



# WAAA News

Volume 33 Issue 2 • February 2012 • Connecting the Rental Community Right Next Door and Across the State

## Leadership

Don't Miss **LEADERSHIP DAY!**  
February 18, 2012  
Details on Pages 2, 5

## Management

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- Marketing Predictions
- Rental Agreement Terms
- Raise Rental Net Income
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- Take Advantage of Low Interest Rates



# 2012 Roster of Events

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

## LEADERSHIP DAY

Saturday, February 18 • 10:00 a.m. - 4:00 p.m.  
The Plaza Hotel & Suites, 201 N. 17th Ave., Wausau

*\*Will include a tour of the 2012 conference facilities*

**Lunch choices are:** Prime rib sandwich with mushrooms and onions on a sourdough bun or a chicken caesar wrap with tomatoes, lettuce, and parmesan cheese in a soft tortilla, both served with french fries and coffee, tea, or milk. Cost is \$15.

Please RSVP to Kristy at [kristy@waaonline.org](mailto:kristy@waaonline.org) or 920-230-9221 no later than

**Monday, February 13th** with your meal selection.

A limited number of rooms are available at the Plaza Hotel & Suites for Friday and/or Saturday nights at the low rate of \$69/night plus tax. Please contact the Plaza directly at 800-754-9728 and mention room block #2490 before Friday, February 10th to make your reservation.

## WRHLC/WAA Legislative Day

Wednesday, March 21, 2012, State Capitol, Madison  
More information to come!



### “Love Your Healthy Home Symposium” February 14<sup>th</sup>, 2012

Presented by Milwaukee Lead Asbestos Information Center, a division of MidWest Certified Training, Inc.  
Country Springs Hotel, 2810 Golf Road Pewaukee, WI 53072

Speaker topics: Mold Remediation, Radon, Indoor Air Quality, Hoarding, Mold Allergies, Lead, Asbestos, Meth Lab Handling, Bed Bugs, & Moisture Issues

Come join us for a day of educational sessions, networking, door prizes, and fun!

Contact MLAIC **414-481-9070** to sign up or for more information visit our website at [www.MLAIC.com](http://www.MLAIC.com)

CEU credits for numerous licenses! Call to see if yours qualifies!



Only \$50 if you sign up before 1/31/12! Lunch



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\* Information in these articles should be used as a guide only and should not be relied upon as the sole source of information relating to its content. Additional sources of information may be listed herein. No warranty, either express or implied, is made with respect to the information contained herein. Neither WAA nor RHR is responsible for any loss, inconvenience, damage (whether special or consequential) or claims arising out of the use of the information contained. You should always seek advice from your attorney regarding any legal matters.



# President's Letter



I know it is well past Christmas, but I do want to recognize that my wife and I attended Christmas parties at Waukesha and Racine in December. We had a great time at both parties and had the opportunity to meet many members over and above those we already knew. Thank you to both Waukesha and Racine.

We need to start collecting monies for the Mike Mokler Memorial. Send any donations to Kristy at the WAA office and indicate the money is designated for the Mike Mokler Memorial Fund. We are planning on having the dedication on March 21st at Legislative Day. Some of the legislators, particularly those who knew Mike, will probably be in attendance with us.

Leadership Day is coming up on February 18th and will occur at the Plaza Hotel & Suites in Wausau. We will be working with all leadership positions: Local Presidents, Vice Presidents, Secretaries and Treasurers, as well as Regional Representatives, to aid in understanding what the responsibilities are for each position. Please plan on being there!! Sessions will begin at 10 a.m. and end at 4 p.m. At the end of the day, we will have a tour of the facilities, as this is also the location of our 2012 Conference and Tradeshow. Room rates are quite reasonable at \$69 for Friday and/or Saturday nights if you feel you would like to come up the night before or even stay the weekend. See your WAA News for information about the lunch choices and the cost. Kristy needs your meal choice by Monday, Feb. 13th. If you are planning on staying at the Plaza overnight call them directly at 800-754-9728 and mention room block #2490; room reservations need to be made by Feb. 10th.

In an effort to have more input from each and every local with every local represented, we are going to be conducting the WAA Board meetings differently starting in 2012. In the past, the Executive Committee met in the morning and in the afternoon the full board met, many times discussing the same things that were discussed in the morning meeting. From now on, WAA Officers will meet with their counterparts from each local (i.e., President with Presidents from each local, Vice-President with Vice-Presidents, etc.). We hope this will bring about more input from each local thereby helping us to know what the locals desire from us as a Board. Officers from each local should be discussing their ideas amongst themselves so that when they attend the WAA Board Meeting, each officer will be able to share those ideas in their respective break out meeting. The next WAA board meeting will be January 21 at 10 am at Robbins Restaurant in Oshkosh. We hope you come and try out this new meeting format!

*Dale S. Hicks*

WAA President



# LEADERSHIP DAY

February 18, 2012

Have you ever wished you were a better leader?  
Just what makes an effective leader anyway?

How can I become an effective motivator?

Do you find it hard to delegate responsibilities to others  
or is it easier to just do some things yourself?

Have you given responsibilities to others only to micromanage and attempt to have  
an assigned duty done all your way?

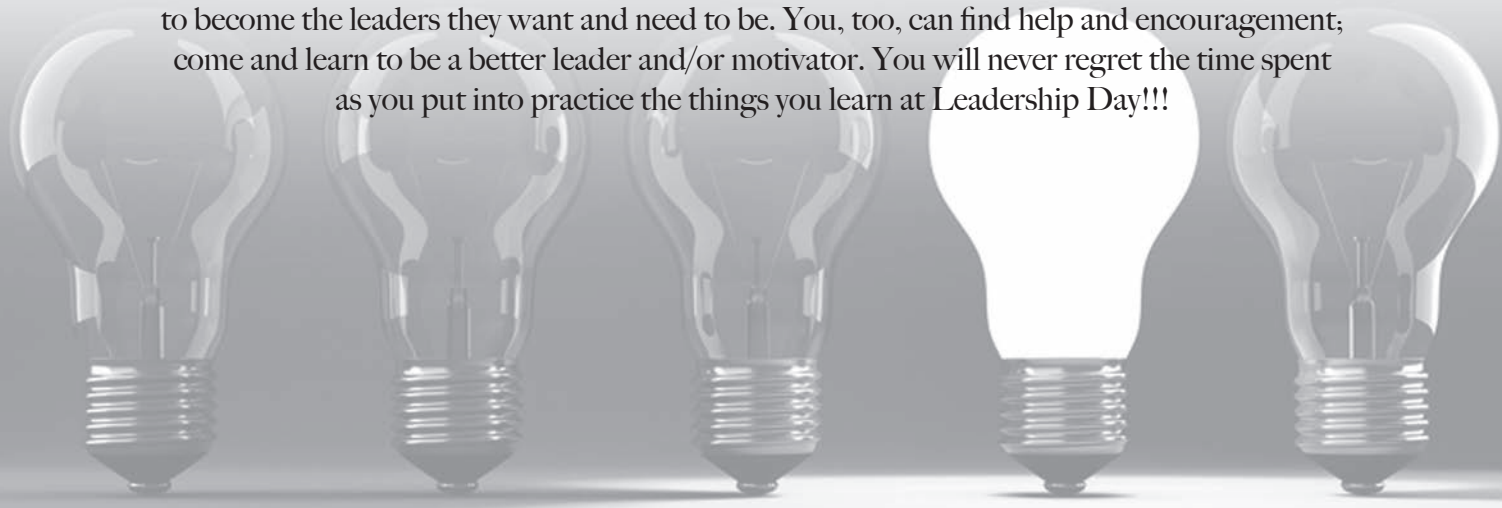
OR

Do you feel you have the ability, time, and qualifications to be a leader, but fear stands in your way?

Do you think that expectations are so high, either by your local apartment association or WAA,  
that you wouldn't be able to measure up?

Is it hard to step out of your comfort zone?

If you answered "yes" to any or all of these questions then you will find useful answers at the 2012 Leadership Day. Several in the WAA have experience in working with and leading people to become the leaders they want and need to be. You, too, can find help and encouragement; come and learn to be a better leader and/or motivator. You will never regret the time spent as you put into practice the things you learn at Leadership Day!!!





## Let Your Residents Know About Renter's Insurance

Robert Griswold, *Property Management Kit for Dummies*, available at [LandlordBooks.com](http://LandlordBooks.com).

Renter's insurance is something your residents obtain and pay for themselves; it covers losses to a resident's personal property as a result of fire, theft, water damage, and so on. Residents often think they don't need renter's insurance because they possess few valuables, but renter's insurance covers much more than just their personal possessions. It also provides protection.

Protection against claims made by injured guests or visitors. The insurance offers supplemental living expenses if the rental property becomes uninhabitable due to fire or smoke damage. And it protects the resident in the event that he or she causes damage to another resident's property.

Although the number of residents with renter's insurance has increased significantly in the last decade, a recent Insurance Research Council study shows that 96% of homeowners have a homeowner's policy, but only 43% of renters have a renter's insurance policy.

As a rental property owner, you benefit from renter's insurance, because it covers any claims in the event that the residents start a fire or flood. Their premiums go up instead of yours. So to protect your property, consider placing a clause in your rental contract that clearly points out the requirement that every resident must have a renter's insurance policy (especially in a multi-unit building). Depending on the policy limits, renter's policies typically cost from \$150 to \$300 per year, with deductible amounts of \$250 or \$500. As with car insurance, the insurance company only pays for losses over and above the deductible.

### PERSONAL STORY

*The importance of renter's insurance was reinforced to me early in my management career when a bad fire occurred at one of the properties I managed. Apparently, a new resident was getting help from six-pack movers-friends who assist with a move in exchange for a six-pack of their favorite beverage. The fire started when one of the new resident's friends negligently placed a box of paper goods right on top of the gas-stove pilot light.*

*Luckily, no one was seriously injured, but 12 of 16 rentals in the building were completely destroyed. None of the residents had renter's insurance, and even the innocent neighbors lost everything they owned.*

*Although legally you can point to the fact that each and everyone of the residents had initialed the rental contract clause indicating they should have renter's insurance, facing residents who'd just lost everything because they didn't get around to buying renter's insurance was still difficult.*

## "Landlord Preemption Bill" Signed Into Law

Posted by *Tristan R. Pettit, Esq. in Legislation*

It is nice to finally see some landlord-friendly laws being passed in the state of Wisconsin.

On December 7, 2011, Senate Bill 107 (commonly referred to as the "Landlord Preemption Bill") was signed into law by Governor Scott Walker as 2011 Wisconsin Act 108. This new law creates Section 66.0104 of the Wisconsin Statutes and prohibits municipalities from enacting an ordinance that places certain limits or requirements on a landlord.

Specifically, section 66.0104 prohibits any city, village, town or county from enacting an ordinance that prohibits a landlord from obtaining and using any of the following information with respect to a tenant or prospective tenant:

- Monthly household income
- Occupation
- Rental history
- Credit information
- Court records, including arrest and conviction records, to which there is public access
- Social Security number or other proof of identity.

The new law also prevents a municipality from limiting how far back in time a prospective tenant's credit information, conviction record, or previous housing may be taken into account by a landlord. It also prevents a municipality from prohibiting or limiting when a landlord can enter into a rental agreement for a rental unit with a prospective tenant or show a rental unit to a prospective tenant during the tenancy of a current tenant.

Additionally, the new law prohibits a municipality from enacting an ordinance that places requirements on a landlord with respect to security deposits, earnest money or pre or post tenancy inspections that are in addition to the requirements currently set forth in Wisconsin Administrative Code ATCP 134.

If a municipality has an ordinance on its books that conflicts with sec. 66.0104 than that ordinance is no longer applicable and may not be enforced.

This new law will positively affect landlords throughout the state, but most especially in Madison and its environs. I think as a result of Wisconsin Act 108 the city of Madison's Code just lost a few pounds.



## Property Inspections

Jorden Muela, [ManageMyProperty.com](http://ManageMyProperty.com)

It is extremely important that you conduct scheduled regular inspections. Many owners don't understand how much damage a bad resident can cause in a short period of time.

There is a natural tendency to assume that as long as rent is being paid on time and there are no complaints everything is going well. Don't make assumptions or take anything for granted.

*"Just because a resident has not called you, do NOT assume that the property is in good or safe condition. And do NOT assume that they are satisfied and plan on staying for another year."*

Regularly scheduled inspections allow you to catch problems quickly. It's also very effective at deterring bad resident behavior. Ask yourself these questions about how you inspect your properties.

**What kind of move-in inspection do you perform?** While resident-completed inspections are typical for apartments, for single-family rental properties the landlord should perform a detailed move-in inspection which includes digital photos. The resident should accompany you for a walk through and sign off on the inspection report. This kind of documentation is critical to resolve disputes over damage during the resident's stay.

## Resident ID Theft

About a year ago one of our rentals was the target of a bust by the Drug Enforcement Agency because our residents were growing marijuana. I went back over their rental application to find out how we could have missed the signs and actually rent to criminals. The application looked very good; the applicants were upstanding citizens with no criminal history or any other red flags. So what was the problem?

The residents who were busted for growing pot were not the people on the application. The criminals had stolen the identity of the people on the application and used their good standing to get into the rental property. So, the people who really were renting from us were the bad guys. Even when you think you've seen it all, you haven't.

To prevent this from occurring again we have taken some additional steps in our screening process:



### **How often do you inspect the interior of the property? Are residents notified before inside inspections?**

You should inspect the rental property at least annually, with every six months being the preferred time interval in between inspections. You or the person doing the inspection should have a check list. You should go over the list which should include things like checking all appliances, locks, A/C (filters), furnace, water heater, smoke detector, electrical, plumbing and looking for lease violations.

Do not have or accept a policy of only performing inspections in between vacancies. Some residents may remain for years and there is no excuse for not inspecting the property during that time. Of course residents must be given notice before the inspection takes place (12-48 hours depending on state laws).

### **How often do you inspect the exterior of the property?**

Between monthly and quarterly is standard, although the more frequent the better. Realize that more often than not for many landlords these exterior inspections are drive by inspections only where you (or the person doing the inspecting) does not get out of the car. While drive-by inspections may be acceptable for more frequent visits, a full-scale exterior inspection should be performed at less-frequent intervals as well.

1. We require a driver's license from each applicant. We make a photocopy for our records.
2. We require their last power bill and make a copy of it to make sure the former address is the same as the one they put on the application and to know if they were current on their bill.
3. We inspect our rental properties during the resident's stay to look for issues. We do the first inspection within 30 to 45 days to get them going in the right direction and to let them know that we will be keeping an eye on things.

As I said, we added these steps to the background screening steps that we already have in place. Identity theft is real. All landlords should protect themselves, their property, and current residents by screening new residents thoroughly.

Roger Wilson, reprinted from the South Sound Rental Association.



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www.windowworldinc.com



## 7 Ways to Pounce on Low Interest Rates

By Marcia Passos Duffy • Bankrate.com



### Taking advantage of low rates

While go-go lending was partly to blame for the economy's current financial troubles, ironically, borrowing money may help ease the country out of the downturn. At least that's the thinking behind the Federal Reserve's recent pledge to keep low interest rates into 2013.

While this move has not triggered an uptick in consumer confidence, experts agree money probably won't get any cheaper to borrow than right now. At press time, average rates for 30-year fixed-rate mortgages, home equity loans and even 60-month new-car loans are hovering around 4.3 percent, 6.8 percent and 5.3 percent, respectively, according to Bankrate's weekly survey of interest rates.

If you have a good-to-excellent credit score and not a lot of debt, you may want to consider ways to take advantage of these historically low interest rates, says Jessica Cecere, regional president for CredAbility, a nonprofit credit counseling and education agency in West Palm Beach, Fla.

"Interest rates are so low that consumers should take advantage of these rates, if they can afford to, to help them save money on planned purchases," Cecere says.

So what are some smart borrowing decisions to make while interest rates are low? Here are a few.

### Buy a home or rental property

Rates on long-term fixed-rate mortgages are at their lowest in decades. If you have been putting off your decision to buy a house, now may be the "perfect storm" of low interest rates and low home prices.



Since rates are so low, consider getting a 15-year instead of the traditional 30-year mortgage. "The amount you will save in interest payments over the life of the loan is enormous," says Scott Stratton, author of "Your Last Five Years: Making the Transition from Work to Retirement."

If you already own a home and have some money stashed away for a down payment, now may be a good time to think about buying real estate for passive income, says Greg McFarlane, author of "Control Your Cash: Making Money Make Sense."

Not only are mortgage rates and property values low, but the rash in foreclosures mean more people are in need of shelter. "They're called renters, and they're your cash cows," says McFarlane. Not only will you get regular income from renting property, but as a landlord you can take tax breaks in the form of mortgage interest deductions.

### Refinance your home

If you want to get out from under an adjustable-rate mortgage -- and you aren't upside-down on the loan -- now is a good time to switch to a fixed-rate mortgage. Use an online mortgage calculator to figure how much you'll save with the new rate.



While you're at it, look into refinancing your 30-year mortgage into a 15-year loan so you don't inadvertently add many years of interest payments to your mortgage.

For example, a \$225,000 house purchased five years ago with a 30-year loan or mortgage rate of 7 percent has a monthly payment of around \$1,500 a month with about \$76,000 worth of interest paid in those five years. If you refinance the balance of that loan now at the current 3.5 percent interest for 15 years, you'll save almost \$175,000 over the life of the loan, plus you'll pay off the home almost 10 years sooner. And your payments will go up only about \$25 per month.

"Focusing only on monthly payments is penny-wise and pound-foolish in the long run," says Stratton. "Owning a home outright and having no monthly mortgage payment goes a long way. ... In 15 years, when the house is paid off, it can literally make the difference between being able to retire or not."

### Buy a car

If you're in the market for a new car, now may be the time to trade in your clunker. Car loans aren't as rock-bottom as mortgage loans, but manufacturers are offering plenty of incentives, such as special



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financing options. Still, at press time the average 60-month new-car loan was around 5.3 percent, according to Bankrate's weekly survey, and some car loans are even cheaper.

"This is where a person with good credit can use that credit as a force multiplier," McFarlane says. "Stretch out your financing dollar for as long a term as possible, especially since inflation can't be postponed forever."

If you are still paying off your current car, you may want to consider refinancing the remaining car loan at lower and more favorable interest rates.

### Give money away

If you are fortunate enough to have extra money to give away, low interest rates make it easier to be generous and charitable, says Alexey Bulankov, a financial adviser and CFP with McCarthy Asset Management Inc. of Redwood Shores, Calif.



"This environment of low rates and poor economic conditions, combined with a massive intergenerational wealth transfer and looming estate, gift and income tax hikes create a once-in-a-lifetime opportunity to give, borrow, move money, be charitable and create a legacy," Bulankov says.

Look into strategies such as a charitable lead annuity trust, or CLAT, which combines philanthropic with wealth-shifting goals by allowing the grantor to put money into a trust that pays out to a charity during the life of the grantor. At the end of the grantor's life, the remainder is passed to beneficiaries. CLATs work well in a low interest rate environment. If the performance of the investments exceeds the "Section 7520" interest rates -- used to value certain charitable interests in trusts and published monthly by the IRS -- then the excess earnings at the end of the term pass to the beneficiaries tax-free, Bulankov says.

"The lower the 7520 rate, the larger the potential gift to the family or heirs," he says.

### Review investments

While you don't want to spend money in a



down economy on investments that are not giving you much in return, you may want to look into ways you can diversify your portfolio and spread the risk, Cecere says.

Talk to your financial adviser about alternatives to savings accounts and money market funds, asking for options that earn better returns on your savings. Also, be wary of buying investment vehicles such as bonds when interest rates are low.



### Lock in student loan rates

Federal student loan rates are usually low, but even they have taken a slight dip in this low-interest environment. If you have more than one student loan outstanding, check with your federal student loan provider on how to consolidate and lock in at a lower interest rate, Cecere says.

### Pay off credit card debt

While mortgage and car loans have favorable interest rates, the same is not true for borrowing money on your credit card. Work on reducing or eliminating this debt.

If you have a choice of putting money into a savings account or paying off debt, pay off the high-interest credit card debt first because financial institutions are paying very little interest in savings accounts.

You also may want to negotiate lower interest rates with credit card companies, particularly if you have a good track record with paying on time, Cecere says.





## Six Ways to Raise Rental Net Income Without Raising Rents

Maria Liberati, Vice-President of the Liberati Investment Corp., FreeWebs.com/Liberati Corporation.

As a successful real estate investor for 15+ years and a track record of buying, selling, and/or renting 200+ rental properties, I have tired of trying to keep up with the changes in rules for mortgages, bank regulations, and the economy, enough so that I have often been tempted to take flight. But through my entrepreneurial spirit I have come to realize that real estate is like any market, always changing and you have to "roll with the punches," to find ways to adjust your business to the new economy. So after some brainstorming and taking a look at each of my properties I have pinpointed some steps.

Any novice or seasoned landlord can implement these steps to weather the economy and pocket more money without necessarily increasing rents. Here are 6 ways I've found to raise your property's income without necessarily increasing monthly rents:

**Convert your buildings into separately metered electrical rentals.** In a small multi-unit building (ex: duplex, triplex, etc.) if you are paying for oil or gas for heat for residents, turn your building into electric heat that can be separately metered and have residents pay for their own heat.

This will add to your income without you having to ask for higher rents. Of course you will have to honor any contracts that you have with existing residents for heat and meet all regulations, but you can start one rental property at a time and move on slowly until all are completed.

That way you will not have exhausted your financial resources. Be sure to use an electrical contractor that is registered and meets all regulations. Spend some time getting competitive bids with electricians, and research their references.

**Extra Storage Space: Make use of any and all space on your property as per zoning laws, etc**

I have found that basements and unused ground could be refurbished minimally and rented out. For instance, do you have a garage that can be rented out? A basement that can be divided into extra rental spaces for residents or non-residents?

This is inexpensively done by adding cages made of heavy wire with wooden frames. Rental spaces can add another amount per month to residents' rent or they can be rented out to non-residents.

Rental spaces can also be included as an incentive to get prospects to rent from you. Some residents would welcome extra storage space.

Ask residents before constructing rental spaces if that is something they are interested in. But make this an option and not a requirement to

rent in your property. If not, you may also be able to rent out space to non-residents as long as you can be competitive with the larger storage companies.

**Rent unused ground.** Do you have extra ground connected to your property that is not being used? If the ground is in a strategic position and if local laws allow landlords to rent the ground to a company, then you can profit from renting the land. For example, see if you can charge a rental fee for a Cell Tower on the ground.

**Keep your residents happy.** This is obviously within reason, but if there is a problem, respond and rectify the problem as quickly as possible. A happy resident is usually a long-term resident, which adds to your net operating income.

**Don't cut back on necessary property upkeep.** In times of a tough economy landlords tend to cut back on property upkeep. But now is not the time. There is a lot of competition for rental properties and you need to make yours stand out from the rest. Spend your money wisely-there's no need to turn your rental property into the Taj Mahal-just so long as it looks like it's a rental property that is cared for and not neglected. I've noticed that if a rental has been recently vacated by the previous resident and shown to a prospective new resident before cleaning and repainting are done, it never rents. Once a rental is repainted, cleaned, and the floors and cabinets are sparkling with some minor decoration placed around, the rental property rents quickly. Remember that you as the landlord, or your rental representative, is a salesperson merely selling this rental property to a prospect, so make it an easy sell.

**Find a company that will sublease your rental property for use as business or residential space.** Have them take care of most daily upkeep. You'll increase your income because you'll also cut the amount of time you'll need to spend on the property. Advertise rentals using free listing sites on the internet or signs placed in the window or outside vacant rentals. Unfortunately, within the past three years I have noticed that the response from ads in print newspapers has been minimal but the response from ads from free internet services has increased. Newspaper ads have become expensive. Instead, utilize free and low-cost internet advertising services. A much larger audience will see your ad, even people that are not local to your rental property may consider your rental if they decide to move in the area. Best of all, this is a free and low-cost way to attract renters. Placing "For Rent" signs on property is another effective yet free way of advertising your property.

Just because the economy is a bit rough does not mean that you have to be another casualty. Take a long, hard look at what you already have and utilize every possible asset to pocket the most income. You have already gone through the time and expense to acquire that property. Make the most of it and don't take any inch of space for granted!



## Proven and Innovative Advertising

Mike Butler, Author of *Landlording on Autopilot*, available at [LandlordBooks.com](http://LandlordBooks.com).

### Business Cards

Get some business cards announcing that you are a property manager (not a landlord) who rents property. I developed the slogan for my company: "VISTA-We Buy Houses, We Rent Homes!" You can get free business cards at [VistaPrint.com](http://VistaPrint.com) which is no kin or relationship to me.

### Peel-and-Stick Business Card Magnets

The peel-and-stick business card magnets I found at Staples and Office Depot work great. They are easy to use. Just peel the sticker off and apply your business card. Whammo! I kept a stack of them in the door pocket of my truck. Our residents got one of these magnets for their fridge. It was right under their nose, with our website and phone numbers readily available, reminding them and all their guests, We Rent Homes!

### Referrals

These are the number one source of effective advertising. Let your residents, your sellers, your buyers, your real estate agents, and your attorneys know you rent homes. Offer to pay them a referral fee if a lead becomes one of your residents. PLEASE NOTE: In Wisconsin, a referral fee can only be paid to someone who holds a real estate license.

### Grocery Store Receipt Tapes

These are also an effective advertising media. You could target the receipt tapes for specific neighborhoods. Prices will vary depending on the size and number of stores you select.

When I used this media, I again advertised "We Buy Houses, We Rent Homes" and included my website.

### Two-Sided Key Tags

These things work. Get bright yellow with reflective blue lettering. Give them to every resident and use them with your Key Sign Out Program for viewing your vacant rental properties. Once again, I would also work in my website address.

## Renting to Dog Owners

The most important criterion you need to consider is if a potential resident is a responsible dog owner. You can request a reference from the resident's veterinarians, groomers, dog walkers or pet-sitters. If someone is responsible for a dog's behavior, health and hygiene, they are likely to be a responsible and clean person, the very type of resident you want.

Marie Atake, Founder & President of Forte Animal Rescue.



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## 2012 Marketing Predictions

Duncan, Mike, and I were discussing 2012 and what we're looking forward to. I will tell you that we don't predict for the world to end, but we may see some things begin to fall off that seem tried and true today.

### Social

Niche social sites (ie- Instagram, Pinterest, Path, Quora, etc.) will gather more momentum, but stay niche much like Tumblr. Facebook currency may take on another dimension, but more importantly Google+ will finally become something that we can't afford to ignore.

### Local

Local businesses that seize the opportunity to leverage Google, Four-square, Yelp, etc. will begin seeing distinctive advantages in those efforts. And, we'll find out if Groupon and LivingSocial can compete with Google Offers. I still don't understand the deep discount craze, so I can't predict if there will be a winner or if the whole concept will blow up.

### Mobile

If you haven't really explored this space or put much effort into it as yet don't get left behind. It's so much more than text messaging, so dive in. However, be smart with what you invest in here. We don't need an app for everything, and from what I'm seeing you don't need a separate mobile website either.

### Search

Page 1 of Google isn't as important if you can leverage social discovery over search discovery. Search engines are still important, but the social factors are becoming critical. There is more than one way to skin a cat, but SEO is evolving. Updating your status on Facebook, Twitter, or other channels with a question is now part of the search process, and marketers need to understand and leverage that in 2012. One could even say that what people share is more important than what people find.

### Apartment Marketing

Marketing budgets are shifting because we're measuring everything and eliminating waste. Commodity marketing won't cut it in the consumer's eyes, and they want more than listings. Craigslist success may begin to fade. We'll continue to measure more and more of our marketing efforts and communications. And finally, the ideas today for using a tablet or smartphone in the leasing process will look much different by the end of 2012. Make sure what you invest in today can evolve with the trends and your needs.

<http://markjuleen.com/2011/12/20/2012-marketing-predictions/>

## Ten Terms to Include in Your Lease or Rental Agreement

*What should be included in every lease or rental agreement.*

Nolo.com



A lease or rental agreement sets out the rules landlords and tenants agree to follow in their rental relationship. It is a legal contract, as well as an

immensely practical document full of crucial business details, such as how long the tenant can occupy the property and the amount of rent due each month. Whether the lease or rental agreement is as short as one page or longer than five, typed or handwritten, it needs to cover the basic terms of the tenancy.

*Here are some of the most important items to cover in your lease or rental agreement.*

**1. Names of all tenants.** Every adult who lives in the rental unit, including both members of a married or unmarried couple, should be named as tenants and sign the lease or rental agreement. This makes each tenant legally responsible for all terms, including the full amount of the rent and the proper use of the property. This means that you can legally seek the entire rent from any one of the tenants should the others skip out or be unable to pay; and if one tenant violates an important term of the tenancy, you can terminate the tenancy for all tenants on that lease or rental agreement.

**2. Limits on occupancy.** Your agreement should clearly specify that the rental unit is the residence of only the tenants who have signed the lease and their minor children. This guarantees your right to determine who lives in your property -- ideally, people whom you have screened and approved -- and to limit the number of occupants. The value of this clause is that it gives you grounds to evict a tenant who moves in a friend or relative, or sublets the unit, without your permission.

**3. Term of the tenancy.** Every rental document should state whether it is a rental agreement or a fixed-term lease. Rental agreements usually run from month-to-month and self-renew unless terminated by the landlord or tenant. Leases, on the other hand,

*cont'd on page 15*



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typically last a year. Your choice will depend on how long you want the tenant to stay and how much flexibility you want in your arrangement.

**4. Rent.** Your lease or rental agreement should specify the amount of rent, when it is due (typically, the first of the month), and how it's to be paid, such as by mail to your office. To avoid confusion and head off disputes with tenants, spell out details such as:

- acceptable payment methods (such as personal check only)
- whether late fees will be due if rent is not paid on time, the amount of the fee, and whether there's any grace period, and
- any charges if a rent check bounces.

**5. Deposits and fees.** The use and return of security deposits is a frequent source of friction between landlords and tenants. To avoid confusion and legal hassles, your lease or rental agreement should be clear on:

- the dollar amount of the security deposit (be sure you comply with any state laws setting maximum amounts)
- how you may use the deposit (for example, for damage repair) and how the tenant may not use it (such as applying it to last month's rent)
- when and how you will return the deposit and account for deductions after the tenant moves out, and
- any legal non-returnable fees, such as for cleaning or pets.

It's also a good idea (and legally required in a few states and cities) to include details on where the security deposit is being held and whether interest on the security deposit will be paid to the tenant.

**6. Repairs and maintenance.** Your best defense against rent-withholding hassles and other problems (especially over security deposits) is to clearly set out your and the tenant's responsibilities for repair and maintenance in your lease or rental agreement, including:

- the tenant's responsibility to keep the rental premises clean and sanitary and to pay for any damage caused by his or her abuse or neglect
- a requirement that the tenant alert you to defective or dangerous conditions in the rental property, with specific details on your procedures for handling complaint and repair requests, and
- restrictions on tenant repairs and alterations, such as adding a built-in dishwasher, installing a burglar alarm system, or painting walls without your permission.

**7. Entry to rental property.** To avoid tenant claims of illegal entry or violation of privacy rights, your lease or rental agreement should

clarify your legal right of access to the property -- for example, to make repairs -- and state how much advance notice you will provide the tenant before entering.

**8. Restrictions on tenant illegal activity.** To avoid trouble among your tenants, prevent property damage, and limit your exposure to lawsuits from residents and neighbors, you should include an explicit lease or rental agreement clause prohibiting disruptive behavior, such as excessive noise, and illegal activity, such as drug dealing.

**9. Pets.** If you do not allow pets, be sure your lease or rental agreement is clear on the subject. If you do allow pets, you should identify any special restrictions, such as a limit on the size or number of pets or a requirement that the tenant will keep the yard free of all animal waste.

**10. Other restrictions.** Be sure your lease or rental agreement complies with all relevant laws including rent control ordinances, health and safety codes, occupancy rules, and antidiscrimination laws. State laws are especially key, setting security deposit limits, notice requirements for entering rental property, tenants' rights to sublet or bring in additional roommates, rules for changing or ending a tenancy, and specific disclosure requirements such as past flooding in the rental unit.

Any other legal restrictions, such as limits on the type of business a tenant may run from home, should also be spelled out in the lease or rental agreement. Important rules and regulations covering parking and use of common areas should be specifically mentioned in the lease or rental agreement.



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## Immigrants and Landlording

*Jo Becker, Fair Housing Council of Oregon, FHCO.org.*

There has been and will continue to be much ado about immigration. The rights of immigrants both documented and undocumented will continue to be in the news. What implications does all of this have for landlords? Can an undocumented immigrant legally rent property in the United States? What's your liability if you rent to someone who doesn't have appropriate documentation to prove he or she is here legally?

I can imagine that on the issue of renting to immigrants you likely fall within one of 3 categories:

- You never considered the issue
- You don't care who they are and where they come from so long as they pay the rent, take care of the property, and don't disturb the neighbors
- Your political beliefs dictate that it would be morally wrong to rent to anyone who cannot prove that they are legal residents of the U.S.

Regardless of your personal opinions or political bent, you should know that, unlike employment law, nothing in housing law makes it illegal to rent to someone who is not in the country with proper documentation. Some jurisdictions around the country have tried to make it a crime. However, this has not been attempted federally and to the best of our knowledge, all of the laws that were passed elsewhere in the country have either already been overturned or are in the process of being challenged in court.

People living in the U.S. who are either here legally but are not U.S. citizens or who are here without documentation have many basic rights. If you deny housing or otherwise discriminate in the level of service provided to applicants and residents because of their race, color, or national origin, as well as other protected classes at the federal or state levels, you have violated the law-regardless of whether or not the person lives here legally.

An applicant's immigration or citizen status simply is not a relevant factor in performing rental, credit or criminal background checks. As always, be careful of your assumptions. Assuming some people "look like" they're here legally and others don't can lead to violations of the fair housing laws.

Denying applicants simply because of where they're from (either from the U.S. or from another nation) has a disproportionate impact on national origin as a protected class and is illegal. Be careful, too, of assumptions about household make up based on race or national origin. Don't assume "certain kinds of people" have larger or extended families and base your rental decisions on that.

Set reasonable occupancy standards and enforce them equally across all of your rental properties. So, what are your responsibilities? The Dept. of Home Land Security (DHS) and Immigration and Customs Enforcement (ICE) make no requirements of landlords in this regard. You are not an ICE or DHS agent. You're not expected to be an expert on all documentation needed to verify that someone entered the country legally. Frankly, I wouldn't want the liability that may come with trying to play cops and robbers.

So, how do you screen someone who either has no documentation or has alternative documents such as a student or work visa, or Individual Taxpayer 10 Number (ITIN)? If the expense of a manual background check costs you more, you'd be advised not to pass the higher cost to the applicant. At first glance, this appears to be a legitimate business expense. But it can be argued that it disproportionately impacts national origin as a protected class. For additional suggestions on alternative screening methods that are aimed at verifying the applicant-that they are who they say they are, that they pay their bills on time, and to check their past rental and criminal histories - visit [FHCO.org/pdfs/SuggestedAltDocs.pdf](http://FHCO.org/pdfs/SuggestedAltDocs.pdf).

What if an applicant provides a fake social security number when they apply to rent from you? Well in that case, they have lied on their application and can be denied or evicted on that basis.

We never recommend immigrants lie or use a false identification number. And we advise landlords to be careful to not treat applicants and residents differently because of where they come from. If you have questions about fair housing, check our website.

*Jo Becker, Fair Housing Council of Oregon, FHCO.org.*





## Marketing Your Rental to Women

Reprinted from the St. Louis Real Estate Investment News, STLREIA.COM

Many women dominate and in many cases are the primary influence on the decision of where the family lives. So now that you know this, how do you capitalize on it? Here are a few ideas we have:

### Treat the woman with respect

Never assume she isn't the decision maker. Never talk down to her. If both man and woman have come to look at the rental property, give her equal attention.

### Don't have her feel her questions are dumb

Give her information. Talk about how the bedroom can accommodate the king size bed and the many children who live on the street, giving them value.

Women, much more so than men, are usually willing to pay for quality. Don't be ashamed to ask fair market price for the rental just because your applicant is a lady. Explain to her that this house is in a nice area with all the advantages of being in a highly desirable neighborhood and yet minutes from the Interstate.

### Market to her alone

It's a mistake to assume that the female market is homogeneous. You cannot use the one-size-fits-all marketing philosophies. Their needs vary greatly. Make your presentation appeal to her. If she's a mother of young children the big yard is a point of appeal. If she's a professional and lives alone she might appreciate the small yard-less to care for. A garage is an issue with the owner of the new car but maybe not very important to the owner of a ten year-old vehicle.

Again, tailor your presentation to her needs.



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## WAA Newsletter Dates & Procedures

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2. Please submit news articles in the following formats: MS Word, Html copy, PDF, MS Works, eps, jpeg, tiff or text format.
3. Your articles, either by email, fax, or US mail must be received by the 3rd of the preceding month.

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## Accepting Electronic Rent Payments

A commonly asked question by both new and seasoned landlords is “How should I accept rental payments?” The days of writing a check have become outdated when there are many new options to take into account. Please see the pros and cons highlighted below by attorney Ronald L. Dunn, Esq.

Many landlords are arranging direct rent deposits by their tenants. This is accomplished either by arranging (1) automatic withdrawals from tenants’ bank accounts or (2) direct deposit by tenants into landlords’ accounts. This can be an invaluable strategy, especially for out-of-town landlords who have no local property management. They are not without risks, however.

### Automatic Withdrawals

With automatic withdrawals, there is little risk to the landlord, other than the tenant having insufficient funds in his account or insufficient credit on his credit card. The convenience and reduction in administrative costs make this option especially attractive. Landlords should double-check their bank’s fee structure for making automated withdrawals, particularly in the event of insufficient funds or if a credit card is involved.

### Direct Deposits

When a landlord gives her tenant her banking information, however, there are significant risks. First, a person she doesn’t know and has no reason to trust has access to her banking information. With the rampant fraud in today’s digital age, extraordinary care should be taken to limit tenants’ actual access. Check with your bank on how best to keep your banking information secure.

Second, and perhaps most significant, is the problem of the defaulting tenant. If the tenant is in arrears, he controls when he pays and how much he pays. If the landlord has commenced eviction, some states will invalidate the eviction upon receipt of any rent – even partial rent. Having to restart your eviction upon receipt of a direct deposit of \$20 can be costly and frustrating; check with your attorney to see if this applies in your state, county and city.

You can address this problem by careful drafting: add a fee to your leases for creating and serving any eviction notices. Paying a fee may not be sufficient disincentive to the crafty tenant, however.

### PayPal Rent Payments

One of the pioneers of web-based electronic payments, PayPal remains secure and trusted to this day. Additionally, landlords do

not need to disclose their banking details to their tenants in order to receive rent payments through PayPal, they need only give the tenants their email address. PayPal is available to anyone with a checking account and an internet connection, and offers instant electronic payments over the internet.

That said, PayPal has its own drawbacks. First, users need to select that the payment is “personal” in order to avoid a transaction fee. Second, there is usually a delay when PayPal users go to transfer funds from their PayPal account to their checking or savings account. Finally, just like direct deposits, in giving the tenant control over when and how much rent payment they send, landlords and property managers risk invalidating a pending eviction case, although because the rental payment can be rejected and refunded in PayPal, it’s less clear whether the payment has been “accepted” for legal purposes.

### Accounting

There may be local legal requirements for segregating and accounting for rent received. There are some states, for example, where rents and security deposits cannot even be held in the same account. Be sure to thoroughly review our State Assist information when creating lease agreements, and consult an attorney to determine whether you need to keep a separate account for direct deposit or automatic withdrawal rent collection.

### Direct Deposit/Automatic Withdrawal Exclusively

There are industries where automatic withdrawal from checking or credit card are the only option for tenants: storage units, for example. There are, however, different issues in play when it comes to residential housing. Local or state government may and sometimes do enact restrictions on limiting how a tenant may pay for housing. Check with your attorney to determine what the rules are where you own rental real estate.

The easy availability and convenience of internet banking, electronic transfers, automatic withdrawal and the like open up new avenues to landlords for streamlining their rent collection and accounting. While there are risks, those risks can be minimized by careful planning and understanding of state (and local) laws.

*Attorney Ronald L. Dunn, Esq. has been providing professional legal services to lenders, landlords, developers, investors, managers and other business professionals for over 25 years.*



*Disclaimer: The information provided herein is intended as a general discussion of legal issues concerning landlord tenant law. Information provided is not legal advice or a legal opinion, and it is recommended that the reader seek independent counsel for any specific issue. <http://www.ezlandlordforms.com>*



## Trusts Gone Viral

Mark Warda, President of Land Trust Service Corp., CFRL.net

Formerly used only by the rich to protect their vast fortunes, today trusts are being used by investors at every level for the dozens of benefits they provide, many of them new. Personal property trusts are the latest trust device in the investor's arsenal.

What these are, are "nominee trusts" allowing you to put another name as the real owner on a property other than real estate. Such things as cars, mobile homes, coin collections, and equipment can be owned by a personal property trust.

The main benefits are avoiding probate and keeping your name off the public records, but these trusts can also be used to limit liability, ease negotiations, strengthen security for loans, avoid guardianship, avoid transfer taxes and more.

The most creative use is to make a trust the manager of your LLC. That way your name does not need to appear as an officer and someone searching your name will not find it on the secretary of state's website. Some clients give their trust scary-sounding names like "Goldman, Sotomayor & Genovese Trust" which, sounding like a large law firm, just may deter some frivolous inquiries.

Another creative use, pioneered by my seminar partner Jack Shea of Clearwater, is using a trust to hold your IRA money. The account is still in an accredited institution such as Entrust but the funds are sent to a trustee who can disburse more quickly and easily when a good deal comes along.

Personal Property Trusts cannot be used to own real estate, but they can own a land trust that owns real estate. In one case, a government official wouldn't issue a permit to a land trust until he saw the trust agreement. The owner didn't want his name known. So he made a personal property trust the beneficiary of the land trust, hiding his name, and he got his permit. As Jack says, "I can create trusts faster than you can subpoena them."

Land Trusts are the old standby for investors. The most common uses are to keep the owner's name off the public records and to avoid probate at death.

But in the current foreclosure crisis, investors have found even more benefits from them.

While I have always believed in paying every penny of one's debts, the current situation where banks and the government inflated the price of property by shoveling out money to unqualified borrowers has hurt a lot of innocent investors and I don't mind helping them get even with the bailed-out banks.

So when clients come to me and say they have no money to pay their mortgages, I show them how they can put the properties into trusts, let banks sue the trusts, and walk away clear of any debts related to the properties. If an investor shows up with a successful short sale offer, we can save one layer of doc stamps by using a trust with a director to control the property. When banks make ridiculous rules for buying houses, we can make a trust the buyer and allow flipping while keeping the seasoning that some find so important.

### Some of the Other Things Land Trusts Can Do:

Avoiding condo fees. Some condo documents allow the association to get a personal judgment against the owner and track him down for payment out of other assets. If a condo is going to be lost in foreclosure and is owned by a trust, the condo judgment would be against the trust, and not the owner.

Taking back property without foreclosure. Foreclosures today take years and cost a fortune. But with a land trust, in some cases you can take a property back in 30 days, like with a car loan.

Insulation from residents. Confrontations and hard feelings with residents can be avoided if the resident believes the investor is just a manager and he's being evicted by the big bad trustee, no fault of the investor.

Ease of negotiation. Rather than saying you don't want to accept an offer because of the trust or trustee, makes it easier to get the deal you want.

Keeping the purchase price secret. Some lenders or buyers don't like it if you made a good profit. Use a trust and no one knows what you paid.

The ease of use, low cost, and myriad benefits of trusts makes it ridiculous for any investor to own property in his own name or company name today.



## Underwater? Weigh Your Refinancing Options

By Dr. Don Taylor, Ph.D., CFA, CFP • Bankrate.com

Dear Dr. Don,

I currently have a 7/1 ARM at 6.125 percent with a local credit union. I'd like to trim my current fixed expenses. With many everyday costs going up and another baby on the way, we need more cash at the end of each month to cover new expenses with a new member in the family and our first child beginning school. Refinancing could provide us more than \$600 per month to cover these new expenses.

Currently our mortgage is \$495,000. Our appraised value has been significantly affected by the comparable homes in the area due to short sales and bank-owned properties. Without a formal appraisal, our broker estimates our home will appraise around \$460,000 based on recent activity in the neighborhood.

Are there any loan programs that could approve a loan amount of 110 percent loan-to-value? I'm aware of the Fannie and Freddie refinancing programs, but they don't apply to our current loan, which is a jumbo loan.

If not, what are the rules around hardship claims to use funds from my individual retirement account to bring my loan out of being upside down?

I've read through the details of several programs, and usually I don't qualify because of the home's declining appraised value. Foreclosures and short sales in the neighborhood haven't helped. Neither has my monthly debt-to-income ratio. I would think refinancing, by improving my loan ratios, would make me a better borrower in the eyes of the lender. Your advice is much appreciated.

-- Ramsey Refinance

Dear Ramsey,

First to clarify for our readers, a home is underwater when its mortgage is greater than its appraised value.

In that situation, a lender will consider how the refinancing changes your front-end and backend debt ratios. The front ratio looks at principal, interest, taxes and insurance, or PITI, as a percentage of your gross monthly income. The back ratio adds any other loan commitments to the housing expense and measures

that as a percentage of your gross monthly income. Historically, conventional lenders wanted front ratios to be at or below 28 percent and back ratios to be at or less than 36 percent. Federal Housing Administration and Veterans Affairs loans allow higher ratios in qualifying borrowers.

The federal government has revised its Home Affordable Refinance Program, or HARP. The key revision that may apply to you is the increase in how far you can be underwater on your mortgage while still qualifying for the program.

As you point out, the stumbling block for you to qualify for this program is that your mortgage needs to be a conforming loan. Conforming loan limits vary by county from \$417,000 to \$625,500 for a single-family home. The higher limit is for homes in high cost-of-living areas.

If you tap your IRA to bring cash to closing, you would make the refinanced mortgage once again less than the home's appraised value. IRAs don't have the same hardship provisions that may be available in a 401(k) plan, though certain early distributions out of an IRA are exempt from the additional tax on early distributions. Tapping your IRA balances to do a cash-in refinancing isn't going to meet any of the exemptions for the penalty tax in your situation.

Sure, you can bring cash to closing from your IRA to qualify for a conforming loan, and you won't need the HARP program to refinance. But it's not going to be considered a hardship distribution. Distributions are taxable in the year taken, and it's likely you will owe an additional 10 percent penalty tax on the early distribution. You'll have to raid the account for a lot more than the \$78,000 difference between your mortgage loan balance and the \$417,000 conforming loan limit to cover the taxes and penalties. Since this will be a 90 percent loan-to-value mortgage, you'll pay private mortgage insurance, or PMI, on the loan, which will reduce the monthly savings on the mortgage payment.

Getting a new nonconforming (jumbo) mortgage with a 90 percent loan-to-value would have you raiding the IRA account for every bit as much money as getting a conforming mortgage. So, you might as well get a conforming loan and capture the lower interest rate available on such a loan.

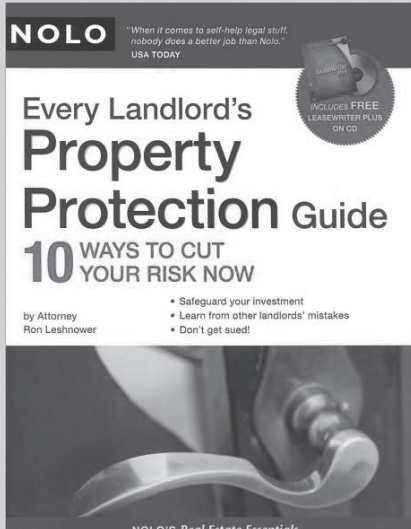
*Dr. Don Taylor, in addition to answering our readers' questions about personal finance, is an assistant professor of business administration at Penn State Brandywine in Media, Pa. He holds a doctorate in finance and has earned both master's and bachelor's degrees in finance.*



# Book Review

## Every Landlord's Property Protection Guide: 10 Ways to Cut Your Risk Now

by Ron Leshnowar



Written for owners and managers of residential rental property, Every Landlord's Property Protection Guide identifies common risky situations and practices and offers specific, practical advice for dealing with them.

Instead of an encyclopedic manual of how to be a landlord, the book zeroes in on specific problems faced by thousands of landlords and property managers in every state - problems ranging from accessibility issues to mold.

Author and attorney Ron Leshnowar spells out practical, solid steps to help property owners and managers avoid lawsuits and save thousands of dollars while protecting their investment.

The book includes step-by-step procedures to help landlords and managers

- Get the right insurance for you and your property
- Lower the risk of crime
- Stay on good terms with Uncle Sam
- Become a careful, consistent steward of your property

In 250 pages, Every Landlord's Property Protection Guide distills many years worth of solid advice on property management and protection.

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## WAA MEMBERSHIP BENEFITS

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#### Rental Housing Certification 100 Series

The Basics, is devoted to keeping rental property owners informed and education on new laws. Comprised of seminars on basic property management aimed at the new rental property owner, property manager, leasing agent; it is also suggested as a refresher series for those who have been in the business a number of years. Classes in this module are:

- \* 101 The Law and the Landlord I: Wisconsin Statute Chapter 704
- \* 102 The Law and the Landlord II: Consumer Protection (ATCP) Chapter 134
- \* 103 Fair Housing Laws
- \* 104 Lead Paint Awareness
- \* 105 Credit Reports
- \* 106 Basic Recordkeeping
- \* 107 Screening Your Applicants
- \* 108 Screening Workshop
- \* 109 Nuts and Bolts of Eviction
- \* 110 Bonding and Garnishment

## Why Join WAA?

The WAA is your portal to the rental housing business in Wisconsin. Membership gives you access to what you need to know and what you need to do to run your rental properties successfully, ethically, and responsibly.

### 10 things every successful landlord needs to know. Do you?

- Fair housing information
- Applicant screening and processing
- Eviction procedures
- Rental forms specific to Wisconsin
- Lead based paint requirements
- Rental disclosures required by law
- Bills and rental housing policies under discussion at the Capitol.
- Best rental housing management practices
- Document storage, security, and disposal
- Property marketing techniques

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