



# 7 Rental Property Sins That'll Put You in The Poor House



# About AllPropertyManagement.com

We give rental property owners powerful resources to turn their properties into thriving, lucrative investments.

As the largest network of property management services on the Internet, we're known for expertly answering rental property owner's questions on how to maximize their income potential. We also vet and introduce investors to more than 2,000 property management companies with local expertise through our unique search tools.

Our tools work for investors at every level. It doesn't matter if you're the owner of a single property who needs a qualified local property manager or you're an institutional investor looking for appropriate managers for each property in a large portfolio.

We can quickly and easily help you locate and compare thousands of rental and association management companies throughout the United States and Canada. You'll also find a wealth of information on real estate investment and property management best practices.

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# Accidents Happen

Last year 2/3rds of rental property owners failed to make a profit. The 3.8 million landlords whose properties lost money saw their dreams of a steady, annual rental income evaporate into the ether.

Their lack of profits wasn't due to lack of effort. They run ads, interview tenants, fix toilets, answer midnight calls, cut grass, collect rent, evict the bums, then clean, paint and try to fill vacancies as fast as possible.

## **Then why do so many rental property owners struggle to make money?**

In short, they lack effective property management skills. This goes light years beyond just being handy with power tools. There're marketing, emergency repairs, daily financial decisions, regular maintenance and piles of constantly shifting rental laws you need to not slip out of compliance with.

While it may make sense to take the do-it-yourself property management approach if you're a handy person, live close to your property, and don't mind devoting unlimited hours per month to the task of picking up the skills you lack, in many cases it just isn't practical---especially if you're an accidental landlord.

## **Are you an "Accidental Landlord?"**

"Accidental landlords" are property owners who don't start out with the notion of becoming a landlord. They end up backing into that role.

## **How?**

Often they're the ones who paid waaaaay too much for a rehab property. Or, perhaps they busted their renovation budget due to inexperience with either estimating the cost of repairs, or poorly managing their contractors. Even more commonly, they mis-read the market and got caught.

Other types of "Accidental Landlords" are folks who've been temporarily transferred out of the area for work, or inherited a house that owes more than it's worth. The end result is they can't sell their property without taking huge losses, so they decide, with no knowledge or experience, to become a landlord! Thus, an "accidental" one.

## 5 important things you should know if you're an Accidental Landlord

1. **Realize that owning rental property is a very different animal than rehabbing and selling or wholesaling. There are many, many landlord /tenant laws and they are different in every state, county and city. Before you jump in or are pushed into becoming a landlord, spend some time figuring out what these rules are. They can be found online, through real estate agents, municipalities themselves and in many larger cities, through landlord/tenant organizations. Also, seek out and participate in your local Property Owners Association.**
2. **You have certain rights as a landlord... and guess what... so does your tenant. Know what those rights are. For instance, in most jurisdictions you can't turn the power off to the property or change the locks just because the tenant has stopped paying rent. In fact, in Baltimore MD that action would likely get you tossed in jail.**
3. **Find a lawyer who specializes in landlord/tenant issues, come prepared with a ton of questions and request a lease that will protect you while complying with local laws. Your first and foremost questions should be, "how does the eviction process work?" Followed by, "What is the eviction timeline, and what are the costs?" In some places, going from non-payment of rent to eviction is a matter of weeks. In others, it is a matter of many nerve-racking months.**
4. **Seek out and hire a professional property manager. As much as it may pain you to do so, the bottom line is you may not be ready or able to be an effective landlord.**
5. **Be honest with yourself. A good "Are You Ready to Be a Landlord Litmus Test" is the following: If you CAN evict a tenant in December, you have what it takes to make the tough decisions to be a landlord. If you CANNOT evict in December, hire someone who will!**

Remember your job as a landlord is not to become friends with your tenant. Yes, you may be friendly, cordial and respectful, but this is a business relationship. One where, if you do things right, you will get paid rent regularly and if you don't, you'll find yourself joining the 2/3rds of rental property owners who couldn't manage to make a profit last year.

Whether you are gung-ho to manage your rental property yourself, or an Accidental Landlord – knowing the 7 Property Management Sins that follow will be an invaluable resource in keeping you out of the poor house.

Stay Profitable,

### The Team

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# Property Management Sin #1: Setting Your Own Rental Rates

## **What's so hard about setting rental rates, you ask?**

All you have to do is grab a newspaper or hop on craigslist and ballpark a number, right? After all, you're likely smart enough to do some basic math and realize if your mortgage payment is \$800/month you need one dollar over that plus your expenses to cover it.

## **But how much more over expenses do you need?**

Everything over that \$1 all goes straight into your pocket. You want as much as you can get, without scaring renters away. Plus, you've probably spent money on improvements like a nice new fridge and new carpet. That's got to be worth a few extra bucks, right?

This gets you thinking about all the other work you've done. When you add it up you realize it's time to get paid back. So up, up, up your rent goes in your mind.

Then, right as you go to post your ad with your inflated rental rate, you see places for rent in your area that leave you scratching your head. How can a place that nice have rent that cheap? Still others have rents twice as high as yours, but aren't nearly as nice.

## **Why trusting your gut to set rental rates hamstrings your profits.**

Humans get emotional about things they invest in, especially when money is involved. Yes, you're convinced someone is going to love the chicken house and organic garden you built on your property, so when setting rates it can feel impossible to step back from that.

Same goes for the imported tile from Italy, the new blinds, cupboards or any other thing you did to make your place more appealing. While these are all fabulous things to do, being emotionally invested in the value you place on an improvement is the quickest way to hamstringing your ability to make objective decisions about what rent to charge. It's like trying to do something nice for someone who didn't ask for it. You're bound to get upset when they don't rave about all the work you did for them.

Are we suggesting you don't make your place look as appealing as possible? Hardly. You just need someone to help you step back and look at how the market really values all your improvements. You simply can't do this "ball parking" your rates from Craigslist and newspapers.

## **How to get rental comps that acknowledge your property's unique improvements and assets.**

There are oodles of online tools and websites for getting rental comps in a specific market. Some charge a flat rate for reports, others a monthly membership. While this is a significant upgrade over trusting your gut and browsing the paper and Craigslist, it has its drawbacks.

For starters, many comp sites only deal with major cities. So if your property is tucked away in a rural area, you'll be back to using grass roots methods. The other problem is they have no way to consider the true value of your improvements.

That's where a good property management company can help you. They will conduct a thorough market study in order to set a rental price for your property. In addition, they'll look at your expenses and investments into the property and help chart a profitable rent plan for your specific market conditions.

## **Aren't property management companies expensive?**

Not at all. When you consider that according to the Census Bureau, a quarter of rental property owners pay over 20% of their rental income towards maintenance alone, the 6-10% a property management company will charge is a bargain. If you highly prize your time, even more so!

You can't afford to trust to your gut about rental rates.

Whether you use a combination of local tools, comp sites or partner with a property management company – you cannot afford to trust your gut. If you guess wrong, or lower your rate to "attract" people, you will often pay for it over the long haul. Get objective help when setting your rental rates.



# Property Management Sin #2: Chasing Rent Checks

You're probably a really nice person. For many landlords, that can be a real problem to overcome. Are we saying you need to be a heartless miser to be an effective landlord? No.

Most rental property owners struggling to be profitable are on the other extreme. They think they're being kind by allowing payments on security deposits (which they chase for months) because of some hardship story. Then their soft hearts get taken advantage of month after month with endless excuses about lack of hours, expensive daycare or some other sob story.

Believe it or not, some landlords don't even charge late fees. So by the time the rent's finally been paid, they've worked for free to collect it. Then they climb back on the excuse merry-go-round for another ride the following month.

## **Why you need a foolproof (emotionless) system to collect rent.**

You are a business in which cash flow is king. When rent is late, for many rental property owners, their mortgage is late. Being late means your bank is going to clobber you with fees.

Which is something you can learn from. Ever notice how your bank doesn't care about your excuses for late payments? Just miss enough of them and they will take back their property.

## **You need to have the same mindset.**

Your bank has a system. It's foolproof. As soon as you are one day late a slew of computer switches and levers automatically get thrown. At 1 minute past midnight of your grace period, a penalty and interest bear trap gets sprung. The only way to get free (and keep your property)

is to pay it. Ignore their automated letters, emails and phone calls long enough, and they take more pre-planned, automatic actions. Like seizing your house.

You might think this is cold hearted, but it's exactly the kind of system you need to have. Just like papers you sign ahead of taking ownership of your house, your tenants sign off on what will happen to them at 1 minute past their grace period. Typically that includes a late fee of \$50-60, with more fees added for each day late after that. But you don't sit around waiting for them to pay. Savvy, profit minded owners start the eviction process at 1 min past when their states allow. There is nothing personal, or emotional about it. If they pay, they stay -- and the eviction is cancelled.

## **With today's technology, building a foolproof rent collection system has never been easier.**

If you're still using paper and pencil systems to collect rent, you're bleeding profits. With today's technology there are countless software programs and pay as you go websites that make it a snap to get your rent on time.

A foolproof rent collection system has a lot of moving parts. There's how you collect the rent (online, checks, cash, etc). There's also legal aspects of what you can charge and when you can start eviction. This requires having a sound team and system in place. Because most rental property owners, despite their best intentions, discover their legal rights only after lots of court time.

## **Feeling overwhelmed about building your own foolproof rent collection system? Borrow one already proven to work.**

If you place a premium on your time, and feel overwhelmed with all that's needed to have a reliable rent collection system, then hiring a property management company could be a real lifesaver.

They have efficient, tried-and-true systems in place to effectively collect rent and maintain on-time payments. If you have a limited number of properties and collecting payments on time is crucial to maintaining your cash flow, you will find capitalizing on this of utmost importance.

## **But I'm too small for a property management company to work with me.**

This is an old wive's tale among rental property owners. The truth is, there are thousands of local property management companies (no matter how tiny your town) that service rental property owners like you, whether you have a single house or an apartment building.



## **The hard truth about collecting rent is this...**

If you don't have a foolproof system that utilizes the full extent of the law to collect rents, you will not be in business for long. Whether you design your own, or use a professional property manager's system, you can take the drama out of collecting rent and protect your business's most important asset. Cash flow.



# Property Management Sin #3: Anemic Marketing

Since your property is not the only place for rent in your community, you will have to compete for each renter's precious attention. If your idea of marketing is slapping an ad up on Craigslist whenever there's a vacancy, you're already in trouble.

This reactive approach to marketing is tortuous on your nerves. It also makes you do stupid things, like needlessly lowering rent and accepting seedy people.

## **Why you always need to be thinking like a marketer.**

Profitable rental owners are always thinking ahead. This means marketing ahead too. They constantly think about what makes their building and community unique. They find ways to improve marketability by making improvements and polishing it's curb appeal.

They don't guess at this stuff either. They use insights gleaned from tenant surveys and market studies to see what improvements are most likely to correspond with higher rents. They know what's really important to the high quality tenants they hope to attract and communicate that in every ad, brochure and flyer they create.

Even then, they never take for granted that this will keep their place filled with the stellar tenants they covet. So they study, continually test new ads and marketing funnels and refine based on one thing: Results.

We can't explain everything there is to know about marketing, how to differentiate your property in ads, or the dozens of modern ways to get your property in front of potential renters in one section of a free report.

## **But what we can tell you is... How effective marketing helps upgrade your tenants.**

Ideally, about 2 months before your tenant's lease expires, you do a review of their payment and complaint history to see if you want to keep, or replace them.

Waiting until someone gives you a thirty-day notice is not enough time (you do have your tenants give mandatory 30 day notices, right?) to start marketing. Depending on the condition of your property after a tenant leaves, it can take 1-2 weeks to get a place ready for someone new. That means if you wait too long you could find your place sitting empty for 4-6 weeks in the blink of an eye. Vacancies can wipe out an entire year's profit — or more.

If your tenant's payment history is shaky or they cause problems, effective marketing can help you easily find a replacement. It'll give you more peace of mind too, since you'll be able to screen people ahead of time.

If you have multiple units, you most likely are never 100% full. So it's even more important you keep an eagle eye on whom you should be looking to replace.

## **Does the idea of having to become a marketer feel icky?**

If you want your property to be full (and profitable) someone is going to have to market your property. Fortunately, you can always hire people to help you. You likely don't need an ad agency, but you can hire copywriters and marketers through various online resources. Even still, you will have to oversee them and pay for any ads that get run.

Unless... you want a complete hands-free way to market your property.

Through local know-how, a property manager will know exactly where to market your property and how to craft compelling advertising materials---a significant advantage when it comes to filling your properties quickly and avoiding long vacancies.

They also pay for all the advertising to get it done.



# Property Management Sin #4: Renting to The Wrong People

If you're a rental property owner, it's only a matter of time before you encounter some version of a "professional tenant." These are tenants who believe, by virtue of owning the property, that you should become their private charity and allow rent-free living.

Your application process is intended to weed these characters out up front. But the professional tenant preys on landlords with loose rental agreements and sloppy move-in procedures. This is what gives them ammunition in court to convince the judge you're a slumlord.

## **How to avoid costly and embarrassing court battles with "professional tenants."**

Screen, screen, screen, every applicant: If they're over 18 yrs old, they get screened, whether you know them or not. Mainly you're looking for income greater than 3x rent, no evictions, ever, good references and a clean background (more on that in a sec). This is just the beginning. You also need a rock solid process for phone and in-person screening so you can sniff them out before wasting your precious time.

Each applicant fills out your application in its entirety: This means they sign documents allowing you to pull credit reports and contact current and previous landlords and employers. If they refuse, find someone else.

Call every landlord and employer reference given: It's not enough to just call. You need to ask specific questions, like: Has the tenant ever been late on their rent? Have you ever taken this tenant to rent court? If so, how many times in the past year? Professional tenants count on you

not doing this.

Get CSI all over their background: With today's technology, even the most remote hamlets post information on their citizens who've had run-ins with the law. Also note, individuals with criminal records are not nearly as protected by tenant laws. Use this to your advantage.

Have a clearly written, bulletproof lease. Think one of those pre-fab rental agreements you download can cover your behind in court? Big mistake. To the professional tenant who thinks they're Matlock, that's a slow pitch softball waiting to be knocked outside the park. Your lease needs to be reviewed by a local real estate attorney.

Only sign leases inside the property. An essential part of your lease signing process will include the tenant conducting their own move-in inspection for the purpose of defining – in their words – the condition of the property on the day they moved in. And guess what? While the tenant is busy looking the place over you are going to be taking pictures of them in the property as well as any deficiencies they may have found. If there is something that you need to correct as part of this process, get it corrected.

Every page of your lease gets acknowledged. Get their John Hancock (initials) on the bottom corner of every page of your lease to acknowledge receipt. It's also a perfect time to have them sign off on any unique clauses or stipulations of renting from you to keep in good standing.

## **Final thoughts on steering clear of professional tenants.**

Successful landlords reject more people than they accept. That's because they have clearly defined standards of the type of tenant they want as part of their community. They also know the ironclad legal footing they can stand on for each step of the leasing processes.

If you get your screening and move-in process wrong, you will be spending a lot of time and money in court. If you do this right, you'll have the ammunition you need if you ever find yourself defending the condition of your property in front of a judge.

Be honest, is your screening process and lease really up to snuff?

## **When do you want to find out if it's not?**

While you can do all the work of finding and screening qualified tenants yourself, just realize an online screening tool is not enough.

You need a complete process from their first response to your ad, to when you hand them the keys. Remember -- do not skip the attorney -- they will make sure all your legal ducks are in a row in case a professional tenant does slip through.

## **There is one shortcut to avoid doing all this yourself....**

Another option is to work with a property management company. They're experts at finding good tenants, and will take care of all the details. This includes securing all criminal background and security checks, running credit reports, verifying employment, and collecting previous landlord references. They will also share vetted leases for your city that you can take to your attorney and customize for your needs.



# Property Management Sin #5: D.I.Y. Repairs & Maintenance

It's a very rare landlord that loves plunging tenant toilets and being shaken awake at 2AM to do CPR on a water heater. Yet eight out of ten investors choose to do their own repairs and maintenance. For some, this makes sense -- they have the gift of an inner Bob Villa to guide them through any project.

Most are doing it only to save money. But they often woefully underestimate even basic maintenance needs, let alone urgent tenant repairs. Even worse, their only budget for both is how much room they have on their credit cards.

## **Are you stepping over dollars to pick up repair and maintenance pennies?**

We're not saying you shouldn't do your own repairs and maintenance. We are saying you need to have a plan, and know exactly what you're getting into if you choose to go that route. It's a hard landlord fact -- your tenants will break things with regular use, and your building will seem to age in dog years.

Studies show unprofitable landlords who try to battle both the repair and maintenance beast themselves end up spending over 20% of their cold hard rental income to do it.

Making matters worse, most landlords don't live on site. This means you miss the day-to-day opportunities to extinguish smoldering problems. Relying on tenants to tell you what's wrong is a surefire way to always be putting out fires -- which raises your stress levels and cripples your cash flow.

## **Important questions to ask yourself about DIY repairs and maintenance**

Just like your marketing, screening and moving in processes need a system so do your repairs and maintenance. Especially with repairs, you need to know who is going to handle tenant requests.

### **Will it be you? Ask yourself:**

- **Are you comfortable getting urgent calls at any hour of the night?**
- **Are you comfortable entering a tenants' apartment or house?**
- **Do you know the limits of your electrical and plumbing abilities?**
- **Do you live near your property?**
- **Do you have a full time job or other commitments**
- **How will doing repair and maintenance yourself impact the expansion of your business?**

Thinking of hiring an on-call handyman? It can be a good idea, but if they live on site you instantly become an employer. Are you OK with the extra responsibilities of that? If so, ask yourself these additional questions:

- **How quickly will they respond?**
- **How will you be kept involved?**
- **How are they paid and reimbursed for any parts?**
- **Will they get you involved or not, and when?**
- **What happens if they go on vacation?**
- **What is the process for regular maintenance?**

Keep in mind, no matter which of these you choose, you'll also want to have a reliable system in place to track every job and repair that comes in. Not only because you don't want things to slip through the cracks, but because what doesn't get measured, can't be improved.

### **Want your evenings and weekends all to yourself?**

Hire a property management company. While it may seem more expensive than doing repairs yourself, it does save you the headache of 2AM phone calls and devoting your weekends to grueling maintenance.



In addition to finding good tenants, a good property management company will shoulder all aspects of the tenant-landlord relationship. The property manager will handle both routine and emergency maintenance, take care of routine inspections, and manage any situations where conflict resolution is required. They will either have a skilled team of handymen on staff or will hire outside contractors to perform any repair or maintenance requests you get.



# Property Management Sin #6: Overpaying Contractors

This sin is closely related to the previous one. When you are always reacting and desperate to solve repair and maintenance problems you become like a man dying of thirst in the Sahara desert who'd pay any price asked to get a drop of relief.

Where this really shows up is in hiring out contractors for skills you lack. When you need these services now, you likely tap your personal network first. For most landlords this is 1-2 people tops. This leaves you in the same vulnerable position of looking online or through Angie's List like a regular homeowner.

## **Building a contractor network doesn't happen overnight.**

Contractor relationships that yield special pricing don't just happen with a friendly first handshake. They're built through sending them regular work and paying on time.

There are also shady contractors who can spot a newbie or inexperienced homeowner with the same sense a car mechanic can with a stranded car owner. You might think you're getting a good deal, but how do you really know unless you spend several evenings making phone calls, getting bids then crossing your fingers you'll get someone who can do the job right the first time.

## **There's also the liability and true cost factor of hiring contractors.**

When making repairs yourself, if something goes wrong you are solely responsible. When a contractor messes up, it's on them. The good contractors are always happy to make things right with you.

There's also true cost versus what you paid. When you fix something and it breaks or has to be redone, you pay for the materials twice, your time twice and lost rent. When you use a pro or a property management company they guarantee their work which is bonded to help pay for lost revenue. You might pay more to start with but the true cost over time is almost always lower.

### **Don't have time to build a contractor network? Rent one!**

Property management companies already have trustworthy relationships with affordable maintenance workers, tradesmen, contractors, suppliers and vendors that are almost impossible for an independent landlord to duplicate. Not only will your property manager get you the best work for the best price, they'll oversee any necessary maintenance projects so you don't have to.

What landlord wouldn't want that?



# Property Management Sin #7: Overlooking Housing Laws

We get that staying compliant with ever shifting housing laws can feel as daunting as doing open heart surgery on yourself. There are mountains of applicable laws and regulations to abide by when renting and maintaining your rental property. These include local, state and federal regulations, as well as fair housing regulations (such as the ADA).

While no housing law should ever be overlooked, fair housing is an area ripe with danger for the lazy landlord. Understanding these laws is the best protection against a claim that a Fair Housing law has been violated. If you're a landlord these are the 10 laws you cannot afford to overlook.

## **10 Fair Housing Laws You Can't Afford to Overlook.**

**NOTE:** You are responsible for staying compliant with ALL the housing laws in your city (there are more than just the 10 items below). However, these are the 10 laws most landlords mess up when it comes to understanding what should and should not be done when renting your property.

**ADVERTISING:** Advertising is a sticky wicket. You have to do it in order for renters to find you, but you also want to keep riff-raff away. When advertising you can describe property attributes and/or amenities. You cannot say, "Great for a young couple," as it may be considered discriminatory to families with children. Nor should you say "safe" or "exclusive" as this may imply they only rent to certain groups.

At the end of the advertisement, always include, the Fair Housing logo or a disclaimer such as "This community does not discriminate on the basis of race, color, religion, national origin, sex,

disability or familial status.” Also, the Photographs you use MATTER. They need to be carefully considered. Ask your attorney what images are acceptable.

**STEERING:** “Steering” occurs when you attempt to direct a resident, for whatever reason, to lease a specific area of the property. To help avoid claims of “steering” by a prospective resident, landlords should show all available properties to prospects, let the prospect decide what to see and what to skip, and finally present only facts about the property and the community, not about other residents or neighbors.

Steering language: Never say “You would really like this particular apartment because it is nice and quiet with few children around”, or “There are lots of other children in the same age group as your own” as both statements may be considered a violation of fair housing law.

Failing to show a handicapped person the recreational areas (on the assumption the prospect would not use those facilities) can also create potential liability. However, if a prospective resident expressly states they are not interested in seeing a specific area it is okay to skip that area. Even if asked, your best move is to never comment on the “types” of persons who live in the community.

**SCREENING/APPLICATIONS:** Your application and screening process is a landmine for potential lawsuits. You must have a clearly written rental policy spelling out necessary criteria for approval to live on your property. Your rental policy should include occupancy guidelines, availability policy and rental criteria (i.e. employment history/income, credit standards, etc.) with an explanation of what the criteria are. You’ll also want an outline of the application process and an agreement that your client adheres to all applicable Fair Housing laws.

Questions included on the application should not ask about physical or mental disabilities. Questions about drug/alcohol use and lawsuits should be limited. Inquiries regarding prior evictions, prior money judgments, bankruptcy and why prospective residents are leaving their current landlord are acceptable and may provide important information.

Once a written policy is created, you should ensure strict adherence and compliance with the written policy. Additionally, good records of each applicant or inquiry need to be kept. However, if an applicant requests a deviation from the written policy based on a disability, a lawyer should be consulted immediately before making a decision.

**OCCUPANCY STANDARDS:** In 1996 Congress enacted a law based upon a 1991 HUD memo stating that a 2-person-per-bedroom occupancy standard was acceptable in most situations. This is by no means a hard and fast rule with regard to the number of occupants for a particular residence.

This figure can change depending on how the property is laid out. More occupants may be allowed if there are unusually large living spaces or bedrooms, and fewer occupants if the opposite holds true. Many fair housing experts believe that infants do not count when calculating occupancy standards.

**APARTMENT RULES:** It is absolutely acceptable for you to have a set of “house rules” for all residents to live by. The house rules should be in writing so they are applicable to ALL residents, not just specific groups of residents.

Example: Stating, “Children shall not roughhouse in the hallway,” may be discriminatory. Using general terms such as “residents or guests” should keep the rule unbiased, fair and applicable to all residents. Rules must be enforced uniformly against all residents and records regarding rule violations need to be kept. The records should include the time/date and manner of the violation, how the landlord became aware of the violation and what actions were taken to enforce the rule.

Special note: Pool rules should be carefully scrutinized to insure they do not discriminate against children. A rule saying “No children under 4 in the pool area,” is discriminatory, while a rule saying “Children under 12 must be supervised by an adult over 18”, is likely not discriminatory. As always, consult your specific state or local laws.

**REASONABLE ACCOMMODATION:** A reasonable accommodation is when a resident requests you make a voluntary exception to your standard rules/policies to accommodate their disability. The requested accommodation must be reasonable and should not present an undue burden on you as landlord.

If the accommodation is not reasonable, or if it would impose an undue hardship on you, the request may be denied. If this is the case, a letter should be sent to the resident explaining the denial, the facts behind your decision, how those facts were discovered and an offer to meet with the resident. Offering a resident an accommodation (no matter how sweet your intentions) before it’s requested by them may subject you to a claim of discrimination.

**REASONABLE MODIFICATION:** This is different than the Reasonable Accommodation mentioned above. You may require a resident to pay for modifications to the property and require that those modifications be removed when the resident vacates the property. If the modification were for something that federal law already requires you to have in place then you’d be responsible for the cost of the modifications.

Your attorney can help you determine where financial responsibility for common-area modifications lie, and whether the resident would be responsible for both the installation and removal of the modifications. Keep in mind the modifications must be reasonable.

**RECORD KEEPING:** As much as it may pain you, you need to keep fastidious records on all prospective residents, as well as current/past residents. This includes guest cards or logs with relevant information (i.e. date/time of visit, properties shown, prospective move-in date, etc.) as well as a log of all calls made by prospective residents, even if the resident never comes to see the property.

Records regarding available properties also need to be kept and updated every time there is a change in availability. Additionally, all applications should be retained, even if the applications were rejected or withdrawn. Being able to produce consistent records showing nondiscriminatory application of written screening criteria in every case can usually successfully defend a Fair Housing claim.

**EMPLOYEE TRAINING:** You must have a written policy to avoid claims for harassment, particularly sexual harassment. Whenever a new employee joins the staff there should be a training meeting about Fair Housing laws and how to comply with them. The meeting should include copies of all memos regarding policies about how to comply with Fair Housing, what can happen to the landlord for a violation and what will happen to the employee who violates Fair Housing.

**EVICTION:** You have every right to evict a resident for legitimate reasons without fear of a Fair Housing violation claim. As long as the rules set by you apply to all residents equally. When contemplating an eviction for other than non-payment of rent ask yourself the following two questions: (1) Has there been a serious violation of the lease agreement? (2) Do you or have you ever evicted other residents for the same type of problems or behavior?

If the answer to these questions is yes, then an eviction would be warranted under the circumstances. Resident files should contain records of all complaints against the resident and what has been done in response to each of the complaints. HUD has historically looked for five types of documentation when dealing with Fair Housing claims.

You should document and include in resident files the following information: (1) Warning letters/eviction notices, (2) Written complaints by third parties, (3) Written logs kept by management, (4) Police records and (5) Photographs. Resident file documentation needs to be consistent for all residents. This documentation may prove there was a legitimate reason, unrelated to any Fair Housing claims, for evicting the resident.

## **Don't be the, "I'll catch up on this stuff later" guy.**

Because we both know it will never happen. The sad reality is the only time some landlords will seriously pay attention to these laws is when they're staring at a letter from the Fair

Housing Administration threatening legal action. Don't be that guy.

### **The easiest ways to stay compliant.**

You could hire an office manager who moonlights as a paralegal, but those are not easy to find. Another option is hire a property management company. They can help you avoid lawsuits by keeping your property up-to-date and in compliance with not only the Fair Housing laws, but all regulations.



# Next Steps?

As you can imagine, we're big believers in professional property management, but it's not right for every landlord. It is best for real estate owners who want professional help overseeing some or all aspects of the financial, marketing, and maintenance of their property.

The property manager shoulders the responsibility of handling all of your property's day to day tasks. This includes: screening qualified tenants, executing leasing or rental agreements, collecting rents, handling tenant complaints or legal issues such as evictions, building maintenance and repair, as well as a complete financial accounting and reporting back to you.

## 3 Signs You Might Need a Property Manager

1. **You have a general lack of experience or knowledge of all the aspects related to managing a property.**
2. **You're concerned about the amount of time you have to invest in managing, marketing and maintaining the property.**
3. **You can't personally oversee the property due to the distance between the rental property and your personal home.**

## Still not sure? We're here to help!

Visit our website [AllPropertyManagement.com](http://AllPropertyManagement.com) or call us at 888-238-8948.

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