

Ask Dr. Ca\$h Flow

by Nick Sidoti, R.A.M.

Q. Dear Nick, I recently rented an apartment to a tenant who was supposed to be moving in on the first of the month. They gave me \$100 deposit on the 15th. On the 29th they called me and told me that they no longer wanted the apartment and they asked me for their deposit back. I explained to them that they would lose their deposit because they decided not to move in. This doesn't help me much, because I have an empty apartment which should have rented for \$550 this month, and all I have is their \$100 in my pocket. Any suggestions?

A. You would have been much better off if you had done a couple of things differently. Here's how to handle applicants in the future if you want to be sure they rent:

First, collect more hold deposit next time. If at all possible, try to get at least a full security deposit before you take a unit off the market. In your case, this should have been a minimum of \$100 over the rent or \$650. If a tenant can't come up with the full deposit, or balks at giving it to you, inform them that the apartment is still on the market until you receive a full deposit.

Secondly, make sure that you are entitled to keep the deposit if the tenant changes their mind. The easiest way to do this is to have an agreement signed by the tenant that states this. [Please see AOA's Deposit Receipt and Offer to Rent – Form 100B.]

I have a statement on the back of my rental application directly above the spot where the tenant signs. This same statement is repeated on the receipt that I give the tenant when I accept their deposit. This comes in very handy if an applicant decides not to rent and then takes me to Small Claims Court to try to recover their deposit. When they show the judge the receipt, the terms that they agreed to when they applied, are clearly printed right on it.

“I declare the above application information to be true, and that the owner/manager may immediately terminate any tenancy entered into in reliance upon misinformation given on this application. By signing this application, I agree to sign a rental agreement and rent this unit (if application is approved). I also agree that if I am accepted by the landlord and I change my mind and do not move into the premises, the sum of one month's rent will be due as liquidated damages since other prospective tenants will have been turned away, and it will be necessary for the landlord to re-advertise, and re-evaluate other tenants. I agree that if I am not accepted by the landlord, all hold deposit money except for _____ (which is a non-refundable screening fee) will be returned.

I authorize the owner or his agent to investigate information regarding my character, general reputation, personal character references, mode of living and credit standing, and a full disclosure of pertinent facts may be made to the owner. The owner may also request a credit report from a credit reporting agency and by signing this application, I authorize the release of all information, I also authorize the owner to release any information that I have provided regarding my future and present rental history.”

SAMPLE AGREEMENT: This statement is from the rental application that is available in my Highly Effective Property Management course. For more information on the course and the other forms which it includes, please e-mail me.

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