



WAA News

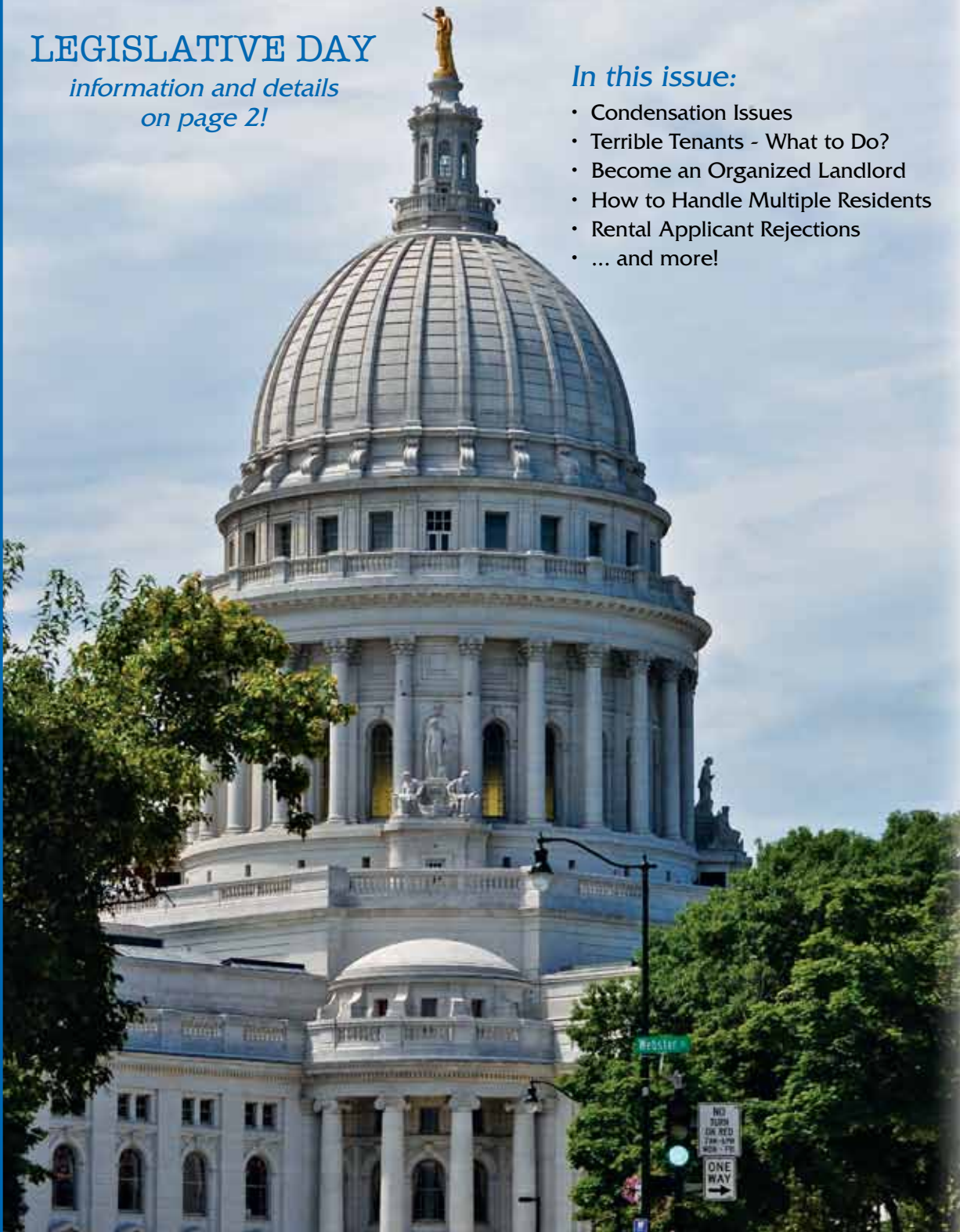
Volume 34 Issue 2 • March 2013 • *Connecting the Rental Community Right Next Door and Across the State*

LEGISLATIVE DAY

*information and details
on page 2!*

In this issue:

- Condensation Issues
- Terrible Tenants - What to Do?
- Become an Organized Landlord
- How to Handle Multiple Residents
- Rental Applicant Rejections
- ... and more!



LEGISLATIVE DAY
March 20 • State Capitol



2013 Roster of Events

(for a full calendar of events go to: <http://www.waaonline.org>)

LEGISLATIVE DAY

Wednesday, March 20 • Registration 9:30 a.m., Event 10:00 a.m.
State Capitol, Madison

Lunch ordered upon arrival and delivered around noon - cost is \$12

4:30 – 6:30 p.m. Annual Legislative Reception & Awards Presentation
The Best Western Inn on the Park, Signature Lounge, 22 S. Carroll St.

Contact Gary Goyke to register or for more details at gary.goyke@gmail.com or 608-219-5237.

The Wisconsin Apartment Association (WAA), the Wisconsin Rental Housing Legislative Council (WRHLC), and the Apartment Association of Southeastern Wisconsin (AASEW) are teaming up to put on Legislative Day 2013 in Madison on March 20th. We would like to personally invite you to attend this important day! The day will be filled with many informative sessions and other events, but you will have time to meet with Legislators. Registration will be at the State Capitol at 9:30 a.m. with the event starting at 10:00 a.m. Lunches will be ordered upon arrival and will be delivered around noon. We will end the day with a reception at 4:30 p.m. at the Inn on the Park in the Signature Lounge. Let's come together to get the needed changes to the laws governing our industry so we have a fair playing field.

BOARD MEETING

Saturday, April 27 • 10:00 a.m. - 4:00 p.m. (Lunch served at Noon)
Robbins Restaurant, 1810 Omro Rd, Oshkosh

Lunch choices are: Robbins soup, salad, & baked potato bar, a French dip sandwich, or a turkey BLT.
Both sandwiches are served with your choice of french fries or fresh fruit.
Cost is \$12 and includes coffee, tea, milk, or soda.

Please RSVP to Kristy at kristy@waaonline.org or 920-230-9221 no later than **Monday, April 22nd.**



PLEASE NOTE:

The WAA has a new mailing address.
All mail should now be sent to:

PO Box 2922, Oshkosh, WI 54903

WAA Newsletter Correction: In the January/February 2013 WAA News, the article titled "Top 5 Ways to Protect Yourself From Problem Renters" on page 12 in the section, "Walk Through," it states that you, as the landlord, have the right to do a walk through of your property; providing you give the tenant at least 24 hours notice. In Wisconsin, a 12 hour notice is all that is necessary.



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President's Letter



This past month has been a very exciting time. I, along with Chris Mokler and Gary Goyke, attended two meetings in Milwaukee recently. One was a lead summit with twelve people discussing the problems with lead paint. As the issue was being discussed many questions arose such as:

1. Is a single mom trying to feed, clothe, and house one or more children going to put a priority on the possibility of lead paint in her home? She may be so consumed with her responsibilities that how can we expect her to be worried about something she can't see, much less see the affects in her children or even herself. How can we help people take this more seriously?
2. Where do high lead counts in blood come from?

Some exciting news is that for the first time there is a lead footprint on lead. This means that objects such as toys, jewelry, etc. that may have lead in them can be identified specifically. Being able to tell where the lead is actually coming from is vital and a real breakthrough. Another meeting is being planned before Legislative Day to determine a course of action.

The other meeting was with Asset Builders of America. We met many very knowledgeable people that can be an asset to WAA in the future. At this time we are just beginning to build relationships. Many of these people are very interested in attending our Legislative Day on March 20th. This is going to be a very busy day and will also include a press conference that will help WAA with the message we want to put forth. Many Milwaukee landlords are also joining us as we build support in numbers.

I encourage all of you to attend the WAA Legislative Day on March 20th; if you've never attended one, this is the one to attend! Take a day off work and fill up your gas tank!!! It's an awesome experience to just be in the Capitol building itself, but to take part in something worthwhile is like the icing on the cake.

Some of the main issues we will be focusing on this year are getting the crime free addendum bill passed, municipality's utilities bill, lead forum, and cleanup of Act 143. We have good support from the legislative people that are working with us. But it's so important to have input and attendance by a large contingent of our members, so we hope to see many of you that day!

Dale Hicks

Dale Hicks
WAA President



Welcome New Associate Member!

AON Rent Protect

Aon Rent Protect is a new insurance solution for residential rental property owners from Aon Affinity, a subsidiary of Aon plc (NYSE:AON). Aon Rent Protect helps protect your cash flow with up to six months of rent recovery available, plus reimbursement for legal expenses to help with the eviction process.

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The 50% Rule of Finding a Tenant

By Jason R. Hanson • www.biggerpockets.com

It's all a numbers game. It doesn't matter if you are buying houses or selling houses. Everyone gets frustrated that they have to go through 99 bad leads to find the one quality lead and it's the same way with finding a tenant.

The best ways to find tenants are through classified ads in the newspaper, ads on Craigslist and signs everywhere. Once you get calls you have to decide how you are going to show the property: either using a lock box or holding appointments. If the neighborhood is rough and you don't trust the area, I would not use a lock box. However, if it's in a good area then use a lock box and you will save yourself a lot of time.

If you decide to show the property via appointments, make sure you are doing appointments (never hold an open house because people will not show up). It doesn't matter how you do these appointments. You can schedule every one at the same time, or spread out the appointments every 15 minutes or so.

Here is where the 50% rule comes into play. No matter how many appointments you set, only about 50% of people will show up. If you schedule 30 appointments at 1:00 in the afternoon, expect only 15 people to come. This is a firm rule that I have discovered over the years and unfortunately it never fails.

That's just the way people are. Many folks do not have the common courtesy to keep an appointment let alone call and tell you that they will not be making the appointment. This is why I would NEVER set an appointment with just one person at a time. I learned this lesson early on by getting stood up at many houses. So make sure that anytime you are setting up appointments you get at least 20 people who say they are going to come and don't be disappointed when only 10 show up.

Jason R. Hanson is the founder of National Real Estate Investor Month, author of "How to Build a Real Estate Empire" and mentor to students all across America. For more information on Jason's one-on-one mentoring program, visit <http://www.PrimoCoach.com> or call 800-865-1702.



Condensation Issues in Apartments

By Paul Gosh and Cassidy L. Kuchenbecker, MS



Do you often get calls from tenants where they say "I've got mold growing all over my bathroom (or) around my windows!" or "My entire apartment smells musty, even my clothes are starting to stink. Do something."

If you've owned an apartment or condo building for any length of time this situation probably crops up more often than you'd like. The good news is most general mold growth in apartments is condensation-related, usually does not impact occupant health, and is easily cleaned and managed. But we need to understand why the mold is growing before it can be stopped.

Cause of the Condensation

Apartment units are especially susceptible to condensation issues from the build-up of moisture. The buildings as a whole generally have a higher occupancy density and a lack of mechanical ventilation bringing in dry outdoor air in winter months.

Showering and stovetop cooking are obvious sources of excess moisture in an apartment. There are several other items which may not be as obvious that should be taken into consideration:

- **Occupant density:** A five-member family is going to create much more humidity than a bachelor for any given apartment size. Condensation issues are often seen when too many occupants are in too small of an apartment unit.
- **Bathroom exhaust fans:** Many tenants don't use the bathroom exhaust fans. Ideally, the exhaust fan is operated during and for 15 minutes after showering. The bathroom door must remain closed when the exhaust fan is operating to properly remove the moisture. To ensure the exhaust fan is operated, install a timer on the light switch. When the light turns on, the fan turns on. When the light is turned off, the fan operates for an additional 15 minutes. Be aware, if the fan is noisy, the occupants will not be pleased.
- **Apartment layout:** Many apartment units have bathrooms with showers near the bedrooms. This provides an easy pathway for humidity generated by showering to condense on and around bedroom windows and other cold surfaces.

- **Cooking habits:** Is your tenant an aspiring Emeril or just is often frying, boiling, or baking in the kitchen? If a kitchen exhaust fan that vents to the outdoors is not present over the oven, consider instructing the occupants to put a fan in the kitchen window to operate when the oven is operating. In addition, a gas-fired stove releases considerable quantities of moisture from the burning of gas.

- **Furnace/water heater:** As just mentioned, any gas-fired appliance also produces moisture. The combustion products produced from gas-fired furnaces, boilers, and water heaters must be properly vented to the outdoors. Sometimes, however, these devices fail and the combustion products are directed indoors. These situations create both moisture issues and potentially life-threatening carbon monoxide exposures.

- **Humidifiers:** Many a child's bedroom has experienced excessive wall or window condensation due to the operation of a humidifier. Despite the claimed health benefits, humidifiers should not be operated.



Normal condensation related mold growth easily cleanable by the tenant or property manager.

Mold Growth

"Okay," you say, "Condensation is probably the reason mold grew in this apartment unit. What now? My tenant went on the internet and is worried sick about 'toxic' mold and wants this taken care of as soon as possible."

Most condensation-related molds are found in abundance in the outdoors; most people get exposed to them when they go outside. These molds tend not to become airborne unless you have several square feet of growth as well. It still looks icky, and may cause odors and grow on contents as well, so something should be done about it.

First things first: throw out your 'mold-killing' sprays and jugs of bleach. You're going to want to use soapy water (dish soap works the best) and disposable rags. Per EPA guidelines if there's less than ten square feet of mold growth it can be cleaned

cont'd on page 7



cont'd from page 6

by occupants or any maintenance workers with these items. Next, discuss with your tenant about the source of moisture, typically showering and cooking, and get some insight into their habits. Instruct them to operate the bathroom exhaust fan during showers and for 15 minutes afterward and to keep the bathroom door closed as well.



*Atypical condensation;
get a contractor!*

Musty odors are typically caused by mold growth under carpeting installed on concrete slabs. The solution to this is often to remove the carpeting, discard the carpet pad, and thoroughly clean the concrete slab. We often recommend not installing carpeting on concrete, especially when you can't control the occupant's habits.

10 Traits of Terrible Tenants

All it takes is one bad tenant to hijack a year's worth of profit. This hard reality encourages landlords to be extra diligent, screening prospective tenants and looking for the subtle signs that could indicate a potential nightmare in the making.

Here is a list of ten warning signs that could save you a lot of grief:

1. Your prospective tenant does a lousy job filling out the rental application, leaving noticeable gaps, instead of carefully providing accurate and complete information.
2. The tenant is leaving the current rental property mid-lease.
3. They pass off a friend as a landlord reference. Clearly they're hiding something.
4. The tenant asks if they can pay the rent in cash. Run like the wind from this one!
5. They talk about roommates, but want the lease to be only in their name.
6. The employment history has unexplained gaps, and references are seemingly unavailable.
7. They ask about working on the property, in partial trade for rent.
8. The tenant wants to give you their rent deposit in several payments.
9. Trying to negotiate the rent down to a cheaper price, without a good reason.
10. The information they fill out on their application doesn't match their Previous Address Tenant History ("Path").

Of course there are more bad traits, and there are always exceptions. But if you see an applicant with any of these traits, you may want to dig a little deeper.

<http://www.american-apartment-owners-association.org/blog/2012/10/15/10-traits-of-terrible-tenants/28/>



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Landlord to Landlord

Multiple Residents in a Rental: Co-residents, Guests, and Occupants

One of the most overlooked areas that many landlords find themselves in trouble after the fact is what to do with co-residents, guests of residents, and a resident's occupants. It is important for landlords to realize how important it is to keep a tab on who is living in their rentals because often trouble can be addressed early on when a person first moves in. This is one of many major reasons why a written lease agreement is very important in any landlord-resident relationship and those that are usually provided by a local landlord, real estate investors, or apartment owners associations are invaluable in aiding in potential disputes.

Disputes often arise over such matters as who is supposed to live in a rental, what to do with unauthorized residents, and how to address co-residents.

Rent

First, if several adults are looking to rent from you it is important that all adult residents who will be on the lease agreement fill out a rental application completely. You will be more fully protected if all adults over the age of 18 years old are placed on the lease agreement as residents. First, all residents listed on a lease agreement are liable for rent and you can receive a judgment from each person in a later unlawful detainer action. Even if there are multiple residents on the lease agreement, each resident is responsible for the entire rent.

For example, if the rent is \$1,000 a month for a rental home having two residents, each resident would be fully responsible for the \$1,000 (although you can't receive \$2,000!). It is often easier for accounting purposes to receive one form of payment from each rental as opposed to each resident paying his or her own pro-rata share; however, it is not illegal to allow each resident to pay their share. However, if you do receive one resident's pro-rata share and not the other, you are still allowed to issue a Pay or Quit on the entire rental's residents because the entire rent has not been received.

In addition, if you get a judgment for any unpaid rent, or for damages at the end of the tenancy, you are able to report every adult on the lease to all 3 credit bureaus in hopes that at least one of them cares enough about their credit, to increase the chances that you will eventually get all the money due to you.

Application Process and Your Rental Policies

Prior to accepting applications from co-residents, it is important for any landlord to develop standards to address how you will review applications from co-residents.

For example, what would you do if one applicant has a stellar credit history while the other does not? In addition, you must know whether you will combine the incomes from all residents, or require at least a minimum amount of earnings per person. All adult residents over the age of 18 should complete a Rental Application and be on the Lease Agreement. To avoid a discrimination allegation or lawsuit, in most states it is necessary to treat married couples and unmarried cohabitants the same. You may not treat married couples different from unmarried couples. This would apply to combining income or averaging credit scores. This also applies to roommate situations in most states - you must treat a married couple the same as two roommates living together, no matter their relationship.

"You will be more fully protected if all adults over the age of 18 years old are placed on the lease ... "

Security Deposits

A landlord is often approached by one resident who wants to leave, and he also wants to receive his share of the security deposit he gave you. Some state laws do not address this situation, so it is important to understand what you will do prior to being asked this question so you will always have a common answer to anyone.

In general, you are not required to return a security deposit until a rental is completely vacated and not when just one resident decides to leave while others plan to stay. Try to get all residents to agree on a possible situation. Often the easiest method will be to tell the moving resident to attempt to have the other resident "buy-out" his security deposit so that the remaining resident pays the moving resident his share of the deposit.

Landlord to Landlord - cont'd



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It is best not to return a resident's security deposit until the rental is vacated because you may later have a situation where you do not have a complete deposit but you would have kept the entire deposit due to repairs needed.

The only time it would be a good idea to return a resident's security deposit is if a new resident will basically pay back that share. For example, you give back the moving resident's share of his deposit after receiving the same amount (or a new amount) from the new resident. It is important to agree to anything in writing to avoid later disputes regarding the security deposit when the unit becomes vacant.

In addition, each co-resident is responsible for damage to the rental home. For example, a resident cannot argue that his portion of the security deposit should be returned and you can only deduct from the other roommate's deposit because he was the one who caused the damage. It does not matter which resident caused the damage because you may deduct from the deposit.

Mediating Disputes Among Roommates

Often residents will tell a landlord, "Kick my roommate out!" It never fails that residents believe you should be a mediator for roommate disputes. **You should avoid taking sides in any roommate dispute** and in general avoid getting involved in any roommate disputes as long as the residents pay rent and are not a nuisance to others or themselves. This includes being violent against each other or with anyone else. In general, each resident is responsible for the actions of a co-resident, including any damage to the property or causing any nuisance. You should remember that each resident has a right to possession of the rental, so one resident cannot request that you "lock out" the other resident.

In any situation where violence is a possibility, suggest to the resident that he receive a restraining order against the roommate. You should not get involved in these disputes and tell the roommates to attempt to settle any disputes they have among themselves.

New Residents and Unauthorized Residents

In general, your lease agreement should prohibit all unauthorized residents from living in the rental home. In general, unauthorized residents would be a ground for an unlawful detainer after a Pay or Quit Notice is provided.

If a new resident decides to live in a rental, it would be wise to enter into a new lease agreement with all current residents to keep the lease agreement as current as possible. This would also apply to any resident who leaves the rental home because that resident would still be liable for the rent and you would need to provide notice to the moved-out resident for any lawsuits or potential notices. Outside of rent control jurisdictions, any new lease agreement could contain new provisions including a new rental amount.

If one resident decides to leave during the term of a lease and there is another person who takes his place, it is often better to enter into a new lease with new residents. Although you are not required to do so, entering into a new lease would more fully protect yourself and your interests along with those of your residents. This is because new residents will be on the hook for rent and any other obligations.

You may also not discriminate against new residents or guests. For example, you may not discriminate against overnight guests based upon racial, religious, or moral views. Guests and unauthorized roommates often have as many rights with regards to any potential discrimination as do residents in addition to the resident being able to sue for discrimination. Consequently, it is important to know who is living in your building by requiring rental applications from all residents and updating lease agreements when new residents come and go. By making the extra effort to determine who is actually living in your rental during the tenancy you can avoid troubles later on.

By Anthony Marinaccio and Matthew Gorman, Reached at: mgorman@agclawfirm.com or amarinaccio@agclawfirm.com.



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6 Ways To Lose Your Estate

You may have held long discussions with your heirs about how you want your assets to be distributed after your death, but a discussion does not make a legal document. And if you never set pen to paper to devise an estate plan, your survivors fall prey to the highest fees and taxes in the system: fees from lawyers and probate proceedings, and taxes from federal and state governments. If familial ties are already weak, the state's method of distribution can completely fray the lines of communication. If you've been putting off making your estate plan, read on to find out what this omission could cost you and your family.

1. No Control Over Who Manages Your Asset Distribution

If you die without a will (dying intestate), fail to name an executor in your will, or the executor named in your will refuses to act as executor for the estate, a probate court will appoint someone to administer the estate. The administrator must locate your financial documents, determine the value of your estate, contact your heirs and properly distribute your assets. State law will generally determine the "proper" distribution of your assets based on the state's definition of your heirs. For instance, whether you were survived by a spouse, child, grandparent, or other descendant may determine the order in which your heirs are identified.

State law usually determines who can be an administrator. However, in some cases, anyone can be designated an administrator as long as the beneficiaries agree and sign a testament to their agreement.

For some administrators, the complexity of settling the estate can make it a part-time job. They may be forced to relocate for an extended time in order to handle estate matters. State law usually allows the administrator to charge a fee for the work. Often the fee structure is similar to that of the probate lawyer's fee, such as a percentage of the entire value of the estate. The fee can be sizable, and may cause friction among heirs who feel the administrator is getting an inequitable share of the estate pie.

2. Interim Estate Finances

The administrator will handle the finances of your estate and may shoulder unexpected monetary burdens as a result. This may include taking on an additional mortgage payment as the family decides what to do with real estate, negotiating with creditors, paying down debts and paying income and property taxes.

While all of these payments and debts can be delayed as the estate is settled, any delay comes at the cost of additional interest. The money the administrator may have to fork over is reimbursed when the estate is settled unless an account is earmarked for covering such expenses, and there's no guarantee that an estate will settle quickly. A proper estate plan will provide a means to protect your executor and heirs from creditors by establishing a source of funds to cover bills and debts.

3. Assets for Undesirables

Without a will, state law determines how your assets are divided. Money in your bank accounts, items you've collected and your house could be passed along to an unintended beneficiary or be dispersed in amounts that might make you roll over in your grave.

Say you are survived by your two children: a son who remained close to you and a daughter who hasn't spoken to the family in a decade. You may have promised your son that he could sell your house to fund his children's college education. But if you die intestate, state law may determine that your assets must be distributed to the first living relatives along a specific line of succession, beginning with your spouse and children, then your grandchildren, your parents and your siblings. In the case above, your estranged daughter would have rights to the proceeds from the sale of your home and every other asset you left behind.

The situation gets even stickier when current families and different generations collide. Depending on the laws of your state, if you divorced and remarried, your surviving spouse and children may have to evenly divide assets with children of an earlier marriage. If one of your children predeceases you but is survived by his or her children, your grandchildren may inherit their parent's share of the assets.

4. The Cost of Probate

Estates in which property is inherited must usually go through probate, although small or modest estates - as defined by state law - may be exempt. Strategies in estate planning can help you avoid probate or decrease the fees. For instance, establishing a living trust will generally negate the need for probate. But with intestacy, your beneficiaries must face the court. If your estate is complex, with debts, creditors, real estate, securities and other tangible and intangible assets, you may need a probate lawyer to guide them through the rules and regulations.

Fees for probate lawyers and court proceedings vary widely, but a probate lawyer typically earns a percentage of the gross estate - the value of the estate before expenses and creditors take a bite. Therefore,

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if an estate is valued at \$500,000, a lawyer can charge as much as \$25,000 where the cap is 5%. State law usually determines the maximum amount that can be charged by a probate lawyer, and may permit the fee to be negotiable. If most of that money is tied up in a house or other property.

5. Surprise Taxes

The only advantage to all those fees is that they reduce the amount of the taxable estate. If you set up an estate plan, there are a variety of devices - from payment-on-death accounts to trusts - to reduce the taxable estate. If you fail to set this up, you could be leaving a large portion of your wealth to the tax man.

Both the federal and state government can dip their fingers into an estate. While each year the estate size climbs to higher limits before the federal government can flirt with your money, as evidenced by the seemingly ever-changing estate tax rules that have ranged from astronomically high to nonexistent in recent years.

These taxes on the estate decrease the amount of money heirs may receive. But certain taxes may come to your heirs unexpectedly. If you did not specify a beneficiary for your life insurance or an annuity, then the money is split among the people in your line of succession when the estate is settled. Unlike an executor, the administrator cannot shelter beneficiaries from taxes by timing the distribution of assets.

6. Government Grab

The worst-case scenario for someone who dies intestate is that the state cannot find a rightful heir - no spouse, no kids, no parents, no siblings, or no descendants. If that's the case, you'll forfeit everything to the state; that is, your estate is escheated to the state. The state must make an effort to search for a legal heir, and if one is found, the cost incurred for that search is charged to the estate.

Conclusion

You can avoid the bulk of grizzly taxes and fees that shrink your legacy by establishing a proper estate plan, including drafting a will. Death and money can bring out the worst in people, but by doing a little preparation you can save your family from the angst that could be created when you leave the disposition of your estate to your state.

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An Organized Landlord Has Less Tenant Debt And More Profit

An organized landlord is a more profitable landlord. I have reviewed many thousands of tenant debtor files, and one thing is certain; by looking at a tenant file after the tenant moves out, I can usually tell you fairly accurately how the property is being managed. A well-organized landlord who documents everything has less tenant debt, and, as result enjoys more profit.

Organize your files logically and consistently. At least half of the files I review are little more than a pile of unorganized papers thrown into a file folder; and often very important documents are missing altogether. What does an unorganized file like this tell you about how the landlord manages his or her property? File your documents and paperwork logically and neatly in a file folder with brackets on each side of the folder. Two-hole punch the top of each document and file them in a way that works for you. Some landlords put all "pre-move in" documents on one side, and all other documents on the other. It makes no difference how you organize the material, as long as you or a co-worker can put their hands on a specific document quickly and efficiently.

What should be included in the file? Remember, my view of the industry is from that of a tenant debt perspective. I am sure there are documents, such as marketing results, welcome letters, etc., that you will want to include, in addition to what I suggest.

Here are the documents I am looking for when reviewing a landlord file that has a balance owed by a previous tenant:

1. Signed Rental Application - The best landlords require the prospective tenant to fill out the application completely and legibly. Don't let your eagerness to rent the unit get in the way of requiring a complete, legible and signed application. The signature is required to authorize you to view the applicant's credit. The application should be completed in black ink. Colored ink does not copy well. Also, do not use colored paper or ink colors other than black to print the blank application. They do not copy well either.

cont'd on page 14



Landlord Tips - cont'd

cont'd from page 13

2. Court Ordered Money Judgment - This is not required in order to attempt to collect the debt. But, if you have sued the previous tenant and won, this document is needed.

3. Copies of Driver's Licenses for all adults who sign the lease - This picture ID may be needed for various reasons, but for my purposes I may need it to verify or debunk later claims of identity fraud by the now previous tenant who owes you money.

4. Complete executed lease and addendums - All adults who live in the unit must sign the lease.

5. Move Out Statement - This document is called by different names in various states. It is a document that gives all the tenant information on one page. It is not the ledger. This page should include the move in and move out dates, the unit address, the names of all adult occupants and a breakdown of all charges after the tenant moves out, such as unpaid rent, damages, etc. It should also show how any deposits were refunded or were applied to the amount due upon move out.

6. Move In/Move Out Inspection - A common mistake for landlords is failing to inspect the rental unit with the tenant before they move in. This mistake alone costs landlords a great deal of profit. It is very important that both the landlord and tenant sign the move in checklist. At the move out, always attempt to inspect the unit with the tenant. Hopefully they will be available to inspect the site with you and sign the move out portion of the form. Take pictures during both inspections. Some landlords also use a black light stick to identify pet urine in the carpet during both inspections.

7. Co-Signer Agreement and Application - If the tenant had a co-signer, you should have a rental application and agreement signed by the co-signer on file. Why do some landlords not review the credit of a co-signer? This puzzles me. What good is a co-signer if they do not pay their bills?

8. Roommate Release - Anyone who wishes to leave your rental unit before the lease expires must be released from the lease by all other signees, including the landlord. A copy of this release should be given to everyone involved.

9. Communications Log - If you are not using a communications log, begin using one immediately; they are extremely very important. Log any communication of any nature between you and your tenant. Also file all written communication from and to the tenant.

10. Receipts - Keep copies of all receipts for carpet cleaning, trash removal, legal fees, etc.

11. Copies of Rent Checks - Few landlords copy the checks tenants use to pay their rent. The check contains information such as the bank name, account number and cell phone numbers that may be helpful in recovering debt after move out. Of course, also keep copies of any returned checks.

12. Certified Mail Receipts and Returned Mail - Many states require that the landlord mail the previous tenant a statement within a certain number of days after move out that shows how the landlord applied any deposits. Often these statements are returned as undeliverable or unaccepted. It is very important to keep all mail receipts and any returned mail in the tenant file. Many landlords staple the mail receipt to their copy of the move out statement. You may have to prove that you followed the law in notifying the previous tenant of how you applied the deposit.

Being organized is simply a good business practice. Whether you manage one rental unit or a thousand, being organized and consistent will make you a better landlord and put more of the profit in your pocket.

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Where to Put Your Remodeling Dollars in 2013



Property owners looking for the most return on their investment when it comes to remodeling should consider exterior replacement projects. According to the 2013 Remodeling Cost vs. Value Report, Realtors® rated exterior projects among the most valuable home improvement projects.

According to National Association of Realtors® President Gary Thomas, projects like siding, window and door replacements can recoup more than 70 percent of their cost at resale."

Results of the report are summarized on NAR's consumer website HouseLogic.com, which provides information on dozens of remodeling projects, from kitchens and baths to siding replacements, including the recouped value of the project based on a national average.

According to the Cost vs. Value Report, Realtors® judged a steel entry door replacement as the project expected to return the most money, with an estimated 85.6 percent of costs recouped upon resale. The steel entry door replacement is the least expensive project in the report, costing little more than \$1,100 on average. A majority of the top 10 most cost-effective projects nationally in terms of value recouped are exterior replacement projects; all of these are estimated to recoup more than 71 percent of costs.

Three different siding replacement projects landed in the top 10, including fiber cement siding, expected to return 79.3 percent of costs, vinyl siding, expected to return 72.9 percent of costs, and foam backed vinyl, expected to return 71.8 percent of costs. Two additional door replacements were also among the top exterior replacement projects. The midrange and upscale garage door replacement were both expected to return more than 75 percent of costs.

According to the report, two interior remodeling projects in particular can recoup substantial value at resale. A minor kitchen remodel is ranked fifth and is expected to return 75.4 percent of costs. Nationally, the average cost for the project is just under \$19,000.

The second interior remodeling project in the top 10 is the attic bedroom, which landed at number eight and tied with the vinyl siding replacement with 72.9 percent of costs recouped. With an average national cost of just under \$48,000, the attic project adds a bedroom and bathroom within a home's existing footprint. The improvement project projected to return the least is the home office remodel, estimated to recoup less than 44 percent.

The 2013 Remodeling Cost vs. Value Report compares construction costs with resale values for 35 midrange and upscale remodeling projects comprising additions, remodels and replacements in 81 markets across the country. Data are grouped in nine U.S. regions, following the divisions established by the U.S. Census Bureau. This is the 15th consecutive year that the report, which is produced by Remodeling magazine publisher Hanley Wood, LLC, was completed in cooperation with NAR.

Realtors® provided their insights into local markets and buyer home preferences within those markets. The 2013 national average cost-to-value ratio rose to 60.6 percent, ending a six-year decline. The ratio represents nearly a three-point improvement over 2011-2012. Lower construction costs are the principal factor in the upturn, especially when measured against stabilizing house values. In addition, the cost-to-value ratio improved nationally for every project in this year's report and is higher than it was two years ago for both remodeling and replacement projects.

Most regions followed the national trends; however the Pacific region, consisting of Alaska, California, Hawaii, Oregon and Washington, once again led the nation with an average cost-value ratio of 71.2 percent, due mainly to strong resale values. The next best performing regions were West South Central, South Atlantic, and East South Central. These regions attribute their high ranking to construction costs that were lowest in the country. While still remaining below the national average, most remaining regions showed strong improvement over last year. These are Mountain, New England, East North Central, Middle Atlantic, and West North Central.

<http://www.american-apartment-owners-association.org/blog/2013/01/31/where-to-put-your-remodeling-dollars-in-2013/60/>



Rental Applications

Rejecting a Rental Applicant: The Do's and Don'ts

Let's face it, most landlords would prefer to never have to reject a rental applicant. It would be great if every application that we received from a potential resident passed - great credit, no prior evictions, awesome job history, etc. etc. Unfortunately, most of the time that is not the case. Depending on how tough your screening criteria is some of you may be rejecting a lot of applicants. It is not fun rejecting a rental applicant, but it goes with the job of being a landlord - it needs to be done.

So how does a landlord go about giving an applicant the old rejection? In most areas of a state, let's say Wisconsin for example, a landlord IS not required to provide a reason for denying a rental applicant. While this may not seem "fair", it is legal.

There is not one correct way to deny a rental applicant. All landlords handle this situation differently. A landlord may even deny one applicant one way and another in a completely different way, depending on the specific facts of the situation. Each of my landlord clients handles the rejection of a rental applicant differently. For instance, some landlords choose to tell the applicant why they were denied while others refuse to do so. Both ways are legally acceptable. Except in rare jurisdictions like Dane County and the City of Madison in Wisconsin, for example, where landlords are required by ordinance to provide a rejected applicant with an explanation for denial in writing.

I would encourage any landlord that does want to provide a reason for the denial to the applicant, to insure that the reasons are valid. The reasons for a rental applicant's denial must comply with the landlord's written screening criteria, that the screening criteria used does not run afoul of any fair housing laws, and that the reason for the denial is not discriminatory. If you are not sure that your screening criteria is legally valid or you have never heard of the term screening criteria before now than you should probably avoid giving a reason for the denial.

I know of several landlords who require the applicant to put their request to receive a reason for their denial in writing. If they receive the written request, then the landlord will provide a written explanation. Oftentimes the applicant will not take the time to make the written request and the landlord has avoided the need to provide the explanation.

There is one specific context in which all landlords MUST provide an applicant with a written document-not a written explanation for why the applicant was denied-but a written document referred to as an "adverse action letter". If a landlord rejects a rental applicant because of something learned from the applicant's credit report, the federal Fair Credit Reporting Act requires that the landlord send the applicant an "adverse action notice" advising them that they have been denied rental in part due to information obtained from their credit report. An adverse action notice must include the following information:

- The name, address, and telephone number of the credit reporting agency that supplied the credit report.
- A statement that the credit reporting agency that supplied the report did not influence the landlord's decision to reject the application.
- A statement advising the rejected applicant of his/her right to dispute the correctness or completeness of the information from the credit reporting agency and the applicant's right to obtain a free copy of their credit report from the agency within 60 days, if requested.

So, actually an adverse action notice does not require a landlord to state the reason that a rental applicant was denied, but it does tell the rejected applicant that the decision to deny their application was, at least in part, based upon something learned from the applicant's credit report.

Personally, I provide any applicant that I reject with an explanation. My reasons for doing so are:

- If I was being rejected for housing I would like to know why so that I could see if the reason is something that could be corrected in the future. This is NOT a legal reason for providing the applicant with an explanation but rather a personal one-a variation on the concept of treating others as you would like to be treated.
- I believe that if I provide a rental applicant with the truthful (and legally valid) explanation as to why I will not be renting to them, they will be less inclined to incorrectly assume that I denied them based on discriminatory factors.
- I'm well-versed in fair housing laws and that my decision can be legally supported.

Rental Applications - cont'd / Maintenance



cont'd from page 16

As mentioned previously, if you don't know if your reason for denial is legally justifiable, then you need to be cautious in what you tell an applicant. You certainly don't want to end up providing the applicant with the only evidence that they need to file-and win-a fair housing claim. If you find yourself in such a situation, I would recommend that you seek legal advice before you make a decision to deny the rental applicant.

Whether you have decided to provide an applicant with an explanation as to why they were denied rental or not, all landlords and property managers should memorialize the reason that they rejected the applicant in writing. If you are utilizing written screening criteria-which I hope everyone is-then a copy of the criteria is the perfect place to record the reason for denial. Simply circle the specific criteria that the applicant failed to meet. You should also attach any supporting documentation-such as a copy of the applicant's credit report, CCAP printout showing a prior eviction, or notes from your conversation with the current or past landlord.

Note where she/he told you the applicant was always late with paying the rent, etc., etc. Finally, be sure to notate when you made the decision to deny the applicant and when that was communicated to the applicant. You should retain this paperwork for at least three years as this is the statute of limitations for the majority of most fair housing claims. Rejecting a rental applicant can be an uncomfortable situation and even an anxious one if you are not educated about written screening criteria and when you can legally reject an applicant.

Editor's Note: Some states require that your rental criteria be shown to all applicants at time of showing the rental. Please check your state laws.

Tristan R. Petit, PetrieStocking.com/attorneys/tristan-r-petit.

Watch Your Contractors

Sloppy work fetches a sloppy price at best, the wrong end of a judgment at worst. So when looking for a contractor, always:

1. Ask for a certificate of insurance
2. Ask for references of most recent work
3. Always get estimate in writing
4. Check with the Better Business Bureau
5. Have a signed contract from both parties
6. Schedule a time for a meeting to discuss the work
7. Explain all your needs and expectations to prospective contractors up front
8. Make sure that all questions are answered to your satisfaction
9. Quiz contractors and expect detailed answers
10. Ask a contractor to show permits if necessary

And never:

1. Begin work without a signed and written estimate
2. Hire a contractor based on price alone
3. Pay for a contract in full up front
4. Be afraid to ask questions at any stage
5. Be intimidated by overbearing contractors
6. Pull any permits when hiring a contractor; this is the contractor's responsibility
7. Forget the contractor is working for you
8. Take advantage of the contractor
9. Hire a contractor you feel uncomfortable about
10. Allow additional work without a written change order

Article adapted from BidExpress.com.

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Can Landlords Save Money on Rental Property Insurance?



There's a lot at stake when it comes to rental property insurance.

Landlords want their rental property business to be protected, but they don't want to crimp their cash flow or profits with burdensome premiums.

But saving money on insurance is more complicated than just shopping rates.

Here are some tips to help you secure the best policy for your rental business:

Shopping the Competition

Insurance laws — and rates — can vary from state to state, and from company to company, so it's worth collecting some data and making an informed decision.

But the trouble with comparing quotes is the fact that you may be looking at apples to oranges, not apples to apples.

Insurance agent Ryan Slaughter, with American Family Insurance in Colorado, warns that shopping for the lowest premium is not always the most economical plan. "When I'm advising a client, it's not just about premium price. It's what's being offered for that price."

When shopping for a policy, make sure the minimal bases are covered:

- Adequate protection for the structure;

- Liability coverage for any injury claims; and,

- Protection to hedge loss of rental income in case of forced vacancy.

Any one event, when not adequately covered, can cost far more than any premium savings.

Is Bundling A Good Option?

For some landlords, bundling is the only option. Last year, Allstate customers in North Carolina received notices that they were being dropped from coverage, unless they agreed to bundle their landlord insurance with their auto insurance.

However, for some landlords, the question is whether bundling is even an option.

Slaughter points out that American Family typically does not link landlord policies, because title to the rental properties often is not with the landlord individually, but with a separate LLC or corporation.

However, American Family may make an exception for properties built after 1950 with no prior claims history. A commercial landlord policy may be bundled along with the landlord's personal auto policy, and that can bring the price down.

Limit Your Risks

To the extent that a landlord can take steps to reduce the likelihood of a claim, an insurance company may offer discounts. These will vary by company.

For instance, American Family may offer a 20% reduction in premium price for properties with overhead sprinklers. The company also offers discounts for membership in an apartment association.

Other possible discounts include installation of smoke detectors, or participation in a local crime-free certification program. When comparing rates, be sure to discuss possible discounts offered to get a more complete picture.

Slaughter also suggests that if a landlord must lower premium prices, rather than cutting coverage — which can be catastrophic — consider increasing deductibles to obtain the rate needed.

Tuck away the cost of the deductible to cover any unexpected losses, and keep your rental business profitable.

Ryan Slaughter is a JD Power Award Distinguished Agent with American Family and serves landlords in Colorado. <http://www.american-apartment-owners-association.org>



3 Easy Ways to Strengthen Your Lease Agreement

www.american-apartment-owners-association.org

Fortunately, most tenants behave well, and the year goes by uneventfully. But not always.

For those times when tenants become a problem, landlords need their lease agreement to stand up to the test.

These 3 problems come up routinely in legal disputes, but can be easily avoided. The trick is to clean up the lease before a tenant signs:

1. The names of the occupants in the rental don't match the names on the lease.

It seems simple, but this is a frequent problem for landlords looking to enforce a lease to collect unpaid rent or evict a bad tenant.

In order to enforce any provisions in the lease, each adult occupant should be listed as a tenant.

In addition, each of those occupants have to sign the written lease. Otherwise, a landlord may not be able to enforce legal rights, or easily reclaim the property for a new tenant.

Make sure everyone signs using their legal name — the names and the signatures must match.

Sometimes the lease is reviewed online and the negotiations are via email. That can make it hard to determine whether you have a signed lease. Don't let e-signatures or online forms jeopardize your legal rights.

2. The security deposit terms are unclear.

Many landlords find themselves in court over security deposit disputes. One issue that comes up frequently is the actual amount of the deposit. Also, questions arise over whether a separate pet deposit was allocated, what the deposit is for, and when it is to be returned.

Security deposit laws are regulated by each state. Make sure you are not charging more than the law allows, and that the return policy is in line with state law.

The lease should provide space to list the dollar amount of the deposit, what it's for, and when and how it will be returned. Other disclosures may be required by state law, for instance, whether the deposit will be held in an interest-bearing account.

Be sure that the security deposit is clearly delineated from any other fees, especially any non-refundable fees.

3. The lease is not tough enough on crime.

More and more cities are passing ordinances making landlords responsible for tenant crimes and disorderly behavior. In many cases, these laws require landlords to take legal action against a tenant in order to avoid fines.

It is important that the lease give the landlord that flexibility with problem tenants.

Rental laws vary greatly from state to state — everything from caps on security deposits and late fees, to interest on deposits, to limits on application fees. It is always a good bet to look for rental forms that are state-specific and have been reviewed by local attorneys.





Advice for New Landlords

Below are five things Leigh Robinson, author of *Landlording*, says novice landlords should keep in mind about the real estate business:

1. No matter how personable applicants may seem, screen them thoroughly. Robinson says: That includes getting permission to check their credit histories.

"The credit check is more important than ever. And the information is now more readily available than ever before. The Internet, of course, has opened up access to this information. As long as you're registered with one of these sites that provides credit information, you can get it in fairly short order (one such site is TenantCreditChecks.com). Credit bureaus' risk-scoring (on a scale of 300 to 850 points) tells creditors, in its estimation, how likely someone is to pay bills on time. Check personal references, verify employment and consult their current landlords," he says.

2. Deciding on the right monthly rent probably will require some study.

Robinson said, "Reluctant landlords" who are renting in order to ease their own financial burdens might set a rent based on the amount that will cover their homes' mortgage, utilities, taxes, etc. But that would be a mistake. Expenses don't set rents; the market sets rents. Your expenses may be \$1,200 and you can rent it out for \$2,500, for all I know. But the market could just as easily be \$850, in which case you've got a negative every month." Robinson also stated: "A simple starting point is to surf online sites such as Craigslist to see what's out there, and at what price. A more thorough rent scan could be done by actually visiting properties in your area that seem comparable. If, after two weeks of advertising (your home for rent) nobody responds, you know you're way over market."

3. Not all leases are alike, and a too-vague one can be costly, Robinson said.

Robinson has what he calls a "kitchen-sink agreement" in the book, *Landlording*. He developed his own form because he found other widely available generic contracts to be so full of legal jargon that tenants wouldn't read them thoroughly. He

has revised the contract over the years to reflect his experience. "Whatever agreement you use, you've got to know it, in order for both renter and landlord to stick to the rules," he said. "One size does not fit all. I tried to put in everything I could think of, but there are some things that might not be in there. In that case, the landlord and tenant could agree to an addendum," Robinson stated.

Editor's Note: *Whatever lease or rental agreement you use, be sure it is state specific and that it conforms to the landlord-tenant laws for your state. Some states have specific language that must be included in the lease or it may not be enforceable.*

4. If you find a good tenant, you'll have to work to keep him or her, as tenant turnover costs time and money, Robinson said. "Your tenants are your customers," he said.

"Never forget that." Toward that end, landlords need to be on top of maintenance. In fact, he suggests offering a written guarantee. Provide residents with a written guarantee that states that specific problems will be resolved within a specified time frame. If not, the tenant will get an abatement on the rent, he said. He says it's a goodwill, public relations gesture that tenants love -- and makes them more inclined not to move.

5. Sometimes, despite your best efforts, a tenant turns out to be a stinker.

"Novice landlords have to come to terms with the sticky business of insisting that the rent be paid on time and that tenants can't engage in forbidden behavior: smoking, having pets, extra residents who aren't on the lease, etc. Sometimes there are happy endings: Occasionally mediation can resolve disputes -- or just talking quietly with the tenants about the problem can achieve surprising results," he stated.

"As distasteful as it is, a landlord has to accept the possibility that an eviction may be necessary. In either case -- resolution of the problem or eviction -- be sure you know exactly what's in the lease and what's legal in your locality, as eviction laws can vary widely, he concluded.

Mary Umberger, freelance writer from Chicago, PMAC.com. Editor's Note: Check out a special offer on Leigh Robinson's book now at: www.LandlordSpecialOffer.wordpress.com.



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- | | | |
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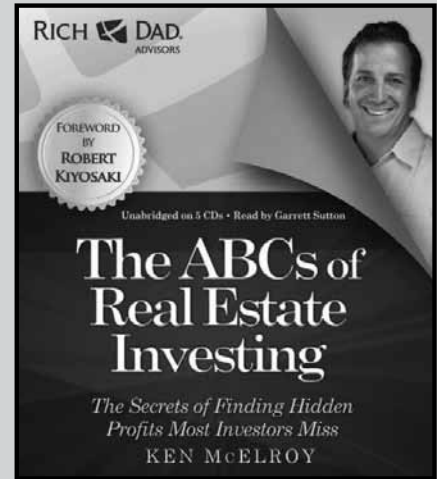


Rich Dad Advisors: ABCs of Real Estate Investing: The Secrets of Finding Hidden Profits Most Investors Miss

by: Ken McElroy

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