



# THE ULTIMATE GUIDE TO RENTING YOUR HOME

# *C O N T E N T S*

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Karen was moving in just a few days to her new job in Chicago. She was excited about all of the new opportunities the big city would bring and her chance to get a new start - in work and perhaps even in a new life.

Karen purchased her house a few years back and was proud of herself for being able to do it on her own. She had religiously paid her mortgage and spent many Saturdays repairing odds and ends when something would break. She mowed her own yard and planted her own flowers. She was very much invested in her home - both financially and emotionally. Unfortunately, the one thing keeping her from being able to move on was the home.

She'd listed it for sale and despite her agent John's best attempt, he was unable to sell the home and net what she needed to clear to pay off the mortgage. Karen needed to do something, so she considered renting it out.

The thought of renting out the home was scary. She had heard of so many horror stories about bad tenants not paying and tearing up the house that she wasn't sure whether she would be willing to leave the home she loved dearly to be subjected to that type of punishment. However, when the call came from John that the most recent showing hadn't vetted any buyers, she decided she had little choice but to rent it out.

Living in a desirable neighborhood, as soon as the sign was in the yard, Karen began receiving phone calls from people who were interested in renting. One call in particular was from Jan, a neighbor three doors down, who had a friend who would "definitely be interested - they were looking for a place and could move in very quickly. Karen couldn't believe it; she was so excited at the prospects of renting her home to a friend of a neighbor. Certainly they would take care of it.

When the Walker's showed up to look at the home, they looked like the model family. Husband, wife, and three kids, each piled out of the brand new SUV sitting in Karen's driveway. Mrs. Walker immediately jumped out of the passenger seat and began gushing over Karen's perfectly planted flowers. Karen thought to herself, "Somebody who will actually appreciate all my hard work!" The gushing never stopped when the Walker's entered into the home and saw how well appointed it was with all of the finest finishes - stainless steel, copper, granite. Mr. Walker was particularly excited about the downstairs and the possibility of a "man room" and an office for his new business. "It is perfect," they told Karen.

After a brief review of the home, Mr. Walker was still glowing at the prospects of his newfound space. He informed Karen they would take it and were more than happy to pay what she was asking in rent. They would be willing to move in after Karen left for Chicago and they would even be willing to clean it before they moved in, thus removing that burden from Karen.

Karen felt a little uneasy about how quickly this had all come together. She felt a little bit like she should get an application or something more official than a handshake, but settled on the fact that she was just being silly and these were friends of her neighbor and they seemed really nice. So despite her gut feeling, she agreed to the new deal and told Mr. Walker she would send him a lease via email that night.

Karen jumped on Google after she returned from dinner and searched, “Residential Lease” in the search box. Thousands of possibilities came back. So, beginning with the first one, she began opening them and seeing what they had to offer.

After 45 minutes of searching Karen was more confused than ever. It seems there are too many possibilities that it make it difficult to choose one. With no real direction and no real knowledge of whether one was better than the other, she decided to simply take the lease from the website that appeared to be the most knowledgeable on the subject. They provided her a Word copy of the lease for \$29 and she got to work filling it out.

Once completed, Karen emailed the lease to the email address Mr. Walker had provided. “Done,” she thought. I’m glad that is over. She was so energized by checking that off her list, she decided to pack her guest bedroom for Chicago.

The next day Karen checked her inbox for the lease from the Walker’s. Having never done this before, she wondered if Mr. Walker took one look at the lease and realized she was a complete rookie. She rolled her eyes at this funny possibility when an email from Mr. Walker happened to pop up on her screen. She quickly opened it. Attached was a pdf version of the lease and the Walker’s had both signed it. “Check” she thought. This was going to be a great experience. She began to get excited about the lights of Wrigley Field and Lake Michigan. Chicago was just a few days away.

Moving day had finally arrived and Karen had some anxiety. Not only was she having to orchestrate this move to Chicago, she had also been unable to reach the Walker's to get their security deposit. She tried both email and calling the numbers she had for them, but neither of the methods of contact left her confident she was getting to them. The movers were packing the last boxes and loading them onto the truck and she decided to call her neighbor to see if she had a number for them.

Luckily, Jan did have a number and provided it. When Karen called the number, Mr. Walker answered the phone. When Karen informed him of who she was, he seemed unsettled and confused. Karen explained to him that she was leaving town and really needed their security deposit prior to leaving. Mr. Walker, after hearing her request, explained that he had been using his check card at a gas station recently and somehow his card number was stolen and all the money had been drained from the account. He assured Karen that the bank was looking into the matter and promised to reimburse him, but that there was no money in the account to pay her today.

Two weeks later, Karen opened her mailbox expecting to see a rent check in it. What she found was a letter from her bank that looked strangely unfamiliar. The letter contained an image of the check Mr. Walker had sent along with an explanation that the check had not gone through due to "insufficient funds." Karen's heart sunk. Immediately, she texted a photo of the letter to Mr. Walker's phone, along with "What's this?"

That night she fumed until the wee hours of the morning. No money, no response. "What in the world was going on down there?" she thought. That night she couldn't sleep and began to feel taken advantage of.

The next morning Karen awoke to a text message from Mr. Walker. He said that he had looked into it and the bank had "made an error." He promised to send another one along with this month's rent, which she realized was now past the date it should have already arrived. Karen simply texted back, "Ok." She was beginning to realize a few things about Mr. Walker, but she still couldn't help but feel like maybe he was just having a bunch of bad luck.

One week later, now nearing the 15th, Karen still had no check and no communication from the Walkers. Despite the fact Karen had been texting for the last three days Mr. Walker had not responded to any of her inquiries. . . Karen didn't know what to do next.

Would you ?

Avoiding stories like these is why we've written this book. If you are wondering how this story ends, it typically ends in different ways for different people. Eviction, destroyed house, thousands of lost dollars. Rarely does it end well.

If you're attempting to decide between self-managing and using a professional manager, we've written down all of our secrets to help you self-manage with success. The truth is that we hope there will be a few of you who will read this book and decide you would prefer for us to handle your home's management. But, after reading this book, if you decide to take the information we've provided and self-manage, we want to help you to do it successfully so this story doesn't become your story.

Most of the lessons we've learned and taught below are from making many mistakes during the 10+ years we've been managing rental property for ourselves and for others. The examples highlighted in the story are actual situations that have happened to us and clients we work with.

We are very fortunate to still be in business, because we have done a lot of dumb things that cost the company a lot of money. Now you can learn from and avoid our mistakes, which we dare say is cheaper than repeating them. We hope you enjoy it.

## INTRODUCTION

Maybe you want to sell your house but you can't.... or it could be you're just looking for an extra source of passive income. Maybe you're moving for a job and thinking about renting your house out instead of selling it. And renting it out will allow you to pay the mortgage and free you up to move on with your life.

But questions keep coming up in your head...



We help homeowners make the transition from owner to landlord every day. And our goal is to help them make it as simple as possible.

Birmingham is a unique market and we know how to help make your transition a breeze...even if you don't use a Professional Property Manager like [gkhouses.com](http://gkhouses.com).

Renting your house may make perfect sense for a lot of reasons:



Whatever the reason, there are some things we want to share with you that will make that transition easier and with less headaches.

The things we'll share with you in this eBook will do things like...



Renting your house out doesn't need to be intimidating. In fact, it can be fun and be a great source of passive income!

The story about Karen you read earlier is a collection of stories consolidated into one....and it's one that we can help you to never experience if you follow the advice you'll read in the upcoming chapters.



# CHAPTER 1:

## IS RENTING RIGHT FOR YOU?



So, let's say you've decided to rent your home.

You've been there five years, want a little more space and want to keep the house for investment purposes (or in case you need to move back into it one day).

So, how do you know if renting is for you?

Here's a quick litmus test. Six questions that might be helpful for you to think through:

### 1. Is your move permanent or temporary?

If you're moving to a different city and not returning, then you may want to may want to strongly consider leaving your home on the market a couple of more months (or put it on the market) before you make the decision to rent.

If you're being transferred and plan on coming back...then a lot of times, it's cheaper to rent your house for 12 to 24 months than paying sales commissions on the sale of your house and purchase of a new one when you return to the area. If you're coming back to Birmingham...you should seriously consider renting.

## **2. Can you rent your house for enough to cover your mortgage and taxes?**

If you can rent your house for enough to cover the mortgage, taxes and the occasional repair, it could make a lot of sense. We've seen owners use the rental income to build into their retirement either through cash-flow or the equity the rental income builds paying down their mortgage.

You likely won't have to pay taxes on the income with deductions from the mortgage and any repairs through the year. And if you believe your house will increase in value over the time it's going to be for rent...then when you end up selling your house, you will realize that appreciation in a lump sum. Not a bad idea, huh??

## **3. Do you need more tax deductions?**

This may or may not be the case. Our advice is that if you might benefit from this, then talk to a tax specialist who can help you determine what the implications are for renting a home instead of selling it.



#### 4. Do you need the profit from the sale to fund a down payment on a new house?

If you're dead set on buying a new house and the funds from the sale of your property are the only way you can afford a down payment, renting may not be for you.

If you don't need all the cash from the sale of your home...then you might want to think about renting and taking an equity line of credit (HELOC) to fund the down payment on your new house. As long as your rent can cover your mortgage plus your equity line, it might make perfect sense. Over time you'll be paying down that equity line with your tenant's money!

#### 5. Is your home not selling because it's out of date?

We were recently online looking at a house that's been for sale awhile in a nearby neighborhood and perusing through the MLS pictures. The house was built in 1996 and none of the fixtures had been updated since it was built.

What's wrong with those fixtures? Maybe nothing from a tenant's perspective...and maybe a whole lot from a buyer's perspective. These two people tend to be a little different and tenants tend to care less about all new and updated appliances because they're not going to stay forever.

And, at the same time, your fixtures may just not match the market and could keep you from being competitive with other houses in your price range.



## 6. Can you deal with tenants?

Now that's a loaded question, huh? It's most definitely the thing that keeps a lot of homeowners from renting their house.

Finding tenants that pay on time and keep your house in excellent condition is a process...but even GREAT tenants need attention and will need some repairs every so often.

So, is renting for YOU? That's the ultimate question.

If you're still reading this, then we're going to assume you're still interested!

Let's say you're more than a little interested...you're ready to get into the meat of what it means to rent and all the things that go into it. Then we're going to get into the nitty gritty and give you all you need to make it a success.





## CHAPTER 2: SETTING EXPECTATIONS

# EXPECTATION



So let's talk about your house.

Specifically, let's talk about renting your house out.

Because we help people do this every. single. day.... we've developed quite the toolbox of helpful hints, quick fixes, best practices and tried and true advice that will ensure the best experience possible for you.

We want to talk to you about setting expectations and how to look at your home and the market objectively.

That 'objective' thing...it's harder than it looks for homeowners.

Easy for us, but tough for you.

But if you can be objective, you'll have a much better experience renting your house.

So, what do I mean?

**Well, think about it from a personal scenario...let's say this is you:**



Can you sense the emotion in that scenario? There's a lot of attachment to that house...really it's a home. And because of that it becomes much more valuable to you.

So, how might this affect the perception of who you believe should be in your home and how much you should get for rent?

What most people do is to immediately begin sizing up the 'worthiness' of every potential tenant...and you might just have some unrealistic expectations of how much rent you can charge.

Do your best to be objective when you begin considering your house, potential tenants, and how much you plan to ask for rent.

It's always best to get unbiased advice and to avoid polling your neighbors...unless they happen to be tenants renting a similar house.

So how do you find out how much your house is worth on the rental market anyway?

## CHAPTER 3:

# HOW MUCH SHOULD YOU CHARGE FOR RENT?



Marketing your home for lease starts with a comprehensive look at the market to understand what your home will lease to a well-qualified tenant. If you choose too low a market rate, you end up not making as much money as you should. If you choose over market rate it takes longer to lease (another money waster) and will typically be leased to the wrong person.

Finding market rate is both an art and a science.

While you are working on finding the market rate of your home, keep one very important truth we've learned – tenant prospects, unlike buyers of homes, have a very short-sighted mindset.

So, when a buyer is looking to purchase a home, it's not unrealistic for them to take months, or even years to purchase one. Tenant prospects will not take months, much less a year, to find a place.

Tenants tend to have three or four characteristics they are looking for in a home and will settle on the first one in their budget that checks all those boxes – typically for fear of someone else renting the house.

### Why is this important?

Tenant prospects will be comparing your home to what is available to them in that time window. Therefore, the most important data you can determine is an accurate measurement of the homes you are competing against.

Let's look at some techniques we use to find the market rate.

#### 1. Zillow.com and Trulia.com

Formerly two companies, these two joined forces in recent years. If you are unfamiliar with them, they are websites that take local real estate data and extrapolate certain assumptions – i.e. value of homes, future value of homes and (for our purposes) the market rental rate of the home. I routinely hear people snub their nose at the values these websites provide of their home, citing things like their inability to determine amenities or certain other unique characteristics their home has and assign an appropriate value to it.



And, while they are correct that it is hard for a computer algorithm to determine an accurate value, tenant prospects are looking at these values and find them helpful. Homes that are too far out of line with these values, typically don't get as many showings as homes with marketed rental rates that are more in line with Zillow or Trulia's values. To some degree, they've become a self-fulfilling prophecy – particularly in an age when data is so widespread and available to everyone.



#### 2. Local Property Managers

Search the available homes on local property managers' websites to determine if they have any nearby. By doing this, you are typically able to determine what the professionals think homes are worth in that area.





### **3. Your Neighborhood**

Drive your area and look for 'For Rent' and call to inquire. When you do this you're able to ask questions to gauge if the house for rent is similar to your house. It's always good to do a little competitive analysis as well!

The point is that if you want to find that GREAT tenant for your house it's best to take the emotion out of it, do your homework and strive for true market rent. Great tenants will be happy paying market rent and bad tenants will agree to pay 'above' market rents just to get in a house.

But there's a good chance that you won't get paid steady...if at all...after about four months. It's unfortunate, but true.

And we know from experience a bad tenant...or average tenant...will end up costing you more than a great tenant at the true market rate in the long run.

Trust us on that one.

All it takes is some slow pay.... some no pay....and then a full blown eviction to derail a lot of things in your life. You can avoid that misery.

## CHAPTER 4: TENANTS



Tenants.

Could be someone you know...but probably not.

We have seen a lot of people rent to well meaning friends and family only to be faced with evicting them months later!

It usually happens because we don't feel we need to screen our friends as carefully as we would a good friend or family member. When you do that you're asking for trouble. We're not saying that you shouldn't rent to a friend or family member...but what we are saying is that you shouldn't screen them any different than you would a complete stranger.

There are a lot of great tenants out there looking for great houses. Your job is to find that tenant, screen that tenant and place that tenant in your home on a long-term lease (12-36 months depending on your situation).

But owner **BEWARE!**

There are also a lot of professional tenants out there. What we mean by that is that they know the system.

**Here are some things ‘professional’ renters KNOW:**



Just the other day we received a phone call from a couple interested in using gkhouses.com for their property management company. We chatted briefly and then met at their townhome to give them an estimate on repairs and what we thought the market rate was for their property.

It was a story we had heard a thousand times before.

This couple used to live in their townhome when they first got married. After a few years they decided to buy a house, but it made a lot of sense for them to rent out their town home instead of selling it.

So, they put it out on the market and almost immediately found a local business man to rent their place.

All was good...for a while.

First came the slow pay...then the no pay...then it was time to decide if an eviction was in order. After a few weeks of struggling with the decision, they moved forward with the eviction.

In the meantime, their tenant lived in their townhome for months without paying rent.

And not only skipping out on rent...but by the time the Sheriff came to move them out, the place was a wreck. And when this couple walked back into their townhome for the first time since they moved out...they were devastated.

This was their home...where they spent the initial years of their happy marriage. And now it was going to cost them at least \$10,000 to get the house in rent ready shape again.

That story is not meant to scare you.

And we want you to stick with us...the news is about to get better!

There are some wonderful people out there who need to rent your house...and they're the kind of people who will take care of your home until it's time for them to move.

And they'll pay you every month.



And if they have a problem that needs to be taken care of, they'll give you a call and allow you plenty of time to find the right contractor to take care of the job.



They're  
honest



They're  
friendly



They have  
steady jobs

And you actually may end up becoming friends...who knows?

We're going to tell you exactly how to find those tenants a little bit later.

But for now we want you know that there the 'professional tenants' and then there are others who you would love to have in your home.

You may be thinking...'we all know that even good tenants go through bad times, so what happens if they stop paying?'

We'll cover that a little bit later.

## CHAPTER 5: CREATING YOUR LIST OF 'TO-DOS'



Before you start putting ads in Craigslist or talking to friends, family or neighbors about potential tenants...you need to have some things in place.

We've put together a simple list for you...things you need to either think through or do BEFORE you start marketing your home.

## 1. Get rental property insurance

This is a BIG one! It not only covers most everything a homeowner's policy does, but it will also protect you from major damage done by tenants (we're going to try and help you avoid that though!), as well as legal action they may take against you.

You will still want to suggest to your tenant that they get their own rental insurance policy...that will cover all of their stuff.



## 2. Find a good accountant...if you're not already one

Keeping track of financial matters is extremely important. Especially when you're going to be holding a security deposit and possibly a pet deposit (depending on if you'll allow pets into your house).

They can also advise you on all of the tax implications with renting your house. They'll help you figure out what records you'll need to keep in order to navigate Schedule E come tax time.

He or she can also help you figure out how to minimize your tax bill by helping you choose the right depreciation strategy...that is unless you enjoy paying taxes!





### 3. Ask an attorney to review your lease agreement

We'll get into contracts a little later but a real estate lawyer can help you tighten your lease up to protect you from any unnecessary risk and also make sure that the tenant doesn't have loopholes to exploit.

It's so important that when we take over a tenant that was managed by someone else, as soon as that lease expires we require the tenant sign a new lease agreement with gkhouses.com because we KNOW our lease agreements are solid.



A solid lease agreement will specify ways tenants can and cannot use your house, how many people can live there, what insurance is required, who's responsible for paying utilities and what happens if the tenant doesn't live up to their end of the agreement. There's a lot to think about here, but a good attorney can walk you through the process and save you a lot of heartache down the road.

### 4. Establish your tenant screening criteria

You already need to have in your mind (and down on paper) what your criteria is for your tenants. To be safe you should work within the Fair Housing Act guidelines to make sure you're doing it right and then hand it to any and everyone who looks at your house.

You'll need to think about things like acceptable monthly income levels, credit scores and the number of tenants you'll allow to live in your house. Some other issues may include a smoking and pet policy.





## 5. Get additional paperwork ready

So here you'll need to think about things like your rental application, credit check authorization forms, any disclosures Alabama requires like a Lead Based Paint disclosure for houses built prior to 1978, move in checklists, move out forms and different notices to tenants you might need to use. Things like lease renewal documents or property inspection documents in case you want to walk through your property once in a while.



## 6. Punch list of repairs

Take our advice...you don't want to start off your new owner/tenant relationship with things broken in the house or unresolved maintenance issues.

We call those Move-in Related Errors (or MREs) because they were things that should have been taken care of BEFORE the tenant moves in one of our homes, but for one or another reasons didn't get done. It's a BIG deal at gkhouses.com and one of the ways we measure our client service and effectiveness.

Each Tuesday we discuss any MREs that may have happened the previous week and what could have been done to prevent them. Our goal is to not have any on the list. So think about having your home inspected by a professional that can help you fix any critical maintenance issues before move in. We'll talk more about how to avoid MREs later when we discuss moving your new tenant in the home.

It can keep you from legal issues, multiple maintenance calls and from possibly losing your tenant early. And once you've completed your repairs you'll want to document exactly the shape of the house when the tenant moves in and do a final walk through when they move out...this will help you see/understand the wear and tear your home took during the rental period and if there's anything you need to charge back to the tenant.

Something else worth noting about the importance of a pre move in walk through...if things are wrong when a tenant moves in, how do you think that initial impression will affect the owner/tenant relationship going forward? It's not positive...trust us on that one!



## 7. Clean, paint and definitely landscape

There's no reason why your home shouldn't be immaculate BEFORE you start showing it. Don't do it three weeks after you're put it out on the market...you'll have already lost some of the most interested people in those first weeks.

If you want it to attract solid tenants, make sure your house is perfectly clean inside and out. It's really important to make sure your lawn is cut, shrubs trimmed and flowers planted.... it's the little things that can make a big difference.

These things should help get you ready for that quest to find the perfect tenant!



## CHAPTER 6: MARKETING...HOW TO RENT YOUR HOUSE FAST



Marketing translated means ‘Get My House Rented Fast!’

We love marketing.

But people either have a knack for it or they don’t.

Whether you have marketing DNA or not, we’re going to give you some great tips on how to get your house out there fast and get it rented.

There are TWO primary components to marketing: driving traffic and converting traffic

So for the first time landlord, the questions you should be asking when it comes to marketing is...

## 1. How am I going to drive traffic to my house?

and

## 2. How am I going to convert that traffic into applications?

Do you agree? If you have a great house but you don't have traffic...what does it matter?

And if you drive traffic to a house that's just not ready to rent (or that motivates someone to fill out an application), then it's just wasted traffic.

So let's take them one at a time.

### Driving traffic

It's best to figure this out on the front end.  
Meaning...you don't want to put your house out there before you've figured out your traffic plan.



So let's talk about some easy ways to drive traffic to your house.... starting with the most obvious to the least obvious.

#### Yard Signs

If you happen to live on a street with good traffic, a yard sign can be extremely effective.



#### Newspaper

This isn't nearly as popular as it used to be, but there are still people who look through the Sunday paper to see if there are any houses for rent.



### **Craigslist**

This is a much more modern way to advertise for new tenants...and it's free!

### **Zillow & Trulia**

"When in Rome . . ." Love them or hate them, everyone is looking at them. You must be on their sites. Postlets.com allows you an easy, free, way to be on both. You will simply need to login and create an account. In a few minutes and you are up and running.

### **Facebook**

We've found one of the greatest marketing tools is marketing the home to your friends on Facebook. Isn't it fun to help a friend out? Just imagine, if someone connects you to a Tenant (who is also their friend) they get emotional credit for helping two friends. Don't underestimate the value of friends helping friends.

When you're writing your ad, let me give you some good advice...focus on BENEFITS, not features. A lot of people don't realize the power of words in advertising.

So, tell me which ad speaks to you more....

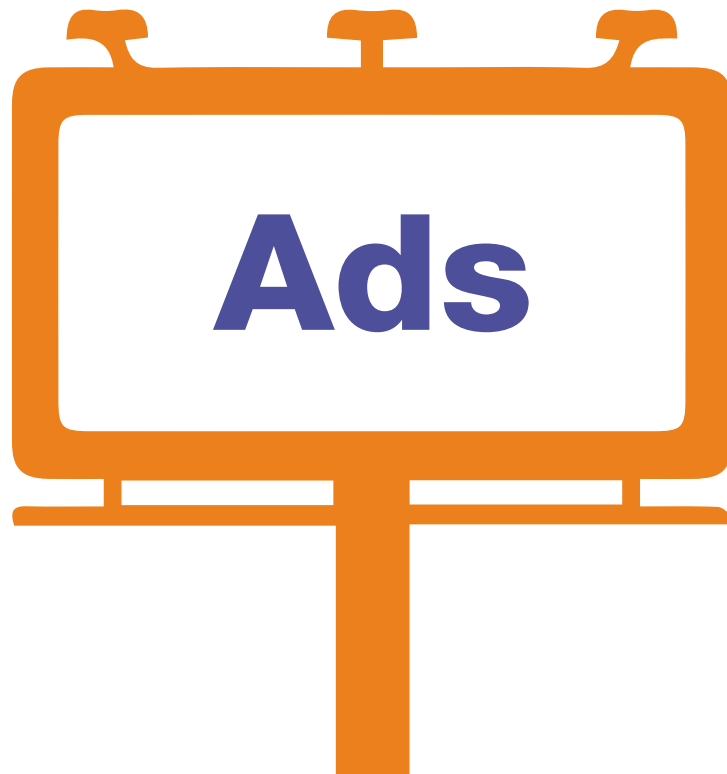


**Ad #1**

3/2 in Inverness with a fenced back yard. The house has been painted and carpet replaced. The school system is Oak Mountain...blah, blah, blah. I've already lost interest.

**Ad #2**

We have a spacious three bedroom, two bath home with more than enough room to fit your king sized bed along with your nightstand and armoire. The yard is fenced for ultimate privacy. The school system is rated one of the best in the state and the home is just 10 minutes from the elementary school and five minutes from the high school. Our neighbors are some of the friendliest people and would make great friends for anyone looking for a quick connection in a new neighborhood! We've just painted the house and replaced all of the carpet so it has that 'new house' smell again...you definitely won't need to do anything - it's ready to rent RIGHT NOW!



Those are two simple examples and I think you know which one we like the best. The key here is to put yourself in a prospective Tenant's shoes and write for them...write to them...sell them on why your house should be lived in.

Now that we've got you squared away on writing the best ad...now we should talk about your pictures.

People need to see the best possible pictures of your house. Taking high quality photos is easier now than it's ever been. You probably have a phone that might do the trick, but it would be better to find a DSLR with a wide angle lens.

### So here are a few tips to taking great photos:



#### **Don't take portrait shots...only shoot landscape**

With a solid wide angle lens, you should be able to get most all of the rooms in the shot.



#### **Delete blurry pictures**

No one wants to see blurry pictures and they will deter people from coming to see your home.



#### **Take your photos on a sunny day**

Let natural light help you as much as possible...open windows and allow the natural light to fill the room and if you can, turn out the overhead lights.



#### **Make sure your images are large enough**

If your photo doesn't have a good enough resolution, then all of your pictures will look pixelated...that's not good.



### **Make sure the picture order is like this**

Front of the house, kitchen (at least two or three photos), den, bedrooms, bathrooms, bonus rooms, backyard. This puts the most important pictures first and creates a certain impression right away.



### **If you're really serious, find a photographer to take the images for you**

This might cost as much as \$100 - \$300, but chances are you'll be thrilled with the images and can use them more than once.

## **Conversion**

So how do you convert an interested prospective Tenant into an actual PAYING Tenant??

Or at least into one that fills out an application, right?

So this is going to have more to do with the presentation of the property than anything else.

You can't change your neighborhood and you're probably not going to change the structure of the home...meaning, you're not going to add a room or anything...probably.

So how do you take what you have and make it look appealing...make it feel like a home that needs to be lived in?





**Based on our rental experience...and we've had a lot...here are some simple tips that will help you make the most of what you have:**

### **Keep the grass cut**

Overgrown grass is simply a signal that you don't care about the appearance of the house. To a prospective Tenant that could also signal that you don't take care of the inside of the house. In those cases, they won't even bother to look at the inside of your home.



### **Trim the shrubs**

Keep them looking nice and keep them from blocking the windows.

### **Plant some flowers**

Flowers add color to the home and can really make your home stand out from the rest. Whatever you do, our advice is to avoid tropical or non-native plants. They'll require more care and attention than you probably want to give them.







### **Use a nice ground covering**

Ground cover that doesn't require water and can keep weeds down will make a great impression. Plus, the more you cover with mulch, bark, gravel, pine straw or wood chips, the more money you will save on water and yard maintenance. Simple things like this can attract a tenant to your house over one that's down the street.

### **Hang an American flag out front**

We believe patriotism is a good thing!

### **Paint inside**

Interior paint is a BIG one. It not only makes the house look fresh but it gives it that new house smell.



**Make sure you don't have rotten wood or peeling paint outside**

This indicates to a prospect that you're not interested in keeping up the property when YOU lived in it...so they know you're not going to keep up the property when THEY live in it!

**Regularly pick up trash outside of the home or in the yard**

It's not wise to put your house out for rent and then never check on it. We have leasing agents that visit our 'for rent' houses on a regular schedule so that they can make sure everything is nice and neat for a prospective tenant...you'll need to do the same.

**Have the mail or paper either picked up or stopped**

This is important if you're not actually living in the house anymore. Not only will this be a turnoff for prospective tenants, it's also a signal to vandals that no one is living in the home.

If you're traffic generating systems are strong and you're maximizing the conversion aspect of your home...you will definitely find that perfect tenant!

Now that you've successfully marketed the home, you're getting blown up with inquiries. What do you say to them?

All tenants call and ask the same questions. Remember the movie Groundhog Day with Bill Murray? This will be your life. The same questions tenants ask over and over, even though all that information is in your marketing ad are . . .



Get used to them, because everyone asks them. It's ok, you aren't in the Twilight Zone.

- 80% of the calls don't matter. Don't get depressed when people are gathering information and then hanging up. This is very typical.
- Be careful attempting to qualify a tenant over the phone. This typically happens when you get tired of driving to the home and showing "tire kicking" or unqualified tenants.
- The goal is to get them to see the home. Like most sales, the goal is the application; moving them down the sales pipeline. Do your best to urge them to come see the home.

We think this a good spot to speak a little bit more about Fair Housing Laws. Although they may or may not affect you, we highly suggest following them either way.

In a nutshell, fair housing is about leasing a home to the applicant based on their objective credit qualifications and not based on anything else. If you are considering leasing your home, you should at least have a basic understanding of fair housing laws. There is plenty written on the internet about it, so we won't be covering them specifically in this eBook.

Showing is selling. So making sure you've completed all the items below to put your home in the "sweet spot" to lease, will ensure that leasing your home to the right person in the least amount of time will happen.

### **1. Make sure the home is ready**

This takes place prior to doing any of your marketing. What is the point in getting someone to the home if the home is not ready to lease?

Commonly, people will show a home prior to it being completed. We highly suggest you not do this. While it is tempting to get someone in the home quickly, it usually ends in unmet expectations from the tenants – "I thought you were going to paint the WHOLE house!"

What does a ready house look like? Probably about what you'd think. . .neat and clean. Tenants aren't expecting perfection. Keep in mind they are typically looking for only a few things. Their baseline for leasing a home is neat, clean and safe. Paint, should be cut in and neat. House should be cleaned regularly. Keep in mind, roaches die and dust accumulates, whether you are there or not. We suggest arriving 15-30 minutes early to make sure the home is ready prior to the Tenant showing up. Bring a broom, wipes and a mop.



## 2. Don't crowd the Tenant

When they are previewing the home, the last thing they want you to do is go through and point out all the 'awesome' amenities. Again, they are looking and checking a few boxes in their mind. We typically stand by the front door and allow them to walk through the home by themselves. If they have questions, and they will if they are interested, they will ask. Once they begin asking questions, if you have something you think they might like and want to point out, this would be the time to do it.



## 3. Have applications ready

Tenants are not like buyers. Once their boxes are checked, they are ready to rent. Make sure you are ready to rent to them.





#### 4. Listen and (tactfully) ask for feedback

When they give it, don't argue with them. They hate that.



#### 5. Remember safety

Showing up at an unoccupied home with someone you don't know can be dangerous. Here are a few tips to help you with this one:



#### 6. Lastly, showing is selling

Do your best to get the tenant prospect to fill out an application. Just like getting a prospect from phone call to showing, getting one from showing to application is the next sales step.

## CHAPTER 7:

# KEEPING BAD TENANTS OUT OF YOUR HOUSE



Now that you've got your marketing (traffic and conversion) figured out...let's talk about how to keep the bad tenants out of your house!

This is a HUGE point and one we can't talk about too much.

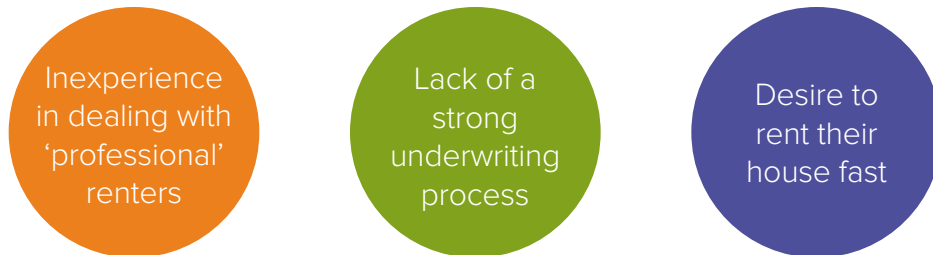
Given our experience handling the problem Tenants that we inherit, this HAS to be the most skipped step in the management process by homeowner landlords.

At gkhouses.com we take this seriously...and you should too!

A little difference between us is that we look at the houses we manage objectively...meaning we are extremely disciplined about our process to find the best tenants.



We have found that homeowners are less objective (like we mentioned before). The things that work against most homeowners are...



Those three things alone cost homeowners thousands upon thousands of dollars in slow pay, no pay...and eventually evictions.

In Alabama it takes on average 90 days to evict a bad tenant. That's at a minimum three months of no pay...usually preceded by a few months of no or slow pay.

Then you have court costs and attorney fees. And that's not to mention the damage that is usually done inside the house.

Turning a property (getting it ready for rent) after a tenant has been evicted is usually a very expensive matter.

**Listen as Matthew tells a story from personal experience:**

*My mother, a teacher, had one rental home she owned that was the house she brought me home to after I was born. When I was growing up, after she remarried my stepfather and moved out of it, I can remember her spending time painting and cleaning it after the tenants moved out during her summers off. The home was in a very nice area and she had always had pretty good luck renting it very qualified tenants. She always made her tenant prospects fill out an application, but to my recollection, she never did anything with it. I can recall her saying she “had a good feeling” about the people she would rent to and that was all the underwriting she needed. Keep in mind, during the last 5 years of this, her son was a property manager.*

*Her second to last tenant was an attorney and his wife, who was a stewardess with a very well-known airline. Again, trusting her “good judgement” of people, she felt really good about the fact that they both were gainfully employed. So she leased to them collecting a security deposit and first month’s rent. Unfortunately, that was all the money she ever received from these two.*

*Twelve solid months and involvement from her son (again I’m a property manager), we finally got the couple out of the home. Remember, he’s an attorney that understands the process . . . very well. Come to find out, this was not their first rental sucker they took advantage of. I’m almost certain they are still out there pulling the same scam on unsuspecting homeowner landlords.*

What’s the lesson? These people prey on the person that owns only one or two homes, who uses their judgement, instead of real application screening to rent their homes. The next section will help you keep these types of things from happening to you.

The goal is to place the best tenants and then keep them there long term (more than 12 months) so that you can realize a return on your investment.

So...how do you keep the bad tenants out? Let’s get into that right now.

## Tenant Screening

What is tenant screening?

It's where we look into the potential Tenant's background to better understand their personal history and their rental history.

We don't use this to make a character judgement on anyone...instead it's used to make a judgement on future ability/willingness to pay our rent.

The application is how we gather their information and dig deep to get a better understanding of how they might - or might not - be a great fit for our property.

**When someone fills out your application you're essentially looking for them to score high in four areas...here they are:**

- Their income must be at least three times the monthly rent - It's up to you whether you require that to be gross or net...we have found gross to be acceptable. Net if you really want to be cautious. The 3X rule has been used by landlords for years and one you shouldn't make any exceptions on. It is our experience that this is the biggest indicator of someone's ability to pay. Anything below 3X is almost certainly going to be a disaster. The further above (3.5, 4X) is going to be exponentially better.



- Great tenant references - Unless this is the first house a potential tenant is going to rent; they should provide references of either a landlord like yourself or a property management company they had a relationship with in the past. If there were problems, these references will let you know what they were and how they were resolved. A bad reference from a past homeowner, or friend, or family member is bad news...WARNING! Also, it is very important to push someone for a rental reference. Bad tenants are usually “living with family.” Find out the last place they paid for rent.



- Absolutely no evictions - We don't care how far back they claim it took place, a bad eviction is a WARNING sign you just don't want to mess with. There are enough great tenants out there who actually have solid references and no evictions that you don't need to compromise.



- Clean background checks - At gkhouses.com we like to go a bit further than just a credit score check...we like to get information on any criminal activity. If they have it, you should consider passing on them as a tenant. We completely understand that people make mistakes and that people can genuinely change...but giving them keys to our houses is just not worth the risk.



We consider a good ‘rule of thumb’ to be no violent felonies, no felonies less than 10 years old and no history of multiple misdemeanors.

It's also important to note that you need to get applications for anyone over 18 that will be living in the house.... cousin, uncle, father, brother, spouse. This prevents someone who has had prior evictions from becoming a tenant.

Before we discuss the application itself, you definitely need to be aware of Federal Fair Housing Laws in your search for that perfect tenant. It's ok to screen tenants for some things and it's NOT ok to screen them for other reasons.

Here's some information taken directly from the US Department of Housing and Urban Development's Fair Housing Website:

In the Sale and Rental of Housing: No one may take any of the following actions based on race, color, national origin, religion, sex, familial status or handicap:

- ***Refuse to rent or sell housing***
- ***Refuse to negotiate for housing***
- ***Make housing unavailable***
- ***Deny a dwelling***
- ***Set different terms, conditions or privileges for sale or rental of a dwelling***
- ***Provide different housing services or facilities***
- ***Falsely deny that housing is available for inspection, sale, or rental***
- ***For profit, persuade owners to sell or rent (blockbusting) or***
- ***Deny anyone access to or membership in a facility or service (such as a multiple listing service) related to the sale or rental of housing.***

Not only can't you discriminate against these classes...you can't even ASK questions about these topics. That means you can't ask things like, 'What race are you?' or 'How many kids do you have?' or 'Do you have a wife/husband?'



This is serious business...we can't overstate how important it is to follow this law.

In addition, you need to get familiar and follow the Alabama Law which is called the Uniform Residential Landlord Tenant Act.

It's in these situations when a solid and reputable property management company can keep you out of trouble.

At gkhouses.com we stay on top of all of this for two reasons...ONE - so our clients don't have to and TWO - to keep our clients protected from unfortunate lawsuits.

So, what should be in your application?

We always joke that we know more about our tenants than any of their family or friends do. Don't feel bad about it. When you lease a home, you are entering into a business and should do everything you can to protect yourself from someone who is not creditworthy of renting your home.

Your application, at a minimum, should include their:

- 1 Name
- 2 Current Address and Landlord's contact information
- 3 Phone number(s) – cell, work, home
- 4 Email address
- 5 Employment information
- 6 Move in date?
- 7 How many animals do you have and what kind?
- 8 What may interrupt your ability to pay rent?
- 9 Are you on Section 8?
- 10 Do you have enough cash to pay the first month's rent and security deposit?
- 11 Do you have a checking account? Savings Account?
- 12 How many people will be living here?
- 13 Emergency contacts?
- 14 How is your credit? Explain...
- 15 How did you hear about this listing? (this is going to be important so that you can measure how effective your marketing is)



You should always require everyone living in the home (who is 18 years or older) to fill out the application and sign it – some people who verify information will not do so without a signature.

How do you verify the information?

This verification can be tricky, since there are very few ways homeowner landlords can pull certain types of information, particularly credit. It is also best to know what you are looking for prior to doing any verification, so you can make an objective decision. Once you've set a minimum criteria, it is best to stick to it; even when it is hard, even when someone is close!



We highly suggest you do the following verifications with the application:

**1. Pull a credit report with a credit score**

Never allow a prospective tenant to do this on your behalf. Keep in mind that if you pull a credit report and make a decision whether to lease to someone based on what is on the report or the score, you are required to do certain things by law if they are declined. None of which will be covered here.



**2. Verify that employment of the person applying**

If you can believe it, there are times when we've found out a person is getting fired, prior to them finding out. Don't skip this step, because you can find out a lot of really good information. Make sure you verify the amount of money they make. Most people are pretty accurate with disclosing this, but if you're going to lie about something, wouldn't be about how much money you make?



**3. Talk with their previous landlord**

Many previous landlords prefer not to talk with you and instead to fill out a form. You should have a form ready that reads like this:

1. How long did the Tenant lease from you?
2. Please verify the address of the unit they leased from you.
3. In the last 12 months, how many times did they pay late?
4. Did you keep their security deposit?
5. Will you lease to them again?
6. Why or why not?





If a landlord acts funny, make sure to ask them very objective questions. Don't ask them to make judgement calls for you. It is very frustrating. The only judgement they should make is whether they would lease to them again. Don't ask, anything that starts with "Should I . . ."

Lastly, let us say something regarding the gathering of people's personal information. It is very important that you treat the information on that application with respect. You do not want someone's personal information being stolen and for it to be your fault.

That's it, once you've checked all the pertinent boxes, and objectively compared it to what you are looking for, the decision should be easy. Now it's time to sign the lease.

### **Application DENIED**

If a prospective tenant makes it through your initial process and fills out the application, it's going to be important that you let them know they were either accepted or denied.

If they're accepted, you shouldn't pull your home off the market unless they've paid the security deposit and first month's rent.

We learned this the hard way early in our gkhouses.com days. And we learned it the hard way with our own houses....so take our advice. Only pull a house off the market when the lease is signed and money is in hand.

If you are denying a tenant, it's important to let them know WHY so there isn't a question or not if you've discriminated against them.

At gkhouses.com we send denied applicants an email letting them know exactly why they weren't approved.

We do this because we're not moving forward to do a criminal background check (which costs more) ....and it's the right thing to do.

## CHAPTER 8: LEASE AGREEMENTS



Contracts. Who likes to talk about contracts?

They're essential to the health of our business but that doesn't mean they're fun to talk about (or write about).

Contracts and obligations date back to ancient times and now, in our litigious society, it's hard to imagine life without them.

This is especially true when you consider letting someone you barely know live in a house you own.

A contract (aka Lease Agreement), for our purposes, is there to protect the tenant and the owner (that's YOU!).

What we'll do is walk through the basic elements of a gkhouses.com residential rental agreement.

So here we go!

## Basic Information

What's the basic information? Things like:

- Who the agreement is between (tenant & owner)
- Address of the property
- The date the lease begins and ends (is it a 12-month agreement or 24 months?)
- How much rent is being charged per month?
- Security deposit amount and circumstances for forfeiture of that deposit
- How much of a 'late fee' will you charge if your tenant pays late?
- Who will live in the home? You need everyone's name
- Renewal terms - This should state that both parties are inclined to receive at least 30-day notice before the end of the term. If nothing is decided, then the agreement should be extended into a month to month.
- Utilities and Services - All utilities should be the tenant's responsibility
- Maintenance - Here you agree to make repairs necessary to keep the property in fit and habitable condition...there's no quicker way to lose your tenant than to ignore their maintenance requests.
- Basic tenant obligations - Basic things like keeping the lawn mowed, making sure they don't disturb neighbors, not throwing things down the toilet/sink that can clog it up, change air filters and smoke detector batteries, etc.
- Insurance - Stating here that the tenant should be responsible for their own homeowners' insurance...that's not your responsibility.
- Right to access the property - The tenant can't deny you access to the property in order to make repairs or inspect. Alabama law requires us to give 48-hour notice if we need to enter a property for certain things...that way we're not catching the tenant by surprise.

- Security deposit - Every tenant should pay a security deposit to be held by you (the landlord). You might need to make it clear to your Tenant that this IS NOT the last months' rent. The security deposit is held until you've completed a move out walk through where you've had the opportunity to inspect your house making sure that there isn't unusual wear and tear. If the house is fine, you need to refund the Tenant in a timely manner...our lease says within 60 days.
- Failure to pay rent - We don't ever want to deal with this. Unfortunately, if you've rented houses as long as we have, you'll run into this every once in a while. Our eviction rate for tenants we have placed is below 1%. That's really good...we want it to be 0%. That's why our screening process is really strong. A little later we'll get into our collections process so that you can take some of our processes and make them your own.
- Pets - What do you want to do about pets? People love their pets - especially cats and dogs - and unless you have serious problems with a pet in your house, this is something you'll need to address. We do have rules against certain types of pets we allow in owner's houses or on their property. But even when we allow pets we require a pet deposit of \$250 per animal...and if they sneak a pet in one of our owner's houses without authorization, we have the right to fine them \$500 PER UNAUTHORIZED PET!! And then they'll still owe the \$250 pet deposit.
- Rent rate adjustment - If you sign a long term tenant and you believe that at some point you'll want to increase the rent; you need to have it in your original document.



So there are some of the basic elements of our gkhouses.com lease.

Below is '**gkhouses.com's Top 10.**' These are the top 10 things we seem to have disagreements about with our tenants. Now we make sure to go over these 'Top 10' before a tenant moves into one of our houses. Some of these may be helpful to you!

- 1.** Paying rent on time is extremely important to us at gkhouses.com. Rent is due on the 1st day of each month. A service and bookkeeping charge as stated in the lease will be due if rent is not received or postmarked by the late date on your lease.
- 2.** Please do not put any man-made products other than toilet paper down the drains or toilets. Items such as grease, feminine products, paper towels and food should not be put down the drains or flushed down the toilets.
- 3.** Please only park cars in designated areas.
- 4.** Please change the air filter every month.
- 5.** Please cut your grass twice per month beginning the 1st day of April and ending the 31st day of October, unless lawn maintenance is covered by a Homeowner's Association or a Condo Association or is specifically stated otherwise in your lease.
- 6.** Please do not miss service calls. Missed appointments on service calls will cost you a trip charge of \$65.
- 7.** Please take care of your own pest extermination services.
- 8.** This may sound pretty obvious but...please don't use, buy or sell illegal drugs. Any sort of sale, distribution, use, or possession of any controlled substance will immediately terminate lease and tenant will immediately be evicted.
- 9.** Please do not have satellite dishes installed without us knowing about it. Please never install them on the roof.
- 10.** Please get a renters' insurance policy to insure your belongings.

There you go...I hope that has given you some good information to think about before you sign a lease with a tenant!

Now when you get your house ready, market, and place a tenant it's time to begin managing your home. This all begins with a smooth move-in.

Imagine you have just spent the last week of your life preparing, packing, lifting boxes, moving boxes and furniture out of one home and into another. All your boxes and furniture is in the new home, albeit not in the right spot. Boxes are stacked in the living room and dining room begging you to put them somewhere, anywhere, out of the way.

You decide it is time to stop for the night. You're exhausted. Moving from 5 am that morning and now it is 10pm. You managed to setup your bed and all you really want is a shower and to be under those covers. As you go to turn on the shower, you recognize that the shower is taking a little longer than you suspect to warm up.

Not to fear, you're just getting used to your new home. Fast forward five minutes . . . still no hot water. The hot water heater is not lit, because the gas was turned off at the home and never turned back on. Regardless of whose fault this is, you are irately calling your landlord at 10:15 on a Saturday night.... that's an MRE (again...Moving Related Error)!

This type of situation is the last way to kick off a new relationship with a tenant. Like it or not, regardless of who is at fault, the Tenant will always see it as your fault and look at everything you do through the lens of the cold shower they took when they moved in your home.

So let's take a look at how we can keep these types of things from happening.

About three to four days prior to you your new tenant moving into the home, you should go through it and do a comprehensive walk through. This should especially be done if you haven't lived in the home for a while. Some people assume that everything was working fine because the last tenant just moved out and they hadn't called you about anything, when in reality they just learned to live with your leaking sink.

As you walk through the home you ought to make notes about the status of each room. You should include it on some sort of form, so that you can keep that form for the move out.

Ideally, you would make mention of every mark, every cracked tile, everything! Additionally, you should verify that everything works – sinks, toilets, again, everything. The whole goal is that the more you can catch on the front, the less trouble handling the situations and handling the tenant will be on the backside. This is a time investment. Trust us. . . this is probably the biggest lesson we've learned in the 10+ years of rental management.



Allow the tenant to do a walk through.

We highly suggest getting the tenant to do their own walk through as well. You may want to provide a form for them to do this too. Ask them to take pictures and copious notes on the status of the home. If you think you are inviting work orders and they may become nit-picky, this is better, because if there is any difference on the move out it will be terribly obvious. Be ready for the emergency any way.



Even though you've done a final walk and the tenant has too, be prepared for the possible emergency. These typically happen on move in and typically happen over the weekend – particularly since most people move Friday, Saturday and Sunday. How do you combat this?

- ✓ Be available. The last thing you want is the tenant calling and nobody answering their call. Be available. Don't be scared to answer the phone.
- ✓ Be prepared. You should have a plumber, an electrician and a heating and air person available to handle night and weekend emergencies. Certain maintenance items, particularly those that happen on the move in should be dealt with swiftly – even if it costs more.
- ✓ Be apologetic. The tenant, even if you do fix it, is probably going to be agitated. Be prepared to apologize and make it right.

Once the tenant moves in, you can switch to auto pilot, right? Don't count on it. Whether you manage one or a hundred homes, you have consistent items that need to be accomplished for a successful experience. Remember, you are now in business.



## CHAPTER 9: COLLECTING RENT



This is the point of renting your house....right? Collecting money in exchange for a great place to live.

One of the biggest factors for how you view your decision to rent your property will be related to how well you're able to collect rent. This is going to be especially important if you need that money to pay the mortgage on your house.

Tenants get behind on rent for various reasons.



Those are just three of probably 423 reasons we've heard.

So here are basic points you should consider as you set up your collections process.

### 1. NO CASH

It's not a good policy to collect rent in cash. There's no paper trail and it can easily be lost or stolen. It's best to eliminate these possibilities by enforcing a no cash policy.

We routinely have tenants to bring or mail money orders and checks if they're not in our ACH or Online Bill Pay system.



### 2. We love Direct Deposit

There's really no reason why this shouldn't be your first option with a tenant. You may want to make it a requirement...that's up to you.

At gkhouses.com approximately 25% of our tenants are on ACH to withdraw money directly from a tenant's bank account. We are constantly thinking how we can increase that percentage to 100%

The great news is that it's automatic and you don't have to worry about it. The downside is that if there's insufficient funds in your tenant's account you won't get paid and you'll need to track the funds down from your tenant. There's also just a slight delay until the funds are in your account...approximately 4 to 7 days.

### 3. Online Bill Pay

This is an option that banks might offer their tenants. They'll cut a check directly from the tenant's bank account and send it to you. We don't have a lot of tenants that do this but it's an option worth considering. You will still need to deposit the check and there's the whole 'check's in the mail' discussion you might have from time to time!



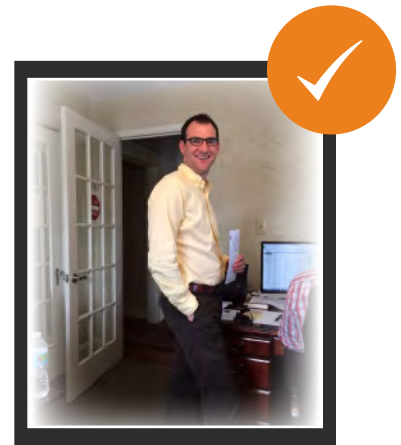
#### 4. Late Fees

We charge late fees for any tenant bringing their rent in our office after the 3rd of the month. Rent is due on the 1st and late after the 3rd.

This is a policy we take seriously. The late fee is 10% of the total monthly rent and is sufficient to motivate most tenants to pay on time.

Here in the office we do have a 'good hearted' tenant advocate who 'forgives' late fees all the time! You can imagine with 1,100 houses there are the occasional exceptions.

Here's a picture of Matt...he's the 'forgiver of the late fee'.



All kidding aside. There are circumstances beyond the control of your tenant that you'll want to take into consideration. Most landlords take them on a case by case basis. But if it becomes a habit...it's usually not good news.

#### 5. Celebrate GREAT tenants

A strong tenant is hard to find and so when you do find one, let them know you appreciate them.

We have a friend in Atlanta, Robert Locke, who's been in the property management business for 35 years and one day he found out that a tenant that had been one for 21 years was finally moving...he was blown away!

That's when he started training his staff to celebrate the tenant.

What does 'celebrate' mean? To a property management company, it may mean sending the occasional gift card just to let them know you've recognized something special about them.

For a landlord with one or two houses it may mean a simple hand written note with a gift card inside just saying 'thanks for being awesome'.

Whatever it is...do it.



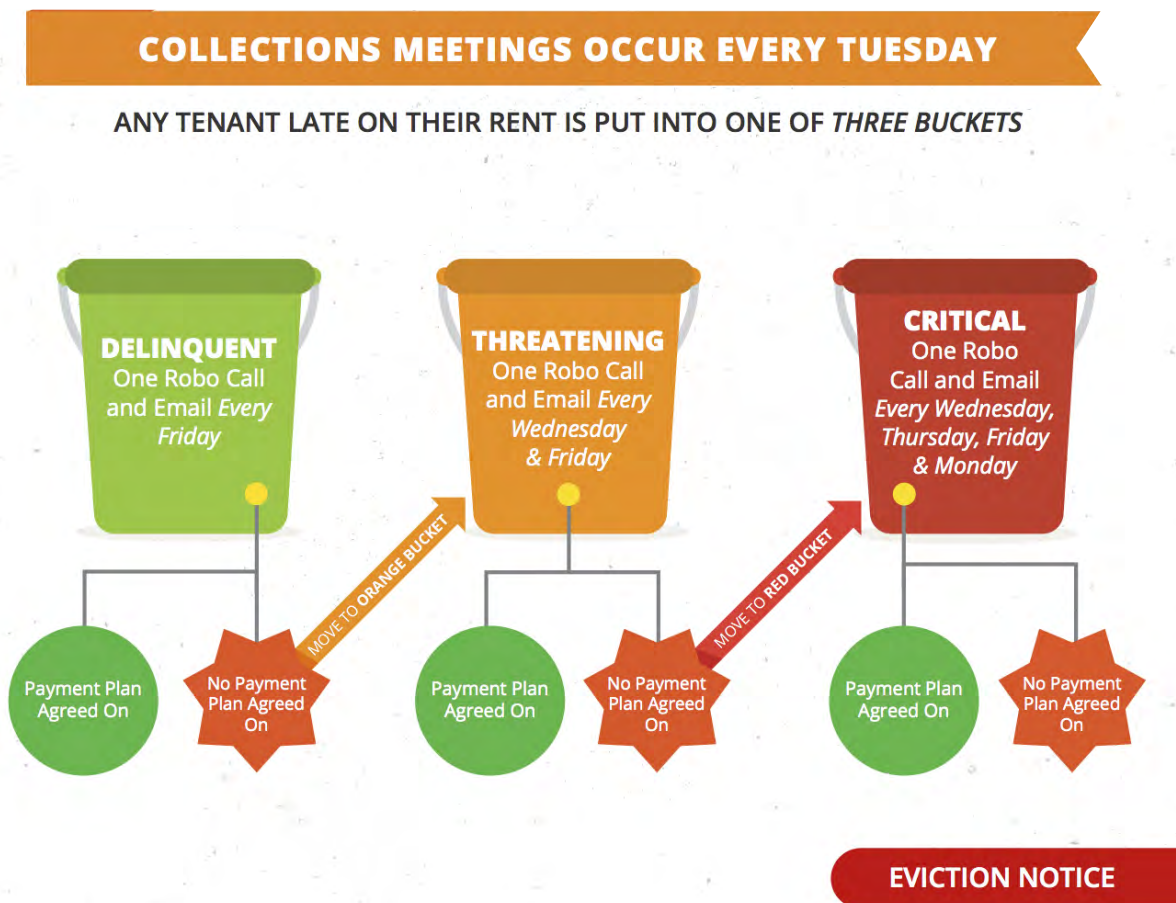
### So what happens if they don't pay?

That's something you'll need to decide. We have a process in place that ensures we are on top of it before it gets out of hand. Unfortunately, there are times when we inherit pretty bad tenants who don't have an excuse and don't intend on catching up on their rent.

In those cases, we end up posting an eviction notice and if necessary, going through the entire eviction process. It's not fun but someone has to do it. We also feel it's our responsibility to make sure these instances go on a tenant's record so that another landlord doesn't unknowingly sign them to a lease on their house.

Before it gets to that severity, we go through a well-defined and executed strategy to collect the rent and get the tenant back on track.

Here's a visual of our collections process:



If you have any questions about setting up your own collections process, give us a call and it may be something we can help you with so you avoid serious headaches down the road.



## CHAPTER 10: MAINTENANCE AND REPAIRS - GET IT RIGHT!



No matter what shape your property is in when you rent it, there will be the eventual maintenance call that you'll need to address.

Tenants typically site the number one reason they leave a home is due to lack of landlord's concern over maintenance issues. If this is true, it would make great sense to do all you can to keep the tenant satisfied with the work that is being done to the home and make sure it is completed in a timely manner.

You should think through all the possible problems that can happen and have a plan for each. That way, when maintenance issues do spring up, you simply follow the plan you have in place. This will keep you from having to create it while under the stress of the situation. So let's look at what a good plan should entail.

### **Being Available**

Tenants get frustrated when it feels like they are not being tended to, especially if they have a maintenance need. Being available and communicating with them is the first step to successfully keeping tenants happy during the process. We have a 24-hour maintenance line that tenants can call and speak with a live person. You probably don't need that for just a few rentals, but you do need to be willing to answer night and weekend calls.

### **Set Expectations**

The majority of tenants are very realistic when you communicate to them what your plan is when they call in a maintenance issue. The most important thing to do is to actually stick to the plan, so that they know when you tell them something it is going to happen. Sometimes issues happen outside of your control and your plan doesn't go well – perhaps a vendor is late or the part they need is not in stock. Make sure that the tenant knows there is a new plan and why. They may not be very happy, but communicating this to them will go much better than avoiding it and hoping they don't call.

### **Decide What Constitutes An Emergency**

To a tenant, everything is an emergency. We highly suggest deciding what an emergency is prior to getting the calls. A good rule of thumb is that if it is a danger to the tenant's life or a danger to the home, it should be considered an emergency. There are some other comfort issues that should be handled as an emergency, like heat in dead of winter or air conditioning in the heat of the summer, which you may consider an emergency as well.

## **Understand The Difference Between “Normal Wear And Tear” And “Tenant Neglect”**

Understanding these differences will tell you who is responsible to pay for the repair. Anything that is “normal wear and tear” is your responsibility. Items that are broken due to tenant neglect would be their responsibility. We always give tenants the example of a faucet handle. If the faucet handle is old and worn out and begins to leak at its seams, then the landlord should cover that expense. However, if a child cranks down on the handle and breaks it off, then the tenant should pay for it. You can imagine there is a lot of grey area with regard to this. Our only suggestion is to err in favor of the tenant. The tenant staying longer and you not having to turn over the home will be much cheaper than forcing them to pay the \$200 repair.

### **Finding contractors**

If you think this is going to be hard . . . it is. We consider this our toughest challenge as property managers. Finding good, reliable, reasonable contractors requires a good bit of time and a little luck. When you find someone you would like to use, make sure you receive a copy of their insurance and make sure they have both Liability Insurance and Worker’s Compensation Insurance. If they don’t, you could be liable if an accident were to happen. You should not only ask them, but make them show you a copy of their policy. This is very important. Don’t use uninsured contractors no matter how much money you save. It is not worth the risk. Below we’ve written more on this subject.

It’s extremely important to know if the contractor you partner with is licensed and insured. Why is this so vital? There are several reasons you shouldn’t let someone who is not licensed and insured work on your property:



#### **1. They can get hurt on the job and sue you**

What happens if an uninsured contractor falls off your roof and injures him or herself? They can sue and possibly take you to the cleaners. What would that do to your future returns on that property?



## 2. They can install your equipment incorrectly

If you're dealing with someone who is not licensed or insured then most likely you are dealing with someone who is not the best at their craft.



*Here's an example from our past – it was around 2007 and we were trying to get HVAC installed on one of our rentals for cheap. We found a guy we really liked and he installed a unit that saved us at least a thousand dollars. It wasn't until later that summer when our tenant got their enormous power bill (\$900) that we realized he had wired the unit wrong. We had to install a new system to replace that one. It came out of our pocket because this part-time HVAC 'specialist' didn't have a warranty and he wasn't around anymore. Lesson learned.*

## 3. They can do your work and then disappear overnight

These types of contractors typically aren't in business long. This will cause problems if you need warranty work down the road and you can't find them. Or, if they take their initial draw and never show up again. We learned that the hard way a time or two.



Keep in mind that finding a good contractor is a necessity no matter what type of property you purchase. Even if you buy a new house, you'll eventually have repairs to be made. It's best to start developing a relationship early so your work will be carried out faithfully and on time when it's time for a project.

We actually have a maintenance department here at gkhouses.com and our Director of Maintenance monitors everyone's work and makes sure all of our employees have the proper insurance and designations for their craft.

So how do you know if the person you're considering in Birmingham is licensed and insured?

Here are some helpful tips:

Call the Alabama Home Builders Licensure Board and ask for a list of contractors that carry a license.

Ask the contractor you're considering to show you their card proving they are state certified. These cards typically have a hologram on them that cannot easily be fraudulently reproduced.

For Liability Insurance and Workman's Comp it's best to have the insurance provider fax or email you the full Acord Form directly. This will eliminate the opportunity for an uninsured contractor to provide you with fraudulent documents.

There are plenty of warning signs that you may be dealing with a less than reputable contractor. In the beginning of our real estate career we used these fly-by-night contractors because they were cheap and we thought they were saving us money.

In the short term, maybe...but over time we ended up spending more money repairing their repairs and we lost several good tenants because of shoddy work. The extra repair work and the additional months our houses were vacant put us behind on our investment goals.

So do your homework and make sure you find someone you can trust and who does a great job...in the end you'll be glad you did!

Having a plan for the maintenance call should save you both time and money when it actually happens. And it will. It is so important to remember that this is the silver bullet to management. Get this right and you will be well on your way to a happy, long-term, tenant.

## CHAPTER 11:

# THE TURN - WHEN A TENANT MOVES OUT



Eventually tenants will move out.

But depending on your goals and objectives, this may not be a bad thing. You may be ready to move back into your house or you may be ready to sell it...but maybe not.

If your tenant moves out and you plan on renting again there are probably some things that need to happen. We call this 'the turn'...it's when a tenant moves out and we get the property ready for another tenant to move in.

So there are some simple steps to complete a turn - from move out to move in - that you'll want to understand. And the sooner you can plow through this process, the sooner you'll be collecting rent checks again.

Once the tenant has moved and returned keys to you, you will need to walk the home and look for repairs – both “normal wear and tear” and “tenant neglect”. Keep a running list as you walk the home of both items. We highly suggest taking pictures of all needed repairs, but make sure you take plenty of pictures of the repairs that are due to the neglect of the tenant. It will also help to have a copy of the Move in report you created and the one created by the tenant. Somethings to keep in mind as you are doing the walk through.

- 1.** You need to be as objective as possible. This, as mentioned earlier, is typically hard if you’ve personally lived in the home. Remaining objective will help keep you out of any conflict regarding the status the home was left in.
- 2.** The home should be left in the same condition you handed it to them, with the exception of “normal wear and tear.” That means since you cut the yard prior to them moving in, the yard should be cut. Additionally, if you cleaned the carpets, the carpets should be cleaned for you. It is the responsibility of the tenant to return the home in the same condition you turned it over to them.
- 3.** Take your time. Once you send the money back to the tenant, it is very hard to get it back if you’ve found something new.

## A QUICK STORY ABOUT THIS.

*One year it was unseasonably cool throughout the spring. We did a walkthrough of a home and the tenants had left the home in reasonably good shape, with just a few minor issues we accounted for when we returned the deposit. We quickly turned the home over and rented it to a couple moving in from out of town.*

*The weekend the couple moved in it went from unseasonably cold to unseasonably hot. The heat in the home triggered the flea eggs that the previous tenant's pet left to begin hatching. We had a total flea infestation and we had no idea. We had new tenants that were pretty mad.*

Even though it would have been hard to catch these fleas, the lesson is this, make sure you walk through the home slowly and thoroughly. Be careful to take your time and make sure you don't miss anything. Missing things can get very expensive.

Once you have done the move out you will need to send the tenant the deposit back less any work you deemed them responsible for. How and when this is accounted for is very specific to state landlord tenant law, so you will need to make sure it is completed in accordance with what the law states. In Alabama, this is currently 60 days.

Now it is time to get the home ready and start it all over again. Our best advice for this is to make sure the home is as nice as you had it for the last tenant. It is typical to want to do as little as possible to get it ready. Fight the urge to do this. Making sure the home is first class when the next tenant moves in will go a long way towards keeping them a long time, which is the ultimate goal.

## CHAPTER 12:

# UNIFORM RESIDENTIAL LANDLORD TENANT ACT



Let me start out this section by saying we are NOT lawyers.

The closest I (Matthew) got to being a lawyer was telling my girlfriend (now my wife) as a freshman in college that I was going to be an attorney. She can brag to all her friends that she's now married to a Property Manager.

We highly suggest reading the whole law. We know it sounds incredibly boring and it is or you fall asleep when you read these things and you will . . . just don't do read it while you are driving. Read it in bed. Just read it.

We've pulled out three things from the whole law that we believe people have the most confusion about and we'll address them here. They cover security deposits, evictions and what is actually required of being a landlord in terms of essential services that are required to be provided by law.



## 1. Security Deposits

What you can and can't charge for a security deposit and what you can and can't apply it to (and when you can apply it) are very hot topics. Here's the skinny. . . You can charge more than one month's rent as a security deposit, but be VERY careful. Here is the law that addresses that . . .

*A landlord may not demand or receive money as security, in an amount in excess of one month's periodic rent, except for pets, changes to the premises, or increased liability risks to the landlord or premises, for tenant's obligations under a rental agreement.*

See that, you can only charge a deposit greater than one month's rent when there is a pet, the tenant chooses to change the premises (this does NOT include people with disability - an example would be they want to knock out a wall to get their big screen tv in the living room) or increased liability risks to the landlord or premises.

We're of the opinion you should only do it in obvious cases. A pet is an obvious case. Knocking down a wall, an obvious case. You don't like the way they smell, not an obvious case.

If you decide you're taking on an increase in liability, over and above what most landlords are taking on, we would suggest having what you deem as minimum liability written down and then a note in your file explaining why this person falls below your minimum. It may be safer just to look for a new tenant.

Once the tenant is in the home and you have the security deposit in your account, it is important to know that the law doesn't recognize this money as your money. It is still the tenant's. Which means, without written permission from the tenant, you take any of it and apply it to the tenant's register for repairs, rent or late fees.

When the tenant moves out and surrenders the home to you, this is the time you will account for the security deposit. Alabama law requires that you send the tenant the money back or if you've deducted any money along with a letter explaining why and giving itemized charges within 60 days (this was updated from 35 in 2014). You will mail this to the tenant's forwarding address or the address of the home, if they haven't provided a forwarding address.







## 2. Eviction

Evicting a tenant is never fun. There are a ton of hoops that must be jumped through to get a tenant out of your home. The most important piece of advice when going through this whole process is to make certain you are doing it correctly within the guidelines of the law. Any misstep could require you to start the process over again . . . from the beginning.

Below is a basic overview of the process. It doesn't cover every detail! Please read the law or seek legal advice to make sure you do it perfectly.

There are two reasons you would terminate a tenant's lease - failure to pay rent or failure to meet any other obligation in the lease (called "material non-compliance" or "material breach").

The eviction happens the same way, either way.

The first step is to hand deliver or send via certified mail a termination notice. It is important that you have all the appropriate information on this notice, which we can't share here.

The termination notice will give them 7 days to “cure” their breach of the lease or the lease will be terminated. The lease is not terminated when the notice is placed on the door, it simply threatens termination if they don’t “fix” the problem.

Please note, when you deliver the notice you must attempt to hand deliver it to somebody - i.e. you must knock on the door and see if someone will answer. Once you’ve attempted hand delivery, you may tape it to the front door.

Your first hope is that putting the notice on their door tells them you mean business and they begin to comply with the lease. If they don’t and the 7 days passes, the next step is to file a lawsuit against them.

If you are a company (i.e. LLC, Inc.) then you will have to engage an attorney at this point to handle it. You can’t file a lawsuit and represent yourself in court. If you are an individual and the home and lease are in your name, you may file this lawsuit on your own. Again, seek legal advice if you have any questions. We see people all the time get to court and aren’t represented by an attorney and are turned away. Not fun.

Once the lawsuit is filed, they will serve the tenant with the lawsuit. The Tenant has a period of time to file a response with the court. If they don’t, then you win. If they do, there will be a trial.

At the trial, you need to make sure you bring EVERYTHING that is pertinent to getting this person out. Emails, notes from phone calls, pictures, everything. This isn’t like a murder trial you see on Thursday night television. Rarely does it last longer than 30 or 45 minutes.

Hopefully you have all your information and you win the trial, they never answered originally or they never showed up in court. The next step is the writ and set out.

The judge will file a “Writ” to have the person set out of the house. There are times when the judge will give the person a week or two before he files it, but if they aren’t out, it is filed and sent to the Sheriff.

The Sheriff has the responsibility of taking the Writ or order from the judge and getting the person out of the house. Do not attempt to do this yourself!

### 3. Required services by landlord

This really falls into a few buckets:



#### Health and safety

To even have to put this in the Law is a joke, but there are some people who wouldn't even provide for people a safe place to live. As a landlord and owner, we see this as my number one responsibility. Bottom line if it can affect a tenant from either a health or safety standpoint, you are responsible to get it fixed, quickly.



#### Habitable

This, to some degree, falls in line with the previous one, but really takes it a step further. Our thoughts are that you shouldn't let someone live in any condition you wouldn't be willing to live in yourself.



#### Electrical, plumbing, sanitary, heating, ventilating, and air conditioning

The law specifically states in the section "required to be supplied by the landlord". We believe a good rule of thumb is that if it is a major system (and this includes the roof), then you are required to provide it in good working order.



#### Heat and hot water

We're not sure why the law breaks these two out separately from the one above, but they are required to be maintained.

These are not the only items required by the law, but they are the items we hear the most about. We highly suggest you read this section thoroughly prior to leasing a home - for your benefit and the tenant's!

## **THERE YOU HAVE IT.**

We've tried to take the mystery and difficulty out of renting your house and boil it down to some important steps that will help you get the most out of your rental property.

The aim of this book was to give you some practical advice you can apply today.

If you ever need more help, don't hesitate to reach out, read our blog or download anyone of our helpful eBooks.