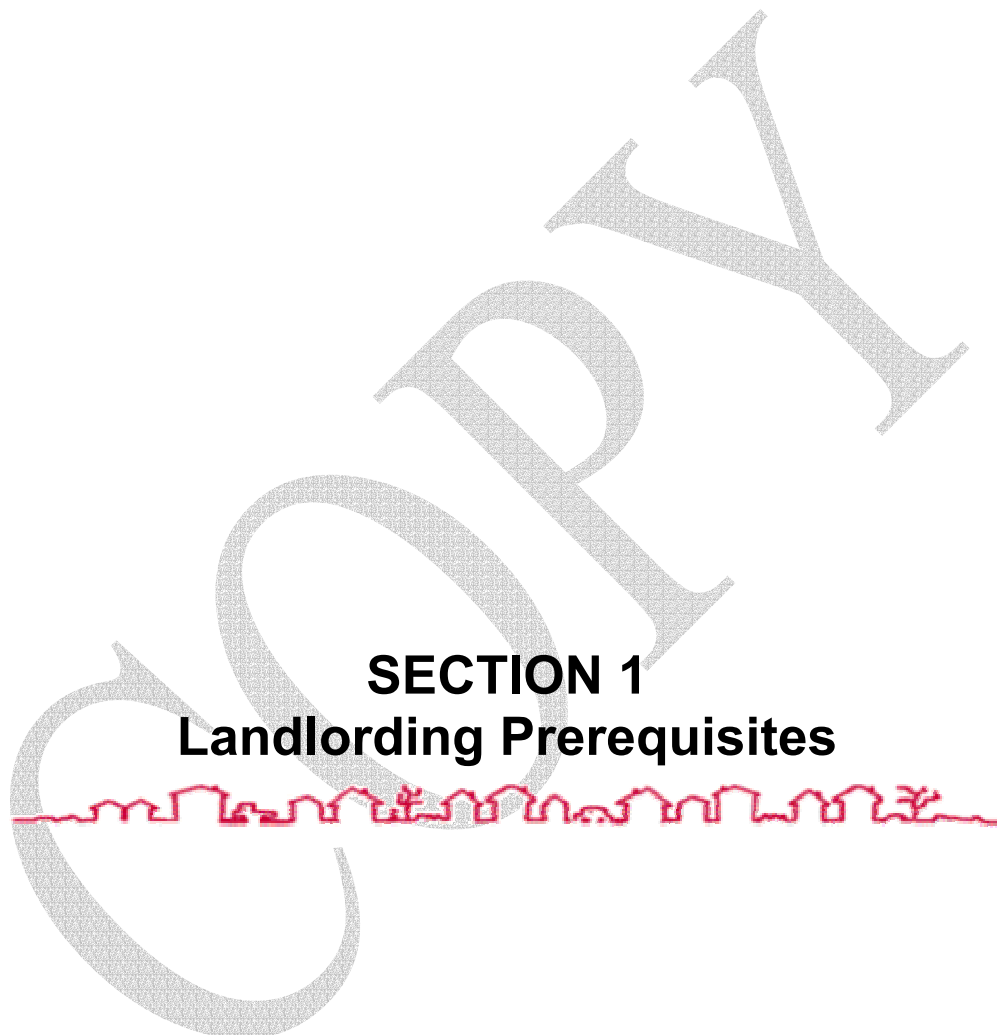


# TABLE OF CONTENTS

|   |           |
|---|-----------|
| <b>SECTION 1. Landlording Prerequisites</b> .....   | <b>1</b>  |
| Reality Check – Are You Ready, Willing and Able?.....                                       | 2         |
| “Property Owner” Versus “Landlord” – Which One Are You?.....                                | 2         |
| ➤ Alternatives to Being a Full-Time Landlord .....  | 4         |
| <i>Hire an Independent Manager; Get Help Lease-Up Periods; Tenant Screening Services</i>    |           |
| Establishing a Business Entity.....   | 5         |
| <i>Sole Proprietorship; The Partnership; The Limited Liability Company; The Corporation</i> |           |
| Opening a Business Bank Account.....  | 6         |
| Accounting Software .....   | 6         |
| Understanding Landlord-Tenant Laws.....   | 6         |
| ➤ Doing Your Due Diligence .....  | 6         |
| <i>Know the Law; Discrimination; Lead Paint</i>   |           |
| ➤ Where to Find Help .....  | 8         |
| Finding An Attorney.....  | 8         |
| Liability Insurance.....  | 9         |
| ➤ Renters Insurance.....  | 9         |
| Getting Set-Up for Credit Reports .....   | 9         |
| Determining Principles and Practices.....   | 10        |
| Preparing Your Property to Rent .....   | 10        |
| Summary.....  | 11        |
| <b>SECTION 2. Principles and Practices of Property Management</b> .....                     | <b>12</b> |
| Determining Rent and Security Deposit Amounts .....   | 13        |
| ➤ Determining Your Rental Rate .....  | 13        |
| ➤ Security Deposits and Prepaid Rents.....  | 14        |
| Attracting Good Tenants .....   | 14        |
| Secrets to Success in Advertising .....   | 15        |
| Your Property Sales Pitch.....  | 16        |
| ➤ Offering Financial Incentives .....   | 16        |
| ➤ Preparing for Inquiries.....  | 16        |
| Screening Tenants.....  | 17        |
| ➤ Policies and Standards .....  | 17        |
| ➤ Reviewing the Application.....  | 18        |
| ➤ Declining an Application .....  | 20        |

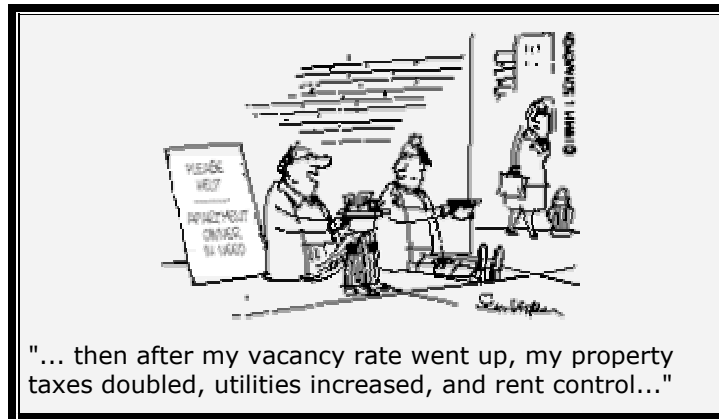
|  |           |
|--|-----------|
| Understanding Credit Reporting-----                        | 20        |
| ➤ Credit Reports-----                                      | 20        |
| ➤ Full Background Checks-----                              | 21        |
| ➤ Criminal Reports-----                                    | 21        |
| ➤ Tenant History-----                                      | 21        |
| Negotiating Lease Terms and Understanding the Lease-----   | 21        |
| ➤ Negotiating Lease Terms-----                             | 21        |
| ➤ Understanding the Lease Contract-----                    | 22        |
| Roommate Tenancies-----                                    | 23        |
| Move-In Procedures-----                                    | 25        |
| ➤ A Landlord's Move-In Checklist-----                      | 25        |
| ➤ The Property Inspection Form-----                        | 25        |
| ➤ The Tenant Notice to Vacate Form-----                    | 26        |
| Maintaining Tenancies-----                                 | 27        |
| ➤ Maintaining Tenant Files-----                            | 27        |
| Keeping up on Maintenance and Repairs-----                 | 27        |
| ➤ Working with Contractors-----                            | 28        |
| Dealing with Difficult Tenants-----                        | 28        |
| ➤ Default Notices-----                                     | 28        |
| ➤ Respecting the Law-----                                  | 29        |
| Collecting Rent-----                                       | 29        |
| ➤ No Rent, No Way!-----                                    | 30        |
| ➤ Late Fees-----   | 30        |
| ➤ Early Pay Discounts-----                                 | 30        |
| ➤ The Rent Due Date-----                                   | 30        |
| Evicting a Tenant-----                                     | 31        |
| ➤ The Eviction Process-----                                | 31        |
| ➤ Abandoned Property-----                                  | 32        |
| ➤ Alternatives to Eviction-----                            | 32        |
| ➤ Collecting Past Due Rent and Expense Reimbursements----- | 33        |
| Move-Out Procedures-----                                   | 33        |
| ➤ Notice of Intent to Vacate-----                          | 33        |
| ➤ The Move-Out Process-----                                | 33        |
| ➤ Normal Wear & Tear Versus Damage & Repair-----           | 34        |
| ➤ The Closing Statement-----                               | 35        |
| Collection Strategies-----                                 | 35        |
| ➤ Collection Agencies-----                                 | 35        |
| ➤ Small Claims Actions-----                                | 35        |
| ➤ Reporting Delinquent Tenants-----                        | 36        |
| <b>SECTION 3. Continuing Education:-----</b>               | <b>37</b> |
| Additional Information & Resources-----                    | 37        |
| ➤ The Landlord's Resource Directory-----                   | 38        |

|   |           |
|---|-----------|
| ➤ Technical Support-----                                | 39        |
| Conclusion – A Final Message from the Author-----       | 40        |
| <b>SECTION 4. Appendices -----</b>                      | <b>41</b> |
| Appendix A: Sample Policies and Procedures -----        | 42        |
| Appendix B: Sample Credit Report-----                   | 44        |
| Appendix C: Landlord Quick Tips-----                    | 47        |
| Appendix D: Landlord-Tenant Law Research Checklist----- | 50        |
| Appendix E: Glossary of Landlording Terms-----          | 51        |
| Appendix F: Explanation of Forms and Samples -----      | 61        |
| Appendix G: Landlord Form Templates -----               | 76-116    |
| ➤ Move-In Forms   |           |
| ▪ Application for Residency                             |           |
| ▪ Co-Signer Agreement                                   |           |
| ▪ Declined Application Notice                           |           |
| ▪ Landlord’s Move-In Procedures Checklist               |           |
| ▪ Landlord-Tenant Rental Agreement                      |           |
| ▪ Lead Paint Law Fact Sheet                             |           |
| ▪ Lead Paint Law Disclosure Form                        |           |
| ▪ Pet Agreement   |           |
| ▪ Property Inspection Form                              |           |
| ▪ Roommate Agreement                                    |           |
| ▪ Tenant Log Sheet                                      |           |
| ➤ Move-Out Forms  |           |
| ▪ Notice to Pay Rent or Quit                            |           |
| ▪ Notice to Quit for Breach of Contract                 |           |
| ▪ Notice to Pay Rent and Quit (Combined)                |           |
| ▪ Landlord’s Notice to Vacate                           |           |
| ▪ Tenant’s Notice to Vacate                             |           |
| ▪ Lease Termination Agreement (Mutual)                  |           |
| ▪ Lease Violation Notice                                |           |
| ▪ Security Deposit Settlement Agreement                 |           |
| ▪ Tenant Closing Statement                              |           |
| ▪ Tenant’s Move-Out Checklist                           |           |
| ➤ Miscellaneous Forms                                   |           |
| ▪ Change of Rent Notice                                 |           |
| ▪ Commercial Lease                                      |           |
| ▪ Lease Extension Addendum                              |           |
| ▪ Management Transfer Letter                            |           |
| ▪ Owner-Agent Property Management Agreement             |           |
| ▪ Rental Inquiry Phone Log                              |           |
| ▪ Utility Responsibility Form                           |           |
| ▪ Utility Billing Request Letter                        |           |



**SECTION 1**  
**Landlording Prerequisites**

## Reality Check – Are You Ready, Willing and Able?



What does it mean to be a landlord? Many people really don't see the big picture – at least not until they learn the hard way. In truth, a landlord has two major concerns. One is being a **property manager** to create and administrate an ongoing flow of income. The other is being a **property owner** which involves a certain amount of financial liability.

Many people take on the role of being a landlord without assessing the risks that come with the rewards. They envision an ideal scenario that their rental income will pay their mortgage and expenses while their property appreciates and grows their equity and earning potential. While this is generally the case, especially in the long run, what happens if things don't go exactly as planned? What happens if there is a particularly long vacancy period or a costly eviction? What if something unexpected goes wrong with the property and an expensive repair is necessary? The reality is, your responsibilities as a property owner will involve a certain amount of financial risk and it's essential that you have the financial and emotional wherewithal to endure potential catastrophes.

New investors will often gladly mortgage themselves to the hilt in an eager attempt to grow an investment portfolio. They are risk takers and optimists – the people who make our society great. But sometimes, they are naïve to the realities of property ownership and become quickly disheartened when things don't go the way they envisioned.

Make no mistake about it, being a successful landlord will require much of you as a property manager but don't forget about the obligations you will face as a property owner. If you're in this business for the long haul, **you will have periods of financial hardship** and you need to be prepared by keeping a significant cash reserve available at all times. Ideally, you should have ready access to the equivalent of six months of expenses.

## “Property Owner” Vs. “Landlord”– Which One Are You?

Now that you're clear about your responsibility as a property owner, you need to understand the reality of being a “landlord” as well and decide if it's right for you. Just like any other job, being a successful property manager will entail establishing a legitimate business and acting in a professional manner. Yes, owning and managing residential rental properties is a business, **not a hobby**. As such,

you will need to take your new role very seriously and realize the responsibilities that come with the job. There are four basic steps to creating a successful property management business.

1. **Analyze your goals and objectives.** Success begins with a vision. You need to determine exactly what you want to accomplish as a landlord. Are you looking to create cash flow or do you just want enough income to pay the mortgage and build equity?
2. **Determine your policies and procedures.** Your effectiveness as a property manager will entail structuring how you will administer and operate your business. Looking at all your risks, you will need to create policies, procedures and forms that will minimize them.
3. **Implement your strategies** – Once you have developed the principles and practices of your property management business, you will put them into effect with confidence and be disciplined enough to stick with your plan.
4. **Monitor your results** – With each new tenancy, you will need to take the opportunity to do some “expectational benchmarking”. Based on your experience, are you closer to achieving your goals and objectives or were they unrealistic? Now, start back at #1 of this cycle and make any necessary adjustments.

Specifically, the following are some basic prerequisites to becoming a landlord that will be covered in this section:

- ✓ Make sure you are prepared for the full-time duties of being a property manager
- ✓ Establish a legitimate business entity
- ✓ Open a business bank account and set up a valid accounting system
- ✓ Learn the federal, state and local laws governing tenancies in your jurisdiction
- ✓ Establish a relationship with a real estate attorney
- ✓ Obtain appropriate liability insurance policies on your property
- ✓ Get set up to obtain credit reports
- ✓ Adequately prepare your property for rent

Furthermore, you may have already made the decision to manage your own properties but being a landlord is certainly not for everyone. Just search the Internet and you'll find hundreds of articles arguing all the reasons why you should let professional property managers handle the headaches of such a job. Aside from the financial risks you face as a property owner, the nature of property management requires you to deal with a lot of problems which can make it a very negative, stressful and time consuming job that you might gladly choose to pay someone else to do.

Take a moment to consider some of the duties you will assume as a landlord. You must:

- ✓ Analyze and determine the ideal tenant for your property and how to attract them
- ✓ Advertise your property for rent
- ✓ Arrange physical showings of the premises
- ✓ Distribute and review resident applications
- ✓ Negotiate lease terms

- ✓ Collect and disburse rent income and deposits
- ✓ Handle repairs and maintenance in a timely manner
- ✓ Be available to tenants 24/7
- ✓ Keep accurate and consistent accounting and tenant records
- ✓ Deal with problem tenants, evictions and collections

In order to deal with these issues and more, you need to have good managerial skills and the ability to run an efficient rental office. This means staying organized and on top of administrative duties and maintenance issues. An effective landlord must also have good communication and negotiation skills. How you deal with problem tenants will determine the financial and emotional outcome of inevitable dilemmas.

Consider also that you will save yourself a lot of money by performing as much of the cleaning, repairs and maintenance yourself. This is not always an easy task, especially if you are not particularly “handy”, have another full-time job and/or live a far distance away from the property.

## **Alternatives to Being a Full-Time Landlord**

### **Hire an Independent Manager**

The simplest alternative option to being a landlord is to contract a full-time professional property management company to handle things for you, including dealing with leasing your property, maintaining the property, handling tenant disputes and evictions. Of course, you will pay an average of 7% to 10% of the monthly rent collections in exchange for this service, which will affect your annual income and cash flow.

### **Get Help with Lease-Up Periods**

Another option is to get help with the most critical and time-consuming part of the process and hire a property management firm to find you an acceptable tenant. For a one time “lease-up fee” they would agree to advertise the property (you will likely need to pay the advertising bill but most management companies qualify for significantly lower advertising rates that you would get on your own), pre-screen applicants, show the property, process the application, negotiate lease terms, collect security deposits and rents and deliver possession of your property to the new tenant at which time you would take over maintaining the tenancy through the end of the lease term. This option is often cheaper than full-time professional management.

### **Tenant Screening Services**

Since the most important part of landlording is finding the right kind of tenant, another excellent and more affordable alternative is to use a professional tenant screening service to process tenant applications for you. In this case, in exchange for a one time fee of \$30-\$100 you would fax in your tenant applications to an independent company who would pull the credit reports (and criminal reports if requested), verify all aspects of the applications and give you final recommendations on each applicant. The benefit of this strategy is that you can pass all or part of the cost of this service to the applicant as part of processing their application. There are many full service tenant screening providers available online. For recommendations, check the [Tenant Verification & Credit Reports](#) section of the [Landlord's Resource Directory](#).

If after taking all these things in to consideration, you still want to be a landlord, read on! I'm going to show you how to minimize the downsides of this business so you can focus on the benefits of being

a landlord. Otherwise, now is the time to start interviewing professional property managers to take on these responsibilities for you.

## Establishing a Business Entity

Before being a landlord, it's important to establish yourself as a legitimate business entity. If you haven't already consulted with an attorney and/or financial advisor about what type of organization is ideal for you, there are four forms of business ownership you should consider: **Sole Proprietorship**, **Partnership**, **Limited Liability Company** and **Corporation**. Each form has its own advantages and disadvantages as well as legal requirements that you will need to know about before determining which will best serve your needs.

### The Sole Proprietorship

A sole proprietorship is the most simplistic form of business to use with the least amount of record keeping and filing requirements. As a sole proprietor, you are the sole business owner and have an unlimited amount of personal liability for all aspects of your business. This means your personal assets are at risk in the event of a lawsuit against you. Also, there are few tax advantages for sole proprietors compared to LLCs and corporations.

If you do not establish any other form of business entity, you will be recognized as a sole proprietor by default in the eyes of the law and the IRS.

### The Partnership

There are several types of partnerships which are entities between two or more persons, each of whom is a co-owner, though they may have disproportionate shares of the business. A **General Partnership** is also known as a **Joint Venture** and is commonly used for businesses involving property ownership. Like sole proprietors, the general partners are the managers of the business have simple administrative requirements and are held jointly and severally liable for all business debts.

**Limited Partnerships** enable the partners to limit their liability only up to the amount of their contributions to the business. Administration and set-up of a limited partnership is a bit more complicated but the partners are considered separate from the business entity.

### The Limited Liability Company

A Limited Liability Company (LLC) is a combination of a partnership and a corporation and is an ideal choice for many property investors. This relatively new form of ownership passes its income to its participants, referred to as "members" or "managers", while taking on the limited liability of a corporation. In a business where lawsuits are common, this kind of protection is essential making limited liability companies and partnerships extremely appealing to entrepreneurs.

Disadvantages of LLCs include their cost to set up and the fact that most states have not yet clearly defined their laws and regulations since they are so new. Consulting with a professional is highly recommended before taking on this form of ownership.

### The Corporation

If protecting your personal assets is a primary consideration for you, incorporating is the ultimate way to protect yourself. It is the most costly and complicated business form to establish with the most filing and record keeping requirements but it allows the corporation to take responsibility for all

aspects of the business, making it next to impossible for shareholders to be personally injured in a lawsuit. Disadvantages of corporations include the relative complexity and expense to start and maintain.

Once you have determined what type of business entity is best for you, there may be some filing and legal requirements with your state. For more details on business options, requirements and costs to form them, browse the [Business Start-Up](#) links in the [Landlord's Resource Directory](#) and/or contact your accountant and attorney.

## Opening a Business Bank Account

Regardless of the type of ownership you choose, opening a separate bank account for your business is essential if not required by law. It will enable you to keep track of income, expenses and security deposit liabilities and avoid commingling those funds with other personal monies. You may also want to look into opening a separate interest bearing account for security deposits, especially if you live in an area that requires you to pay interest to your tenants on such withholdings during the term of the tenancy.

As a property manager, you will need to commit to keeping detailed accounting records, reconcile your account with the statements regularly and keep all financial records organized and filed away for future reference and tax purposes. A specific management software program can make this job quick and easy.

## Accounting Software

There are several advantages to being diligent about bookkeeping as a property manager besides the fact that it is your responsibility to do so to keep track of security deposits and reimbursable expenses. Using specialized property management accounting software will keep you organized, financially aware and prepared for tax time each year. There are many industry specific software programs to manage your financial activity and day-to-day business operations that include the ability to manage all aspects of your business including tenant information, repair and maintenance items, accounts payable and receivable, multiple report options, etc.

Much of the industry software you will find online is expensive and geared toward owners of large properties or for professional property management companies. Needless to say, it may be much more than you need so be sure to research your options and determine what will serve you best as far as functionality, technical support and training time. Product suggestions are listed in the [Management Software](#) section of the [Landlord's Resource Directory](#). Also, be sure to check with your accountant and/or other property owners for recommendations.

## Understanding Landlord-Tenant Laws

### Doing your Due Diligence

#### Know the Law

One of the most important steps to preparing you as a landlord is to make yourself aware of any and all laws governing landlord-tenant relationships in the legal jurisdiction where your rental property is

located. Your lease agreement, other forms and your policies and procedures will need to reflect these legal requirements which will protect you from potential losses and litigation. The following summarizes items in particular that will require clarification:

- Whether or not rental agreements must be in writing
- Laws regarding the charging, withholding and repayment of security deposits
- The legal remedies of both landlord and tenant (which supercede any contradictory statements in the lease) with regard to rent increases, lease violation remedies, minimum notice requirements, a landlord's right to access the premises, lease termination and eviction processes
- Laws pertaining to subleasing rights and rent control ordinances,
- Discrimination laws
- The definition of "legal notice"
- Minimum time frames required for tenant to cure a default
- Restrictions on what can/can't be said when giving past tenant references,
- Entry and inspection of the leased premises
- Personal property left by a tenant
- Standards for charging for repairs, maintenance and cleaning
- Normal wear and tear guidelines
- Tenant screening policies

Some of these topics are clearly defined by laws while others are not as easy to research. To assist you, we have provided a "Landlord-Tenant Law Checklist" in Appendix C of this book. This form, coupled with use of the [Landlord Resource Directory](#), will enable you to complete most or all of your research on these issues.

Although not every aspect of the landlord-tenant relationship will be specifically defined by the laws in your jurisdiction, typically, federal and local laws will clarify what have historically been the most debated (and litigated) tenancy issues. They will include regulations imposed by city, county and state authorities. In most cases, landlord-tenant laws are instituted at the higher levels of government and additional requirements if any, are added at the discretion of more local governing agencies.

In the US, each state has its own "articles" or "statutes" that establish and enforce landlord-tenant guidelines with respect to issues such as the legality of written and oral contracts, entry and inspection guidelines, security deposits, rent increases, and lease termination rights. Issues handled by more local authorities typically include court processes such as unlawful detainer (eviction), small claims and collections as well as regulatory requirements like rental property registration and management licensing. The federal government then recognizes each individual state as the authority regarding tenancies but reserves the right to impose other laws.

## **Discrimination**

In 1968, the US Department of Human Resource Development (HUD) implemented the Federal Fair Housing Act prohibiting discrimination in housing. For American landlords, it is critical to understand

and abide by such laws, which are popular grounds for lawsuits. Specifically, the law prohibits discrimination in housing related transactions based on race, color, national origin, religion, sex, familial status and handicap. To view the *Fair Housing Laws and Presidential Executive Orders* online, go to: <http://www.hud.gov/offices/fheo/FHLaws/>.

## **Lead Paint**

If you rent a property that was built prior to 1978, you will also need to be aware of the hazardous substance law regarding lead paint. The Federal government has established a [Lead Based Paint Law Fact Sheet](#) and a [Lead Based Paint Disclosure Form](#) that must be reviewed and signed by all tenants leasing homes that may be contaminated with lead based paint. Be sure to review the fact sheet for more details or visit HUD's official Lead Based Paint Disclosure Rule website at: <http://www.hud.gov/offices/lead/disclosure/index.cfm>.

## **Where to Find Help**

Some of your greatest allies in property management will be other landlords and property managers, many of which are members of local landlord or real estate investment associations. The purpose of these organizations is to provide information, support and continuing education to their members. Some may require membership fees in exchange for access to their online database or library and an array of relevant materials and resource recommendations. In addition to a good real estate attorney, these groups will be the best resource you will find to help you with every aspect of your business, especially as they relate to the legal requirements of your locality that are not clearly defined by local statutes.

To summarize, in the same way that you would prepare yourself for any serious business undertaking, it is essential that you thoroughly read and understand pertinent tenancy laws, some of which are established in favor of landlords, while others are designed to safeguard the rights of the tenant. Keep in mind that in more liberal regions, such as the State of California, the result of much of the legal litigation on tenancies has contributed to laws that are designed primarily to protect tenants. Many landlords find out the hard way what its like to be a victim of these "tenant friendly laws" because they simply never bother to research them. Furthermore, your process of researching this information will be a significant part of your initial education as a landlord. You will be forced to become very clear about your obligations and rights which will help you implement effective policies and procedures. Likewise, as you take the time to create your lease agreement and other forms, you will have the opportunity to understand the content and purpose of each form.

## **Finding an Attorney**

Before taking on your first tenant, you should have a real estate attorney review your policies, procedures and forms to make sure they are legal and sufficient to protect your interests. The time and money you spend to do this will give you a sense of confidence and clarity that will be worth its weight in gold! A good real estate attorney will be an invaluable asset to you as a property owner and landlord.

In addition to providing or at least verifying the legality of your own rental agreement, other forms and tenant screening policies you will create, you will want a good lawyer to help you with various legal questions and evictions (depending on the business entity you choose, the law may require that you have outside representation). In many cases, attorneys will provide you with their own default notices and eviction forms to use as well as to advise you on the procedures for both. Take the time to

set up a meeting to interview him or her and ask for a briefing on the pertinent local laws you will need to know as well as the most common legal issues you can expect to deal with as a landlord and/or property owner.

For assistance finding a competent real estate attorney, ask your family attorney for a referral or get recommendations from other property managers. There are also online referral resources such as those listed in the [Landlord's Resource Directory](#).

## Liability Insurance

In addition to protecting yourself with the type of business entity you choose, you will need to obtain a good liability insurance policy as protection from the many types of lawsuits that are so popular in today's culture. Potential liabilities include theft, physical property damage from fire or water, physical injury to tenants or guests from "slip and fall" accidents and coverage for losses caused by any defective condition of the property. Another important consideration for property owners and managers is having coverage that includes legal and court costs in the event of a legal suit including litigation over discrimination, retaliatory eviction, and slander or libel issues.

Although average policies range from \$200,000-\$500,000, the amount of protection you should have will depend upon many factors including how many properties you own, the total value of the property and improvements and the number of units/tenants. In many cases you may also want to consider an umbrella policy for additional business liability coverage. Be sure to research what options are available for your specific situation.

Pricing will also be significant and since insurance rates can vary considerably from year to year and from company to company. Any time shopping to compare differences in coverage, rates, company strength and customer service will be well spent. You will find an abundance of Internet sites for quotes (see the [Landlord's Resource Directory](#)) or you can contact an insurance broker. In any case, just be sure to re-shop the market each year to ensure that you're getting the most for your money, especially if you get hit with a big increase from your current insurer.

## Renters Insurance

Although generally, you as the property owner are not responsible for a tenant's personal property, it's always a good idea to recommend (or even require) that all tenants obtain their own personal property and personal liability policy. Renter's insurance policies are relatively affordable and widely available for those who want the protection.

For an overview on rental property insurance as well as on renter's policies for tenants, go to <http://www.renters-property-insurance-quotes.com/Rental-Property-Liability-Insurance.html> or use the [Landlord's Resource Directory](#) for more recommendations.

## Getting Set-Up for Credit Reports

Being able to quickly download and analyze various types of credit reports will be an important part of your job as a property manager. There are many online organizations that will enable you to download your own credit reports immediately or will allow you 24/7 access to reports upon receipt of a faxed authorization by the applicant (the signed rental application included in the Landlord Forms section herein will suffice as an authorization form).

There are also several levels of assistance available if you would like help with the tenant screening process, the costs of which can sometimes be passed on to the applicant. Be sure to research your options ahead of time so you will be ready to go when you get your first tenant application (website suggestions are included in the [Landlord's Resource Directory](#)). More will be discussed on this topic in the *Understanding Credit Reporting* section herein.

## Determining Principles and Practices

As we've already made clear, there are certain inherent risks that come with the job of a landlord. No matter how well prepared, rich or powerful you think you are, no matter who you have working with you, no matter how much you try, at some point you **will** face tenant problems in one form or another. So, your goal is not to eliminate risks but to minimize them. This is the reason for designing effective policies and procedures that will structure how you choose your tenants, what your move-in procedures will be, how you will maintain and enforce your lease and what your move-out process will be.

Section 2 of this book makes recommendations and exemplifies the benefits of certain practices but ultimately, you will need to sit down, consider your personal goals and objectives and put together rules and regulations that will minimize your risks and maximize your profits. To assist you in this endeavor, a sample list of policies and procedures is available in [Appendix A](#).

## Preparing Your Property to Rent



As the above illustration demonstrates, making sure the property you are leasing is in good condition and repair will not only be significant in attracting good tenants getting it rented, it can also save you the liability of a potential lawsuit. Believe it or not, there have been many cases where tenants were awarded damages as compensation for broken appliances or other deficiencies that were not disclosed prior to move-in. Further, it is much easier to consistently begin with a “clean slate” so that

responsibility for cleaning, maintenance and repair costs are easy to determine at the move-out inspection (more on this later).

Generally a property will show better when it has been vacated and cleaned however, since you will often need to show a property prior to the current tenant's move-out date, be sure to at least preview the premises for obvious maintenance and disrepair that might scare off a prospective applicant. Give the current tenant ample notice of any appointments and ask them to tidy up the place as much as possible. If the property is in poor condition, you may want to refrain from showing it at all until repairs and cleanup can be completed.

## Summary

You should now have a clear idea of the extent of the obligations of being a landlord. You may be disillusioned to know that it's not as easy as you may have imagined but now you will be capable of determining if the job is for you. In truth, being a landlord can be highly stressful even if you're well prepared. Now you can see why property management companies charge the fees they do and those charges may be a small amount to pay in exchange for the peace of mind of having your business handled by a professional. If, on the other hand, after reading this section you are comfortable with the challenges that lie ahead, you are ready to move on to learning the everyday operations of a legitimate property management business. So, read on!