

TEN COMMON MISTAKES THAT MOST OWNERS MAKE

By Arbour Real Estate Management Inc

Being a property management company specializing in single family homes, small residential and commercial properties, we have helped hundreds of owner's manage their homes and small rental properties. We have found similar mistakes that these owners have made while managing their own property. The following are the ten most common. We hope this report will help you become better rental property owners.

1. Not screening each applicant.

Besides, the fair housing violations by screening some applicants and not others, you are heading for trouble if you do not property screen your prospective renters. Good tenants are a key to an enjoyable rental property investment. You should have each interested renter fill out an application, which should be screened according to credit, prior rental or ownership history, income, income stability and criminal history. Your criterion needs to be consistently applied to every applicant. You cannot believe the number of owners that have not checked with us on our former tenants. When you advertise as an owner you attract the flakes that avoid property managers. A property manager is an automatic qualifier, since the flakes know that they have been hired to find qualified tenants. It is hard for an owner to revisit a prospect with cash in hand, ready to move in today (they are probably being evicted from their current rental } pay over market rent, even accept a dirty home. Remember dirt attracts dirt.

2. Not following Fair Housing Laws

Rental owners are losing millions of dollars every year because of ignorance and blatant violations of the Fair Housing Laws. It is against the law to discriminate against anyone based on Race, color, Religion, Sex, National Origin, Handicap or Familial Status. This is a Federal Law. Our State laws also include marital status. Status with regards to public assistance, and depending on the municipality your property is in, may also include affectional preferences and age. There are some exceptions to the law if you are an owner occupant: however, it is best to consult with your attorney or HUD before you rent.

3. Not keeping up on the rental market or not raising rents

Most rental owners simply look in the newspaper to see what other owners are renting their property for and determining a rental amount. This is a way, but certainly not the only way or the best way. Unless you rent out hundreds of

properties, you are not going to have the data and experience to effectively set the rent. If you do not have professional management, try some testing. Start advertising your property two months out. Set the rent higher than what you see in the newspaper. See what response you get. If you get flooded with calls, you may feel good, but this usually means your rent price is too low. It is a matter of testing. If you already have your property rented, but do not increase the rent upon renewal, you are not managing your investment effectively. Thinking that the tenant will move or that you do not have enough time to re-rent the property are typical excuses, however, they do not make you any more money. If your tenant is serviced like a valued customer during the course of the lease term, a modest rent increase will not scare them away. Tenants do not expect rents will never go up and a modest increase each year, as the market dictates is far easier than a large increase every so often. Exceptions are depressed markets where there is more inventory available than prospects. We subscribe to rental survey service that is on this web site. That may be of help, go to menu item Rentometer.

4. Not signing a lease

Many owners have the idea that a month-to month rental is the best way to go, since they can get the tenant out easier; consequently, these owners do not sign a lease. Although it is true that you would only have to give 30-day notice to the tenant to vacate, if they did not, you still would have to evict them. By then, they would probably be a month behind in rent. Having a good written lease is always the best way to go. You reduce your risk and have a better understanding with your tenant. Even if you decide to go month to month term, get it in writing.

5. Not doing a move-in condition report

One of the best ways to justify withholding money from a tenant's security deposit is to have proof of the condition of the property prior to the tenant moving in and again after the tenant move out. This can be in the form of a written report, photos and/or videotape. Without such proof, you will be defenseless if it comes to court.

6. Not giving your new tenants and renewing tenants Title X information

For most rental property owners and of December 6, 1996, the Lead Based Paint Disclosure law went into effect. According to the law, every owner with a property built prior to 1978 must give all new and renewing tenants a disclosure and pamphlet on lead paint. Failure to do so could result in a \$10,000 fine.

7. Not having the property ready for new tenants

If you have your tenant's move into your property without cleaning, repairing items and painting, if needed, you are asking for more calls, complaints, and less renewals. Good tenants expect to move into a clean, well-maintained property. By doing it before the tenant moves in, you can work around your schedule, the

tenant is happier and you have to deal with fewer phone calls and enjoy fewer turnovers.

8 Not maintaining the property

It is easy to defer maintenance because you are too busy to do it or do not have the funds. However, it costs a lot more down the road when the item becomes a problem. Set up a preventive maintenance schedule of changing furnace and A/C filters, testing for carbon monoxide, cleaning gutters, re-caulking bathtubs and floors, testing smoke detectors, cleaning under and behind refrigerators along with general upkeep of your property. It does not have to cost a lot, but will surely save you a lot. You may question “Why not have the tenant do these things?” The answer is in a perfect world this should be expected, but don’t trust that the tenants will perform these tasks. The majority don’t.

9. Not properly handling security deposits

Owners consistently violate security deposit laws, and end up losing in court. Even if you are entitled to withhold the deposit, you must give the tenant an accounting of it within twenty-one days after they move out.

10. Not documenting

It’s been said “he with the most paper wins” In today’s litigious society, this is very true. The simple handshake or verbal O K just does not do it anymore. Have written leases, document your conversations, document your property condition upon move-in and move-out, keep record of applications you denied and keep accurate records of income and expenses. Your organization will pay off. It only takes one time without proper documentation that can cost you a lot of time and money.