

Kick Start Guide to Managing Your Own Rental Property

WRITTEN BY



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Introduction

Landlords around the country often find that there is a lot more to property management than they realized. Most rental property owners think it's as easy as handing over the keys to a tenant and then collecting rent every month. It would be nice if this was true, but it's not.

Instead, you'll need to know how to deal with maintenance calls at 3:00 a.m. and where to find a vendor who will take care of your property expertly and affordably. You'll need to know the difference between a pet and a service animal and whether your marketing violates fair housing laws. You'll need to know how to put a price on your property and what to do if no one wants to rent it.

Property management is a full time job, and smart investors know that it's best left to professionals. However, if you're eager about managing your own home, you need to make sure you have the tools and resources that are required to do it well. That's why we put together this guide.

We have been working with rental property owners for many years. 33rd Company is one of the leading property management companies in the country, so we've developed a number of detailed and effective processes to ensure your asset is protected and your tenants are following their leases.

In addition to being professional managers, we're also investors. We know what it's like to worry about finding the right tenant and wondering if pets are going to cause damage to the home.

If you're wondering whether you should do the management on your own or hire a professional team to do it for you, this book can help you make that decision. It's meant to help you understand the responsibilities and the challenges that lay ahead.

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Chapter 1 Tips to Success for New Landlords

For new landlords who put rental property on the market, there are a few things that can determine whether you'll be successful or find the process a struggle. The following tips can be used to ensure you effectively protect your investment and take care of your tenants.



For the video, go to: <https://youtu.be/svP4vVKPMLI>

Insurance Coverage

Make sure you are adequately insured when you put your rental property on the market. You need a business owner policy or a rental dwelling policy. This will ensure you are covered for the structure as well as for general liability. These policies are different from homeowner's policies, so make sure you switch.

There are likely to be vacancy maximums. Most policies have a 60 day vacancy clause, which means that if there are more than 60 days between tenants, your insurance policy will lapse. The only way to cover yourself when you have long vacancies is with an addendum, and that can be expensive.

Look for a policy that covers loss of use or loss of income. This will protect you if you lose rent because your home burns down or a tenant has to vacate.

Changing Your Utilities

Change your utilities to a landlord account. When you put your home on the rental market, call all the utility companies and set up a landlord account. That way, your utilities will not be shut off when a tenant moves out; the billing will instead switch to you. This is especially important in the winter. If a tenant vacates in the middle of winter and shuts the heat off, you could end up with thousands of dollars of damage in frozen pipes.

Water billing also needs attention. Usually, it's a city or municipal utility service and because they are government run, those bills can revert to your property taxes. When a tenant vacates, check the water utility to make sure it has been fully paid before you give the security deposit back to your tenant.

Establishing Maintenance Reserves

Smart landlords tuck away a small percentage of rental revenue every month for repairs, maintenance and vacancy. A good rule of thumb is to save five percent of your rent revenue.

The right amount really depends on the age of your home, the neighborhood and how quickly your home

rents. These things have an impact on the reserve you'll need.

Schedule a professional home inspection every three to five years. An inspector can look at everything and give you an idea of what kind of life is left in your home's major systems. This includes your siding, concrete, carpeting and linoleum. Once you know the expected life of these things, you can start budgeting in advance for the larger repairs. Then, you won't be surprised when you need a \$5,000 roof replacement. That has already been factored in and you'll have the money saved.

Professional Accounting Help

An invaluable tip for landlords is to find a great CPA. A savvy accountant or tax attorney will help you be successful with your rental property. Turbo Tax might be great for taxes, but you'll miss the boat on some things if you don't have a CPA sending you off in the right direction initially. For investment property owners, especially those who are new, it's important to sit down and talk about tax strategies and how they work with your life and other income. Let your CPA help you take advantage of all the deductions that are appropriate.

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Chapter 2 Understanding Laws and Regulations

There is no shortage of regulations for residential property managers. You have to pay attention to local, state and federal laws, and there are additional government agencies with their own set of policies that impact what you do.



For video, go to: <https://youtu.be/mhw3rlXQ8oc>

Government Regulations

You'll need to stay up to date on requirements from the State Department of Commerce, HUD, the EPA and the IRS. Important laws such as the Americans with Disabilities Act and the Property Tax Act have to be complied with and you need to pay attention to

amendments and notices. Even the FCC gets involved with satellite dish restrictions and requirements for universal media.

You have to be familiar with these governmental requirements to successfully manage your property. The risk that you could end up violating these laws is actually higher than the risk of a tenant damaging your property in the course of a lease.

Legal Violations

As an example, let's say you're showing a property to prospective tenants and they bring the whole family to see the place. If you notice there are several small kids, and you say that the house is in a mature neighborhood, and you prefer not to have kids in the house, that's a familial violation of the Fair Housing Laws. The fines from HUD start at \$11,000, and you'll have a very hard time defending yourself in such a case. Not being aware of the laws is never an excuse for failing to comply.

Laws are always changing as well, and if you don't comply, the fines will be steep. This is one of the reasons it helps to have a professional property manager keeping you out of legal trouble.

Here's another example: if a tenant asks about putting a satellite dish on the roof and you innocently say you'd rather they use the cable that's already installed, you have inadvertently violated FCC policy. Through the FCC's Over-the-Air-Reception Rules, you have to give people the ability to put communication devices on the property you rent to them.

The fee for this violation is \$500 per day. It's another example of how an innocent lack of knowledge can land you in hot water and cost you money.

Habitability Requirements

Your home must be up to code. Most cities and counties are requiring rental licenses and inspections. If your property is not up to code, you will need to make whatever improvements are necessary. Otherwise, you face the denial of your rental license, and in many places, without a rental license you can't legally rent property.

Always use licensed contractors to do any work on your property. Lots of independent landlords try to do their own repairs and this causes problems.

Owners can make a mistake or they neglect to solve a persistent issue, and then there's the potential for a maintenance rent escrow from the courts. When tenants aren't satisfied because of habitability issues, you can run into serious trouble.

For example, if there's a consistent water leak and you try to do your own plumbing, you may have a problem containing water, and mold could start growing. That's a health hazard that can lead to a lawsuit. Use licensed contractors even for small things. This is a commercial activity and your repairs need to be done properly.

Rental License

Depending on where you're operating a rental property, you may need to apply for a rental license. Once you have it, do everything you can to avoid the denial of your license. If there are persistent police calls to your property or maintenance issues that aren't taken care of, you can lose your rental license. In this case, you will be barred from renting that property and you may be personally barred from renting any properties at all. Some municipalities also include the requirement for property inspections when you're seeking a license.

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Chapter 3 Marketing And Leasing Your Property

Rental property owners know that a vacant home produces no cash flow. Effective marketing has to be one of your highest priorities as a landlord. This will help you avoid costly vacancies and keep your cash flow steady.



For the video, go to: <https://youtu.be/eOuBln963F0>

Online Advertising

To effectively list your home, create a detailed, illustrated advertisement that includes great descriptions and professional photos. Most prospective tenants are looking for properties online, so get it syndicated and posted on several hundred active websites. Once your home is listed, it will be visible to tens of thousands of potential renters.

Proper Pricing

One of the key factors in the time required to rent a home is the rental price. Many property owners have a hard time determining the right price to ask for their homes. Experienced property managers know your local market and they can help you price your home competitively.

After you list the property, you'll need to monitor your advertising results closely. Measure how many people view your ad, and how many click through to view your home's listing. Study this information carefully and consider how many people are calling you for more information. You'll know whether the rental price for your home reflects the market.

For example, if 300 people view your ad, but only a few people take the time to view and read the listing, and nobody calls about your home or applies to rent it, you know that the rental price may be too high. A simple, price adjustment may be needed to make the home more attractive.

Price is a key factor in home rentals, and a rental price that is set too high can result in a home lingering on the rental market, with no potential tenants seriously interested in it. A vacant rental home produces no income.

Effective Leases

Once you find qualified renters, you will need to conduct a careful, thorough screening process that ensures your applicants are reliable, capable of paying rent regularly and responsible people who will take good care of your property. Then, you'll need to create a strong lease that protects you and your property.

Use a lease that has been reviewed and written by professional property managers and legal experts. You need to make sure you use a lease that is landlord-friendly and satisfies all your state, federal and local requirements. If your tenant takes you to court at any time during or after the tenancy, you're going to need a lease that stands up to scrutiny.

Make sure your lease includes all the pertinent information such as when rent is due and what the consequences are if it's paid late. The lease should also include what the tenant is responsible for and what the landlord is responsible for. It should address renters insurance and parking as well as HOA rules and how to communicate a maintenance need.

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Chapter 4 Finding and Screening Great Tenants

Finding responsible, reliable tenants to lease your rental home is essential. Individual landlords often find thorough screening a challenge, but it has to be a priority.



For the video, go to: https://youtu.be/W_BP_TTYVGU

Tenant Requirements

Any tenant who leases your home should be able to pay the monthly rent reliably and consistently. Tenants should also be adults who have demonstrated that they take their financial responsibilities seriously, and should be good citizens with no criminal record. Our goals are the same as our clients' goals. Screen for long-term renters who will pay their rent regularly, take care of your home responsibly, and be considerate neighbors in the

community. You can minimize your risk of evictions when you screen properly.

Application

Every adult who will live in the property should fill out an application form. Before they complete the application, give them your written guidelines for acceptance. This will help them determine whether they will qualify for your rental.

The application will ask for details of personal information, bank account information, credit history, income, and employment information, and questions about criminal activity and past rental history. You will need authorization to perform credit checks, to verify all information, and to conduct criminal background checks. Collect a non-refundable application fee and proof of income from each applicant. Once you have a signed, completed application, your screening process can begin.

Income Requirements

Except for married couples and committed couples who co-mingle their finances, each adult who will occupy your property must be independently capable of paying the full monthly rental. Each tenant's monthly income should be at least three times the rent. Verify income through employment checks, pay stubs and other documentation.

Credit Checks

The FICO score alone does not tell you whether an applicant is a good credit risk. Instead, you'll want to perform a thorough discrepancy-based screening of his or her credit history. Look for unpaid rents or mortgages, NSF checks, bankruptcies, foreclosures, etc. You are looking for reliable, on-time payments. Past credit history is a good guide to future behavior.

Criminal Background

Each prospective tenant, by signing your application form, agrees to a criminal background check. Always perform local, state, and national criminal archive checks. You also want to check the sex offender database and drug lab databases.

The very last thing a property owner wants to do is to rent a home to someone with a criminal background. You expect responsible, reliable, law-abiding tenants, and you don't want to hand over the keys to your property to someone with a criminal record. Take the time to do a thorough check and a comprehensive screening.

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Chapter 5 How to Handle Security Deposits

Security deposits are regulated by your state laws. It's important that you know the state statutes as well as the federal laws and city ordinances that govern how you manage your property and your tenants, as well as their security deposits. If you don't understand those laws, get help from a professional property manager.



For the video, go here: <https://youtu.be/zrDvoiYguoQ>

When you collect a security deposit, you have a bit of control over how the property is returned to you. That's why it's important to document and have a successful outcome. When you fill out a detailed checklist and you

have a good process, there won't be a lot of disputes over the security deposit.

Unfortunately, normal wear and tear is usually decided by individuals in different district courts. Most states don't have detailed information defining what wear and tear is. It can be interpreted in a number of different ways. Tenants are allowed ordinary wear and tear and it's up to the landlord to prove there is any kind of abuse, neglect or damage after a tenant moves out. This can be difficult.

Take digital pictures with a camera, and you should include shots of every part of the house, including the interior and the exterior. That's a good place to start. Use a move in checklist with a detailed description list for every room, area and appliance so you can track any existing marks, scratches or dents that might be there.

You don't want to hold tenants responsible for existing issues, but you must hold them responsible for anything above and beyond that. By taking lots of pictures and creating a checklist, you have two sets of documentation to defend yourself if a security deposit claim should ever go to court.

Having a rock solid lease will also minimize your risk. It should explain that you will record damages, do estimates and get vendor quotes. Always provide sufficient documentation so the tenant knows you're doing everything ethically and honestly. It will diminish disputes.

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Chapter 6 Pets and Move Out Policies

The condition and maintenance of your property is important to you, and that's why move out inspections are so important. You'll also need to make some decisions about whether you'll allow pets.



For the video, go to: <https://youtu.be/ND1uLATfKbo>

Pets

For every residential rental property owner, the question of whether or not to allow tenants to keep pets in their home can be a difficult one. We all love pets, but as a landlord, it's natural to worry about possible damage to your home by cats, dogs, and other pets owned by your tenants.

Allowing pets or not allowing pets can affect your cash flow. Here's why:

- 60% of renters are pet owners. If you have a policy against pets in your rental home, you're saying no to over half of your potential tenants. This can cause delays in the time required to find a tenant when your home is vacant.
- Extended vacancy periods affect cash flow. If your home rents for \$1,500 and if it turns over every three years, not allowing pets can mean an average of \$500 of lost rental income per year over those three years. If you rent your home for thirty years, you could lose a total of \$15,000 in rental income by not allowing pets.
- Pet deposit fees offset pet damage. You can charge a \$500 pet fee for each pet. This will cover most damage caused by typical pets. Additional damage can also be debited from the tenant's security deposit

You can also place limits on pets. Limit the number or the size, and don't allow dangerous dog breeds, including Pit Bulls, Rottweilers, Chows, Dobermans, or wolf hybrid breeds. Consider excluding puppies and kittens to further reduce damage and liability risks.

Allowing pets has advantages such as shorter vacancy periods and longer term tenants.

Move Out Policies

Your move out process needs to be efficient and consistent if you want to avoid disputes and misunderstandings.

Develop a move-in inspection and exception checklist. When a new tenant moves into your property, check the

tenants in and walk through the entire home with them. Take high-resolution digital photos to record the condition of the home during this walk-through. All condition issues should be recorded on the move-in checklist, which is signed by the tenants. All discrepancies are noted, and the tenant agrees on the condition of the property, as recorded. This will help you at the move out.

Two months before a scheduled move-out, provide detailed instructions to your tenants. Give them a list of cleaning and other chores they should perform to bring the home back to its original condition when they moved in.

When tenants vacate your home, repeat the walk-through inspection and compare the move-out condition with the move-in checklist and photos and note all discrepancies and damage. Aside from normal wear and tear, which isn't the tenant's responsibility, you'll need to repair damages and provide the tenants with an itemized cost sheet for the repairs.

All damages caused by the tenant are repaired and charged against their security deposit. Your next step will be to get your home ready for a new tenant.

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Conclusion

This has been a comprehensive guide to help you establish yourself as a landlord and get a grip on what's required to manage a property. We've shared our tips on everything from fair housing laws to marketing and screening to pets and security deposits. If you have any questions while you're establishing your rental home and developing a relationship with tenants, you can refer to this book and find a quick answer.

For more complex questions, consider consulting an expert. Professional property managers handle all sorts of questions, complaints and issues on behalf of property owners like you. We are experienced with the laws pertaining to rental property and we know the rental market well enough to price your home competitively and find the best tenants to occupy your home.

At 33rd Company, we have devoted our professional lives to investing in real estate and helping people like you take care of your rental property. As you can see from this Kick Start Guide, managing even just one rental can be a time consuming and potentially liability inducing task. Since property management fees are tax deductible, and a good manager can help you reduce vacancies thru better marketing, provide better customer service and hence less turnover, longer tenancies, better tenants, and expertise if things go wrong, most investors find that hiring a professional property manager actually improves their cash flow – even after the fees. Contact us if you need any help, and we'd be happy to provide a free in-home rental analysis.