



Kenosha Landlord Association News

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DISCLAIMER: The Kenosha Landlord Association publishes this newsletter to create awareness of issues relating to the rental housing industry. Information is compiled from a variety of sources and the views and concerns expressed by the contributors do not necessarily reflect those of the editor or the Association. When necessary, we suggest you consult an attorney.

Do You Want To Send Your Tenant Balances To Collections?



Special arrangements have been made by the Kenosha Landlords Association to address its members' debt collection needs.

We are now affiliated with Creditors' Alliance, Inc., a full service, national collection agency. Collections begin as flat fee based and include credit reporting and legal action.

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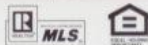


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Property Management — Handling Tenant and Owner Funds

Posted by **Jordan Muela** in [Property Management Articles](http://www.managemyproperty.com)
www.managemyproperty.com

Owners entrust their property manager with more than just their physical assets. Property managers handle rental income, reserve funds, security deposits, and write checks on the owner's behalf. To function properly, this relationship requires trust, transparency and accountability.

Here's a list of issues to review and questions to ask the [property management companies](http://www.managemyproperty.com) you interview:

Payment to owner

What day of the month do they mail checks to owners?

Will the check be for that month, or will the management company hold back a month?

It's better to have your rental revenue in your bank account collecting interest as soon as possible rather than sitting your manager's bank account.

Do they provide direct deposit?

Taxes

Will the management company provide you with an IRS-1099 and a summary profit and loss statement for tax purposes? Are they able to advise you on tax deductions?

Accounting

Do they keep detailed records and documentation?

The goal is to provide a clear audit trail for all funds for each property. Look for a company that keeps and is happy to provide you with copies of all invoices. This will also help with taxes and legal situations that arise.

Reporting

How often do they send out reports? When are they sent out?

Monthly is standard; there's no reason to deal with a company that doesn't provide income/expense statements each month.

Will you be able to view reports online?

This convenience increases transparency and saves you time.

Request to see a sample report

Reports are your only window into the performance of your investment and it is imperative that you determine BEFORE-HAND that the reports they provide will meet your needs. A sample report with dummy, or no data, is fine. If they are unwilling to provide you with this, consider moving on.

Reports should be easy to read and show collected rent, deducted [property management fees](http://www.managemyproperty.com), itemized maintenance, net dollar amount, etc.

Security deposits

Security deposits are an important tool for motivating tenant care and recouping losses

due to tenant damage, but if they aren't handled correctly you could lose your right to keep any portion of the deposit or worse, end up owing your tenant several times the deposit amount. Ask any prospective property management company the following questions:

How do they handle security deposits?

State laws vary in this area; what's important is that the firm understands the law and abides by it. In states where the law dictates that the funds be held in a non interest bearing trust account, you may run into a management company that reasons this is never checked and its ok to keep them interest bearing accounts. Part of the property managers job is to shield you from legal liability by acting in accordance with all relevant laws, so you should be wary when a prospective manager tells you they use legal short-cuts. Lastly, if your state allows landlords to hold and use the funds at their discretion, consider that using the funds early will add the refund to the other expenses you experience after a vacancy (repairs, cleaning, advertising, etc.). Leaving that cushion in place will smooth out those costs.

How much is collected?

The security deposit is all you have if things go bad and a larger amount means more cushion. States where this is regulated have a MAX that varies between one and three months rent. That said, between half to a full months rent is typical. Tenants with a questionable financial record may be required to pay more (low credit score, foreclosure or bankruptcy on record).

Do they accept personal checks for the security deposit? What if the check bounces? This is not a good idea and the deposit should be cash, a money order or a cashier's check.

How quickly do they send out refunds?

They should send the tenant a report with the refund or itemized deductions within the number of days allotted by your state.



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10 Ways to Rent Your Property for More

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Have you ever watched a car slow down in front of a property for rent, stop, back up, pull forward again, then speed off? The occupants' first impression told them that that was someplace they didn't want to live.

People rent property on first impressions. Believe it or not,

Property Management – Handling Tenant and Owner Funds

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What is their list of conditions and deductions for refunding security deposits?

How often do they go to small claims court over security deposits?

The refund and deduction process should be designed to motivate good tenant behavior, not to make extra profit. Avoid property managers who are cavalier in making deductions. Make sure they have reasonable conditions and deduction amounts as well as provide good itemized documentation of damages and repair costs. These things help prevent trips to small claims court, or if you do go, help make sure you don't wind up on the wrong side of a judges verdict.

Miscellaneous

Do they make payments for owners (mortgage, insurance, property taxes, hoa dues, etc.)?

Will the manager be authorized to sign checks on the owners account? If so, what types of controls are put in place to prevent misuse of funds or outright embezzlement?

How quickly do they pay vendors?

Do they have vendors perform work and then not pay them until rent is collected or the unit is rented? Keeping vendors waiting for long periods of time strains the relationship and forces the vendor to raise their prices to compensate for the delay's negative impact on their cash flow. A properly funded reserve should prevent this from being a problem.

Do they prevent the co-mingling of funds among the properties they manage?

Given the fiscal responsibility that a property management company has, it is a good idea to raise these questions during the interview process and make sure you understand their approach. Next, we'll look at the management company's policies regarding setting and collecting rent.



prospective tenants have pretty much decided whether they want to live somewhere before they ever get out of their car.

The way to get more rent and better quality tenants is to make your rental property look as if it ought to rent for more money. What follows are ten ways to do just that.

1. Plant flowers, clean up the yard and trim the shrubs . Make it look crisp and clean from the street.

2. Hang drapes and curtains. They don't have to be expensive, just in the windows.

3. Install a range and refrigerator or a built-in dishwasher. The only problem might be in a property where the tenant would forget they belonged to you when they moved out and took the appliances with them.

4. Put in a washer and dryer. Same caveat.

5. Write an effective ad. Sell the property to the tenant before he or she sees it. See the chapter on effective ad writing in [Profitable Tenant Selection](#) available from Cain Publications.

6. Fence the back yard, or give the tenant some kind of private space, if it isn't a single-family home.

7. Plant fruit trees and let the tenants have the fruit.

8. Detail the front entrance . Just outside the front door and inside the first room you see as you enter should sparkle from extra attention.

9. Roll out or blow in insulation . Wrap the pipes. Make the house more energy efficient. That is just as important if the tenant is paying the power bills as it is if you are.

10. Wax the floors and polish the chrome. If anything is supposed to shine, make it shine.

"Robert Cain is a nationally-recognized speaker and writer on property management and real estate issues. For a free sample copy of the Rental Property Reporter call 800-654-5456 or visit their web site at www.rentalprop.com."

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The Emotions of Eviction

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Evictions are ugly. The tenant is getting booted out of his or her home, albeit rightfully so. And the landlord is in for untold emotional, financial and legal hassles.

A landlord's eviction-induced, emotional headaches fall into three categories: guilt, shame and anger. Evictions rank right up there with other high-stress events—marriage, moving, and IRS audits.

Intellectually, you know the bad tenant has it coming, but you still can't help feeling guilty about the eviction. Get rid of that guilt. The tenant is stealing from you. He has stolen your home, possibly stolen your utilities, and definitely stolen your hard-earned investment. The tenant is a thief!

If you want to give your apartment away rent free or have someone trash it or sell drugs out of it, shouldn't that be your decision and not the tenant's? Finally, ask yourself— what if I didn't evict this tenant? What would be the result?

Shame results from the suspicion that you failed with this tenant. This nagging feeling lurks in the back of your head that if you had done better selecting a tenant, you wouldn't be going through this mess now. Evicting the tenant is like admitting that you made a mistake. Maybe it was bad selection to start with, but aren't you better off looking at the eviction as a lesson learned, cutting your losses, and getting on with business?

Maybe you didn't select badly, but the tenant changed. A good friend of mine, also a landlord, evicted a tenant several years ago. For the first year, she had been a model tenant. Then almost overnight she



transformed into someone with an eviction wish. The wild parties, the not paying the rent, and the refusing to speak to her landlord, other than rudely, led my friend to conclude she'd started doing drugs. Without shame he evicted her.

Anger is the emotion of "they took advantage of me," and "I'll show them!" "Showing them" is a splendid idea. Just make sure that when you "show them" that you don't mess up the eviction. Too often anger results in landlords making one of the 16 mistakes that loses an eviction.

Very common is writing something extra on the notices demanding payment such as "pay up, deadbeat!" and "I don't care if you pay or not, you're out!" Extra comments on forms and letters will ensure that the judge lets your bad tenant stay.

Another anger-induced reaction and sure way to lose an eviction is harassment of the tenant. That's when you call— daily, twice daily, hourly— to say that you want him out, or repeatedly visit the property to "see if he's moved yet." Hold your temper or hire an eviction specialist—the emotional and financial cost is infinitely lower than the trauma of a lost eviction.

Evictions are a fact of business for landlords. You don't need to feel guilt or shame, and good business sense demands that you keep your anger under control.

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Property Management— Setting and Collecting Rent

Posted by **Jordan Muela** in [Property Management Articles](#)
www.managemyproperty.com

Rental income is the lifeblood of the landlord's business. If the mechanisms are not put in place to bring in the right amount at the right time each month, the business will eventually wither and die. When properly performed, this is what allows top real estate investors to achieve a higher than average return on investment. Here's a list of issues to review and questions to ask the property management firms you interview:

Setting the Rental Rate

How do they determine their rental rates?

There is a science behind maximizing rents. For a property manager to achieve this requires them to have knowledge of the local market and perform solid research on the last 10-20+ most recently rented comparables. Rules of thumb like the 1% rule (charging 1% of the property's value as the monthly rent) are handy for reference, but can not replace thorough research using current market data. Aside from affecting rental income, your rental rate can also impact the properties value. The goal should be to get the unit rented within a month.

How often do they raise rents?

Rental rate surveys should be performed at least annually, and more frequently if there are vacancies or lease renewals.

Do they put contractual escalators in the lease?

Contractual rent escalators allow the rents to be raised without the need to negotiate, offer an explanation or give notice. Tenants know they have already agreed to it so it doesn't feel arbitrary, and tenants are actually grateful if the firm decides to not enforce the full rate hike.

Collecting Rent How is rent collected?

It's a plus if the management company offers direct debit for tenants.



Processing fewer checks improves cash flow and saves time and money. This lets you know as soon as possible if funds aren't there and eliminates excuses about checks lost in the mail.

How do they deal with bounced checks?

This is usually a warning sign of trouble ahead; after the first bounced check tenants should be prohibited from writing personal checks until at least 6 months of good payment history has been established. Additionally, there should be a provision in the rental agreement that says tenants agree to pay the maximum the law allows for all returned checks.

How do they deal with delinquent payments?

Find a property management company with a process that is firm but reasonable. Tenants will start paying later and later if the management company lets them, therefore it is imperative they enforce ALL aspects of the lease. Once they identify a tenant with a trend of delinquencies, they should keep a close eye making sure they either get back on track or deal with the consequences. Remember that a strict collections process is only balanced out by the property manager quickly responding to tenants' needs with quality service.

What is their current rate of delinquency?

Find out if they run a tight ship or allow things to get out of hand.


When is rent due? Is there a grace period, if so how long?

Due on the first day of the month (in hand not postmarked), late on the second day of the month is standard. A grace period that extends to either the 3rd or the 5th is also standard. Keeping it shorter prevents it from getting significantly delayed in the event of a holiday or long weekend.

How much is the late fee?

While late fees can generate revenue, their primary function is to get tenants back on track to timely payments as quickly as possible. This

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Property Management— Setting and Collecting Rent

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[property management fee](#) is typically between five and ten percent of rent, sometimes a small daily fee is added to this as an incentive to catch up ASAP. In theory, the late fees are supposed to reflect the penalty the owner would experience in the event of a late mortgage payment.

How do they handle evictions?

Their process should be well documented, and although the best course of action will vary based on the circumstances, they should be able to explain to you the basic checklist they go through each time. You want to deal with a company that acts quickly, documents their actions, and understands your area's unique laws for this process.

In the last year, roughly how many evictions did they experience, out of how many properties being managed?

The higher the number, the less confidence you should have in their screening process.

How quickly do they usually get repossession of the property when an eviction takes place?

Time is money, and a smart tenant with bad intentions can drag this process out for a very long time. Find a manager who excels at containing and eliminating the problem as quickly as possible.

Do they provide eviction insurance?

This is basically a small monthly fee that insures that the management company will pay for all attorney and court costs associated with evicting a tenant they placed. It's not a widely offered service, but it's a valuable service that speaks to the [property management companies](#) confidence in their screening process.

Cashflow may be strong now, but rent will inevitably decrease over time if the property is not well maintained. Keep reading to find out how to determine if a management company has a strong preventative maintenance and repair program in place.



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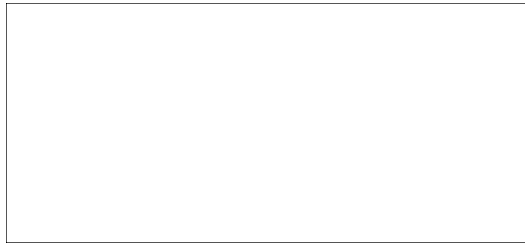


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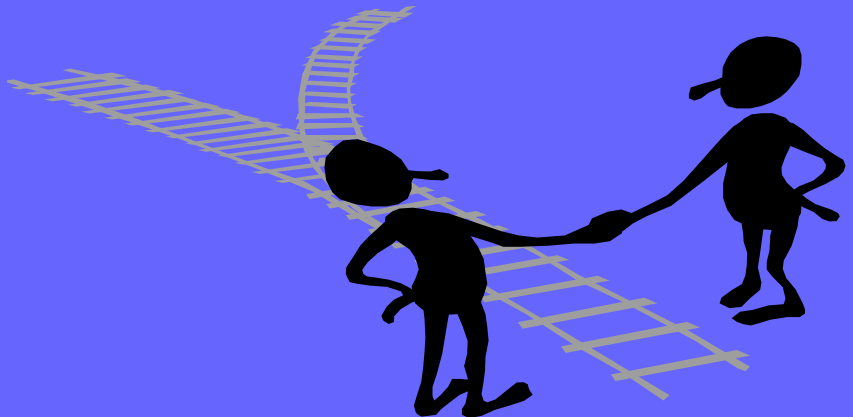
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