

Renting to Friends and Family

by **Matthew Sumpter**

Today, I think I'll take a look at a few pros and cons of renting a property to those closest to you. In an ideal world, everyone would be trustworthy and reliable. If this were the case, there would be no difference between renting to a brother or a complete stranger. Unfortunately, we all know that this is not the case and that different situations call for different decisions. So what if your brother (or other close acquaintance) comes to you and says that he wants to rent one of your apartments? And just for disclosure purposes, no my brother does not want to rent from me, but another close acquaintance may want to. Apologies to my brother, who may read this.

PROS

- The tenant will most likely take as good of care (if not better care) of the property as if it was their own.
- You can expect to get your payment each month (maybe... see cons below).
- You will get early alerts to issues at the property. Although tenants may not always want to call the management company for certain types of things, your brother would probably mention the water stain developing on the ceiling to you at the next family gathering.
- They are also sure to alert you of other concerns, such as the management company not doing their job (lawn not being maintained, trash not being picked up, etc.), or just issues with other tenants in the building.
- You could offer to let your brother do some of the maintenance himself for a reduction in rent, (mow lawn, clean common areas, etc).

CONS

- If the tenants doesn't take care of the property, then you get into a sticky situation (business versus friendship).
- Your brother may think that you'll be lenient on him if he can't quite make the rent payment that month. Of course you'll understand if his dog got sick and had to get an \$800 operation that month.
- He may think you'll be lenient in other policies as well, such as the security deposit, pet regulations or lease cancellations. After all, you can trust him, right?
- It may be an easy step for your brother to feel like he is king of the building and start telling other people what they have to do, because his "brother is the owner of this building".

After writing this, I see that many of the pros could easily turn into cons and vice versa, depending on how it plays out. Many would probably say not to take the risk and I might agree, depending on who the potential tenant is. My approach here is to keep it as professional as possible.

In my case, I am working with a management company, so it is very easy for me to push everything through them. For example, if they request that we waive the security deposit,

I can just say that I have to honor the policies of the management company so they'll have to talk to them about that.

If they stop paying their rent, then the management company is going to invoke eviction proceedings, not me. There may be hard feelings still, but I can always point to the fact that they signed the lease with this company, not with me. There is nothing I can do about it - after all, they want to collect their fee as well.

I look at it as a benefit for anyone that we rent to. We are offering a quality place to live at a very low price. We keep our costs as low as we can and our prices are as low as we can offer. So regardless of the tenant, we hope to treat each tenant the same, which is very professionally.

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