

October 6, 2026

The Honorable Andrew N. Ferguson
Chair
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, D.C. 20580

Dear Chair Ferguson,

As housing costs continue to rise and millions of Americans struggle to pay rent each month, we call on the Federal Trade Commission (the Commission) to investigate and take action to address the emerging issue of security deposit alternatives.¹ These products often expose consumers to significant financial risks through misleading marketing, inadequate disclosures, and non-refundable fee structures.² Given the Commission's ongoing Advance Notice of Proposed Rulemaking (ANPRM) on unfair and deceptive fee practices in connection with rental housing, we urge the Commission to ensure that its rulemaking also addresses the consumer protection issues posed by security deposit alternatives.³

While Americans renting houses or apartments have grown accustomed to traditional security deposits to cover damage or other costs, landlords are increasingly offering these security deposit alternatives.⁴ These alternatives are often provided by third parties and allow a tenant to pay monthly or recurring fees, instead of paying a traditional deposit before moving in. Although these products may seem enticing to tenants at first, they differ significantly from traditional security deposits: they are typically not subject to state laws governing security deposits, the fees are generally nonrefundable, and tenants remain responsible for reimbursing

¹ Anna Helhoski, "Rent Rising, Still Lagging Behind Inflation as Gas Prices Remain Volatile," *NerdWallet*, July 14, 2026, <https://www.nerdwallet.com/finance/learn/rental-market-trends>

² April Kuehnhoff, Alex Vail, Ariel Nelson, "Tenant Insecurity: How Security Deposit "Alternatives" Raise Tenants' Costs and Erode Their Protections," National Consumer Law Center, May 2026, https://www.nclc.org/wp-content/uploads/2026/05/2026.05_Report_Tenant-Insecurity_corrected.pdf

³ Federal Trade Commission, "FTC Seeks Public Comment on a Proposed Rulemaking Regarding Unfair or Deceptive Rental Housing Fee Practice," March 12, 2026, <https://www.ftc.gov/news-events/news/press-releases/2026/03/ftc-seeks-public-comment-proposed-rulemaking-regarding-unfair-or-deceptive-rental-housing-fee>

⁴ Kristen Grau, Kelly Anne Smith, "Security Deposit Payment Plans Could Cost More Than A Traditional Deposit, Report Finds," *Forbes*, June 8, 2026, <https://www.forbes.com/advisor/banking/security-deposit-payment-plans-lmandp5/>

the provider or landlord for covered damages.⁵ As a result, tenants may pay recurring fees throughout their lease, receive no refund at move-out, and still be liable for damages.⁶

The misleading marketing and lack of transparency surrounding these products can lead tenants to believe they function like traditional security deposits, but at a lower cost. For example, Rhino, the largest provider in this sector, claims its product “covers your rental just like a cash deposit would” on its website, while Homebody, another major provider, asserts that renters can “save hundreds” and that its product “is an alternative to a security deposit that still provides similar protection” in its advertising materials.⁷ However, in a report analyzing security deposit alternatives, the National Consumer Law Center (NCLC) found that these products typically cost more than traditional security deposits over the course of a lease, may lack the protections afforded by state security deposit laws, and often fail to clearly disclose the fees tenants will be required to pay.⁸

Recent reporting by *The New York Times* and the NCLC highlights the real-world impacts of the misleading marketing and inadequate disclosures for tenants who use security deposit alternatives. As reported in the NCLC report, a tenant explained “I paid 4 years of premiums totaling \$600 . . . I was scammed out of \$600 over 4 years only to still have to pay everything a deposit would have covered.”⁹ Another renter cited in the NCLC report described being required to pay a monthly fee to a security deposit alternative provider, only to learn that after two years and over \$400 in payments, none of the money would be returned at move-out or applied toward the landlord's full charge for damages.¹⁰ From non-refundable fees and misleading marketing to inadequate disclosures, these products can take advantage of vulnerable tenants who are already struggling to afford the high cost of rental housing.

As security deposit alternatives are becoming increasingly common, the FTC should take action to investigate, provide consumer notice, and combat misleading tactics with respect to security deposit alternatives. We support the Commission's ongoing ANPRM on junk fee practices in connection with rental housing, and urge the Commission to extend its rulemaking scope to cover the consumer protection concerns associated with security deposit alternatives.¹¹ In particular, the Commission should issue rules requiring disclosures regarding the full costs and fees, reimbursement obligations, and non-refundable nature of these products, while also prohibiting misleading marketing practices that misrepresent how these products compare to

⁵ Anne Carns, “More Renters Are Using Tools to Skip Security Deposits, but There’s a Catch,” *New York Times*, June 5, 2026, <https://www.nytimes.com/2026/06/05/your-money/renting-security-deposit-alternatives.html>

⁶ Ibid.

⁷ April Kuehnhoff, Alex Vail, Ariel Nelson, “Tenant Insecurity: How Security Deposit “Alternatives” Raise Tenants’ Costs and Erode Their Protections,” National Consumer Law Center, May 2026, https://www.nclc.org/wp-content/uploads/2026/05/2026.05_Report_Tenant-Insecurity_corrected.pdf

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Federal Trade Commission, “FTC Seeks Public Comment on a Proposed Rulemaking Regarding Unfair or Deceptive Rental Housing Fee Practice,” March 12, 2026, <https://www.ftc.gov/news-events/news/press-releases/2026/03/ftc-seeks-public-comment-proposed-rulemaking-regarding-unfair-or-deceptive-rental-housing-fee>

traditional security deposits. These measures would help protect consumers, improve transparency, and ensure tenants understand the true costs and obligations associated with security deposit alternatives.

Thank you for your attention to this important matter.

Sincerely,



Richard Blumenthal
United States Senator



Elizabeth Warren
Ranking Member
Committee on Banking,
Housing, and Urban Affairs