

Want More Profit and Less Tenant Debt? **by Bill Gray**

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 a result enjoys more profit.

Organize your files logically and consistently. At least half of the files I review are a little more than a pile of unorganized papers thrown into a file folder; and often very important documents are missing altogether. What does an organized 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:

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.

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.

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.

Complete Executed Lease and Addendums

All adults who live in the unit must sign the lease.

Move-Out Statement

This document is called by different names in different 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.

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.

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?

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.

Communications Log

If you are not using a communications log, begin using one immediately; they are extremely very important. Log any communication from and to the tenant.

Receipts

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

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 recovering debt after move-out. Of course, also keep copies of any returned checks.

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.

Editor's Note: And in these economic times, getting additional profit can be the difference between positive or negative cash flow.

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