancy around the 4 to 6 month mark. Upon request, depending on how the initial inspection goes we will inspect the property again in 3 months or the one year mark.
- We make property condition reports upon tenant move-in and move-out.
- We have a key control system to help protect you and the tenants against unauthorized entry.
- Upon request we coordinate having all exterior locks rekeyed after each tenancy to help protect you and the tenants against unauthorized entry and liability.

Bookkeeping Services:

- We do all the bookkeeping chores for you. We collect the rents and pay bills, if needed.
- We keep accurate files and histories on all tenants and vendors.
- Upon request we provide you with detailed monthly statements, which itemize all income and expenses each month.
- Our end-of-year statements simplify the job of tax preparation for you and your accountant.
- We effectively and legally handle tenant funds and deposits. We know what charges can be withheld from tenant deposits.



Maintenance Services:

- We have 24 hour, 7 days per week emergency maintenance hotline to provide you and your tenants the professional attention needed.
- We have extensive maintenance and repair knowledge, which means we are better able to streamline problems. We know who to call and how much it should reasonably cost.
- Anyone working on your property has proper liability and workers compensation insurance, which is, added protection for you.
- We supply qualified, reasonably priced personnel who will get the job done properly and in a timely fashion.

Leasing Services:

- We complete a market analysis which involves studying similar type properties to formulate a suggested market rental rate.
- We are licensed real estate professionals.
- We provide rental signs, and promote your property through our real estate referral network, the multiple listing service and on the Internet which helps minimize vacancy loss.
- We advertise on multiple different website to maximize the exposure of your home.
- We handle all the rental calls and arrange all the showings of your property.
- We lease only to tenants who qualify according to our rental standards.
- We have every applicant fill out a detailed rental application which is verified through a nationwide computer base credit bureau at no cost to you. It includes checking credit history, public records for bankruptcies, judgments, liens and bank references. Past rental or ownership history is verified as is employment and income information.
- We collect fair, appropriate security deposits.



- We sign a lease with all tenants. The lease we use has been approved by the NC real estate commission and their attorneys.
- We go over the lease in detail with the tenants so that they understand every aspect of leasing your property.
- We complete a move-in condition report with all new tenants to make note of the condition when they move in. This is done again at move-out and any damage over and above normal wear and tear is deducted from the tenant's deposit.

Eviction Services:

- Upon request, we can handle all the eviction actions for you, and you only pay for Court Costs, Service of Process and Sheriff's Fees, unless an attorney is required by the court. We file collection accounts with US Collections West.

Frequently Asked Questions

What needs to be done to my house?

The better condition your property is in, the better quality tenant we will attract for you. This means that the property should be clean, walls should be painted (a neutral color is best) if they are dirty or marred, and things should be in good repair. It is best to have window coverings on the windows, such as blinds. Lawn care should be done prior to the new tenant moving in. Upon taking over management, we will go through your property and make note of the condition and what we would suggest being done. You would then instruct us what you want done.

How will you find tenants and how long will it take?

Once we start management your property is added to our list of available properties. This list is distributed weekly to our list of real estate companies and businesses that are in constant search of rental properties for their clients or employees. Your property is also listed in the Multiple Listing Service and on the Internet. We also put up a rental sign and a lockbox if the property is vacant or desired. The time of the year, list price of the house and the condition of the property will determine how long it takes for your property to rent. Fall and winter are historically a slower time and depending the list price may take longer. However, we typically see an upturn in the November/December months due to the military moves.

Can I say who I want as tenants for my house?

You can specify whether or not you want tenants with pets (in most situations) or even tenants who don't smoke. However, the more restrictive you are, the longer it could take to rent your property. You cannot discriminate against any protected class under the federal fair housing or local fair housing laws, such as saying you don't want children. Because of this, it is best that you stay out of the selection process. We are professionals in leasing. We have specific criteria that every applicant has to pass in order to rent your property.



When do I get my money each month?

Rents are due in our office on the first of each month. Our leases specify that if rent is not received by the 5th of the month, it is considered late. In order to avoid violating trust accounting laws, we need to wait until rent checks clear before we can send payment to you. We will collect the rent, pay the bills and then on or about the 15th of the month, provide you detailed monthly statements showing all the income and expenses for the month along with payment of any excess funds, either by mailing you a check or by electronic deposit to your account..

Who does the repairs on my property?

The tenants do have responsibility for some of the maintenance on your property. They have to replace burnt out light bulbs, change air conditioning filters, change batteries in the smoke detectors, provide for exterminating indoor insects. Tenants are usually responsible for the lawn care. When repairs need to be done outside the scope of the tenant's responsibility, we would have one of our sub-contractors handle the job. Anyone doing maintenance on your property is selectively screened and insured for liability and workers compensation to protect you from unnecessary exposure. Our workers are available for your property maintenance needs daily and their work is guaranteed. Because of the volume of work we do with them, we usually get lower rates than what you would get if you called them directly.

Can I use my own contractor?

We can use your contractor if you wish; however, as protection for you and us, they would need to have liability and workers compensation insurance.

What happens if a tenant does damage?

A security deposit taken at move-in is usually adequate to handle most damage that a properly screened tenant may cause.

Tenants with good credit and prior rental or ownership history seldom cause much damage. The horror stories you may have heard about a property being trashed are generally less expensive properties that have been rented without the proper application and screening process. Our screening company checks credit, rental and ownership history, income and employment, and there are specific acceptance guidelines for each. Should the tenant leave your property owing more than is covered by the deposit, they will be billed. If they do not pay, they will be turned over to a collection agency and reported to the credit bureau.



What happens if the tenant leaves before the end of the lease?

The tenant is responsible for the rent for the duration of the lease. If they choose to leave prior to the termination date of the lease, they will be charged for the rent until the property is re-rented again or other satisfactory arrangements made. We guarantee that under this situation, you will not be charged another leasing fee, if provided under your compensation agreement.

North Carolina's Residential Rental Agreement Act

In general, the relationship between landlord and tenant is governed by the terms of the lease agreement. But state and federal law impose certain conditions that the landlord and tenant cannot change, even if the lease purports to do so. The most important of these laws is North Carolina's Residential Rental Agreement Act. (N.C. Gen. Stat. §§ 42-38 to 49)

What the Landlord Is Required To Do

Maintain Facilities: The landlord is required to maintain in good and safe working order and promptly repair all electrical, plumbing, sanitary, heating, ventilating, air conditioning, and other facilities and appliances supplied or required to be supplied by the landlord. But the landlord need not perform this duty unless the tenant first advises the landlord of needed repairs in writing. The tenant may wish to inform the landlord of the problem immediately over the telephone or in person and then follow up by notifying the landlord in writing. The tenant should always keep a copy of all written communication between herself and the landlord.

In the event of an emergency, such as when the heat fails during the winter, prior written notification is not required. If the tenant orally informs the landlord and the landlord fails to respond in a reasonable amount of time, then the tenant may decide to pay to repair the emergency problem himself and seek reimbursement from the landlord. The tenant can agree to perform some or all of the landlord's maintenance duties, but the parties must make an agreement separate from the lease and the tenant must be compensated.

Comply with Building Codes: The landlord must maintain the residence in compliance with the local building and housing codes. Most towns and cities in North Carolina have enacted housing, fire, and health codes. The requirements of these codes vary depending on the city or town. Housing codes often require functional heating and plumbing, locks on windows and doors, and weather-tight walls, windows and doors. Also, the code may require the landlord to rid the premises of infestations, and to repair holes or cracks in walls. Local fire codes govern heating and electrical systems. The health code deals with sewage disposal and well water systems.

If, after the tenant advises the landlord of a violation of these codes, the landlord does not take action, the tenant may wish to report the problem to a local building, fire, or health inspector. These inspectors have independent authority to force compliance with the codes, and may take prompt action when a violation creates a risk to the safety of the tenant. The landlord must comply with these local codes regardless of whether the tenant has given the landlord prior written notice of a particular problem.

Keep Common Areas Safe: The landlord is required to maintain all common areas in a safe condition, regardless of whether a tenant has given the landlord notice of an

unsafe condition. Common areas include hallways, parking lots, play areas, laundry rooms, and sewage or plumbing systems serving more than one rental unit.

Keep Premises in Safe and Habitable Condition: If the landlord complies with his other duties, he most likely will be in compliance with this requirement as well. But this general, catch-all requirement ensures that the landlord cannot rent an unsafe or uninhabitable residence due to some loophole in the specific requirements of the local codes and state laws. The landlord must provide operable smoke detectors that have been approved by a national testing laboratory and that have been installed properly. The landlord must replace or repair the smoke detectors provided that the tenant has notified the landlord in writing of needed replacement or repairs. The landlord must place new batteries in a battery-operated smoke detector at the beginning of the lease term, unless the lease provides otherwise.

What the Tenant Is Required To Do

Under the Residential Rental Agreement Act, the tenant must:

- (1)** Keep that part of the premises which he occupies and uses as clean and safe as the conditions of the premises permit and cause no unsafe or unsanitary conditions in the common areas and remainder of the premises which he uses;
- (2)** Dispose of all ashes, rubbish, garbage, and other waste in a clean and safe manner;
- (3)** Keep all plumbing fixtures in the dwelling unit or used by the tenant as clean as their condition permits;
- (4)** Not deliberately or negligently destroy, deface, damage, or remove any part of the premises, nor render inoperable the smoke detector provided by the landlord, or knowingly permit any person to do so;
- (5)** Comply with any and all obligations imposed upon the tenant by current applicable building and housing codes;
- (6)** Be responsible for all damage, defacement, or removal of any property inside a dwelling unit in his exclusive control unless said damage, defacement or removal was due to ordinary wear and tear, acts of the landlord or his agent, defective products supplied or repairs authorized by the landlord, acts of third parties not invitees of the tenant, or natural forces; and
- (7)** Notify the landlord of the need for replacement of or repairs to a smoke detector. The landlord may require that this notification be in writing and the landlord need not repair a smoke detector unless the notification is in writing. The tenant is responsible for replacing the batteries in smoke detectors when the batteries expire during the term of the lease, unless the lease provides otherwise.

Of course, the tenant must pay the rent according to the terms of the lease. For a lease that provides that rent is due at a fixed time (for example, by the fifth of each month), the landlord cannot seek to evict the tenant until ten days after the landlord or his agent has requested that the tenant pay all rent that is past due. (The procedures for eviction are discussed below.) But if the lease provides for immediate eviction, the landlord may evict the tenant without delay. If rent is due at a fixed time, the lease may provide for a late payment fee. In non-subsidized leases providing for monthly rent, the fee cannot

exceed \$15 or 5% of the monthly rent, whichever is greater. A late fee cannot be imposed unless the tenant pays the rent five days or more late. A late fee may be charged only one time for each late rental payment.

What Happens If a Dispute Arises?

Withhold Rent: A tenant cannot unilaterally withhold rent from a landlord who fails to make required repairs. However, the landlord and tenant can agree to a reduction in rent. For example, the landlord may allow the tenant to pay for repairs to a broken refrigerator, and then subtract the amount of the bill from the next month's rent. (The tenant should retain copies of all receipts.)

Another example: The landlord may reduce the rent for a month during which the tenant could not use one room because the roof leaked. This type of informal solution occurs frequently between landlords and tenants.

Abandonment of Lease: The lease is a contract between the landlord and the tenant. The tenant can get out of the lease only if the lease itself allows the tenant to do so and the tenant follows the procedures laid out in the lease. For example, the lease may permit the tenant to move out simply by giving notice thirty days in advance. But there is no law that allows tenants to abandon any lease just by giving a notice thirty days in advance. If the tenant abandons the premises prior to the expiration of the lease, the tenant will remain liable for the rent every month until the landlord rents the premises to another tenant or the lease expires, provided that the landlord makes reasonable efforts to re-rent the premises.

Early Termination by Military Personnel

Recognizing the potential hardship on military personnel that can result from changes in duty stations, the General Assembly created a statutory liquidated damages provision to settle early termination claims. See G.S. § § 42-45. Under this section, soldiers who are permanently reassigned to a duty station at least 50 miles from their dwelling can terminate their lease knowing that their liability to the landlord for lost rent will not exceed the amount specified in the statute.

Under the recently amended Soldiers' and Sailors' Relief Act, now called the Service members Civil Relief Act (SCRA), the change of duty does not have to be permanent, but rather for a deployment of 90 days or more. Also, the general rule is that the written notice of termination is effective 30 days after the next rental payment is made. See 50 U.S.C.S. Appx. § 535. In addition, § 531 allows a court to stay or place other restrictions on the eviction of a soldier or his/her dependents.

Small Claims Court: If the landlord and tenant cannot settle their differences between themselves, the tenant may file an action in small claims court. The tenant has the option of performing a repair and either suing to be reimbursed, or suing to have the right to withhold future rent payments until he has recovered the cost of the repairs. The tenant may also sue before the problem is fixed and request that the court allow the tenant to withhold future rent payments to cover the cost of repairs. In either case, the tenant may recover damages for the actual cost of the repairs and for the loss in the fair rental value of the property. An action for reimbursement of money that the tenant has spent is called "rent recoupment". Suing for a court order allowing the tenant to withhold Full or partial future rent payments is "rent abatement." A tenant may choose rent abatement if she does not have the money up front to perform the necessary repairs, or if she does not want to risk paying for repairs and possibly losing in court.

When in small claims court, the tenant will need to show the following:

- (1) That the tenant had a written or oral lease when the problem existed;
- (2) That the type of problem that existed was one that the law required the landlord to remedy;
- (3) That the tenant gave written notice, if required;
- (4) That the landlord failed to fix the problem within a reasonable time;
- (5) That the tenant, in an action for rent recoupment, fixed the problem and incurred expenses (The tenant should retain copies of all repair bills and proof that the bills have been paid by him, such as a receipt of payment, or a canceled check); and
- (6) Evidence of the reduced rental value of the property (this most likely will be provided by oral testimony of the tenant). In an action for rent abatement, the tenant may want to bring evidence showing the estimated cost of repairs. For example, the tenant may present a written repair estimate, or a sales brochure showing the cost of a new appliance. If the tenant anticipates that the landlord will argue that the tenant paid for repairs that were unnecessary or overpriced, the tenant should arrange to have the person who performed the repairs in the court room. Once the court issues an order, the tenant should read the order carefully and follow the court's instructions.

The tenant may also be able to recover for damage to his personal property caused by the landlord's failure to properly maintain the premises. If conditions of the residence were so bad that the tenant was forced to move, and these conditions resulted from the landlord's actions, omissions or negligence, the tenant may be able to recover the moving expenses. If the tenant wins in court, the court may require the landlord to pay the tenant's court fees but it will not require the landlord to pay any attorney's fees. Because disputes between a landlord and a tenant usually involve no more than a few hundred dollars, tenants should consider proceeding in small claims court without a lawyer. Small claims court is a more informal forum and parties quite often do not hire lawyers.

Evictions: North Carolina does not permit landlords to use "self-help" eviction. That is, a landlord cannot change the locks or otherwise impede the tenant's ability to enter the premises (except in order to maintain or repair the premises), even if the tenant fails to

pay the rent. In order to evict the tenant, the landlord must obtain a court order through a process called "summary ejectment". G. S. §§ 42-26 to 36.2.

The landlord cannot evict a tenant in retaliation for certain protected actions. These protected actions include: (1) Complaints made to the landlord, his employee, or his agent about conditions or defects in the premises that the landlord is obligated to repair; (2) complaints to a government agency about a landlord's alleged violation of any health or safety laws; (3) attempts to exercise rights described in the lease or in state or federal law; and (4) attempts to become involved with any tenants' rights groups. If the tenant has undertaken any of these actions in good faith and in the 12 months before the eviction proceeding, the tenant may use this evidence in an attempt to show retaliatory eviction.

Security Deposits

A security deposit is an amount paid by the tenant to the landlord at the beginning of a lease to cover expenses incurred by the landlord for which the tenant was responsible, but did not pay. Security deposits are governed by the Tenant Security Deposit Act, G. S. §§ 42-50 to 56. Under this Act, if the lease is month-to-month, the security deposit cannot exceed one and one half months' rent, and if the lease is longer than month-to-month, the security deposit is limited to two months' rent. If the lease is week-to-week, the security deposit is limited to two weeks' rent.

Landlord's Obligations During the Lease: The Act forbids the landlord from depositing the security deposit in his personal bank account. The landlord must establish a separate trust account in a North Carolina bank, and must inform the tenant of the name and address of that bank within thirty days of the beginning of the lease. In lieu of opening a trust account, the landlord may purchase a security deposit bond from a North Carolina insurance company. These requirements are designed to make it easier for the tenant to recover the security deposit at the end of the lease.

Landlord's Obligations at the End of the Lease: The landlord can retain part or all of the security deposit to cover only the following costs: (1) the tenant's failure to pay rent; (2) damage to the premises; (3) expenses related to the tenant's moving out before lease expires; (4) unpaid bills of the tenant which become a lien against the premises; (5) costs of re-renting the premises after a breach of the lease by the tenant; (6) costs of removing and storing the tenant's property after eviction; and (7) court costs in connection with terminating a tenancy. The landlord must return the deposit within thirty days of the end of the lease. If the landlord keeps any portion of the security deposit, for any of the reasons given above, the landlord must explain the charges to the tenant in writing. This is referred to as an accounting. The landlord can only keep enough of the security deposit to cover his actual costs of repairs, unpaid bills, etc. For example, if the tenant paid a \$600 deposit, and the landlord then paid a repair service \$100 to replace a window that the tenant had broken and did not repair before moving out, the landlord can charge no more than \$100 for that item on the accounting. If that is the only charge against the security deposit, the landlord must return \$500. Any clause in the lease that gives the landlord the power to withhold more than his actual costs -- commonly called

forfeiture clauses -- is not enforceable. Conversely, if the actual costs incurred by the landlord exceed the amount of the security deposit, the landlord can keep the entire deposit and sue the tenant for the difference.

Normal Wear and Tear and Damage: The landlord can use the security deposit to repair damage for which the tenant is responsible. But the landlord cannot apply the security deposit to normal wear and tear.

A frequently asked question is: What's the difference? Normal wear and tear includes deterioration of the premises that occurs under normal use conditions.

For example, paint may fade, electrical switches may wear out and break, pull strings on curtains may fray and snap, and carpet may wear down. These things happen even if the tenant cleans regularly and cares for the premises reasonably. Damage occurs from unreasonable use or accidents, and includes extreme buildup of dirt, mold, etc., stains on carpets, and broken windows. Even planned alterations to the premises are considered damage. For example, the tenant cannot leave large holes in the walls from shelving, and cannot repaint the walls to significantly change the color. If the tenant wishes to make changes to the premises that will remain after the tenant moves out, the tenant should secure that landlord's written permission. The tenant can take steps to avoid disputes over damage. At the beginning of the lease term, the tenant should inspect the premises thoroughly and note all problems in writing. The tenant should sign and date the list and also have the landlord sign the list. At the end of the lease, the

Tenant Security Deposit Act.

§ 42-50. Deposits from the tenant.

Security deposits from the tenant in residential dwelling units shall be deposited in a trust account with a licensed and insured bank or savings institution located in the State of North Carolina or the landlord may, at his option, furnish a bond from an insurance company licensed to do business in North Carolina. The security deposits from the tenant may be held in a trust account outside of the State of North Carolina only if the landlord provides the tenant with an adequate bond in the amount of said deposits. The landlord or his agent shall notify the tenant within 30 days after the beginning of the lease term of the name and address of the bank or institution where his deposit is currently located or the name of the insurance company providing the bond. (1977, c. 914, s. 1.)

§ 42-51. Permitted uses of the deposit.

Security deposits for residential dwelling units shall be permitted only for the tenant's possible nonpayment of rent and costs for water or sewer services provided pursuant to G.S. 62-110(g), damage to the premises, nonfulfillment of rental period, any unpaid bills that become a lien against the demised property due to the tenant's occupancy, costs of re-renting the premises after breach by the tenant, costs of removal and storage of tenant's property after a summary ejectment proceeding or court costs in connection

with terminating a tenancy. The security deposit shall not exceed an amount equal to two weeks' rent if a tenancy is week to week, one and one-half months' rent if a tenancy is month to month, and two months' rent for terms greater than month to month. These deposits must be fully accounted for by the landlord as set forth in G.S. 42-52. (1977, c. 914, s. 1; 1983, c. 672, s. 3; 2001-502, s. 5; 2004-143, s. 6.)

§ 42-52. Landlord's obligations.

Upon termination of the tenancy, money held by the landlord as security may be applied as permitted in G.S. 42-51 or, if not so applied, shall be refunded to the tenant. In either case the landlord in writing shall itemize any damage and mail or deliver same to the tenant, together with the balance of the security deposit, no later than 30 days after termination of the tenancy and delivery of possession of the premises to the landlord. If the extent of the landlord's claim against the security deposit cannot be determined within 30 days, the landlord shall provide the tenant with an interim accounting no later than 30 days after termination of the tenancy and delivery of possession of the premises to the landlord and shall provide a final accounting within 60 days after termination of the tenancy and delivery of possession of the premises to the landlord. If the tenant's address is unknown the landlord shall apply the deposit as permitted in G.S. 42-51 after a period of 30 days and the landlord shall hold the balance of the deposit for collection by the tenant for at least six months. 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. (1977, c. 914, s. 1; 2009-279, s. 5.)

§ 42-53. Pet deposits.

Notwithstanding the provisions of this section, the landlord may charge a reasonable, nonrefundable fee for pets kept by the tenant on the premises. (1977, c. 914, s. 1.)

§ 42-54. Transfer of dwelling units.

Upon termination of the landlord's interest in the dwelling unit in question, whether by sale, assignment, death, appointment of receiver or otherwise, the landlord or his agent shall, within 30 days, do one of the following acts, either of which shall relieve him of further liability with respect to such payment or deposit: NC General Statutes - Chapter 42 Article 6 2

- (1) Transfer the portion of such payment or deposit remaining after any lawful deductions made under this section to the landlord's successor in interest and thereafter notify the tenant by mail of such transfer and of the transferee's name and address; or
- (2) Return the portion of such payment or deposit remaining after any lawful deductions made under this section to the tenant. (1977, c. 914, s. 1.)

§ 42-55. Remedies.

If the landlord or the landlord's successor in interest fails to account for and refund the balance of the tenant's security deposit as required by this Article, the tenant may institute a civil action to require the accounting of and the recovery of the balance of the deposit. The willful failure of a landlord to comply with the deposit, bond, or notice requirements of this Article shall void the landlord's right to retain any portion of the

tenant's security deposit as otherwise permitted under G.S. 42-51. In addition to other remedies at law and equity, the tenant may recover damages resulting from noncompliance by the landlord; and upon a finding by the court that the party against whom judgment is rendered was in willful noncompliance with this Article, such willful noncompliance is against the public policy of this State and the court may award attorney's fees to be taxed as part of the costs of court. (1977, c. 914, s. 1; 2009-279, s. 6.)

§ 42-56. Application of Article.

The provisions of this Article shall apply to all persons, firms, or corporations engaged in the business of renting or managing residential dwelling units, excluding single rooms, on a weekly, monthly or annual basis. (1977, c. 914, s. 2.)