

**Think Twice Before Renting to a Friend,
Relative or Co-worker**
By Jeff Young

If you are a successful landlord, part of the reason you are is because you pretty-well know to whom to rent and to whom not to rent. In the latter category may be credit risks, violent felons, job-hoppers, evictees, the unemployed and the income-challenged, all to some degree or another. But you may want to think about another group as well. And that group consists of relatives, co-workers and friends.

I am sure there are those among us who have had a sterling experience renting to their sister, their bowling buddy or sales associate down in corporate. But for the most part, renting your premises to a member of a group unusually close to you has the makings of more than having a bad renter experience. You could do irreparable harm to a personal or professional relationship should you enter into a legal and financial relationship with them and things don't go as planned.

Now, occasionally you may help someone out who may be going through a difficult period in his or her life. This may be a co-worker going through a divorce, a laid-off friend, or a youngster trying to get on his or her feet. That is fine. Just be sure to recognize it for what it is: an extraordinary renting experience that will bear little resemblance to the actual practice of operating rental properties in the usual business fashion.

Commonsense thinking would dictate that there are many ways one could assist someone in these circumstances without entering into a landlord-tenant relationship. There is, after all, far more that could go wrong than go right. And the stories I have heard over the years from people who rented to those close to them bear witness to a situation fraught with difficulties, if not downright hostility.

Before you enter into a rental relationship with a friend, relative or co-worker, ask yourself these questions:

- Could you or would you evict your daughter for non-payment of rent?
- Would you assess a late penalty on your friend for a rent check you received on the tenth?
- Can you work effectively with a co-worker whose security deposit was charged against some damage at the property that he insists was there prior to moving in?
- Would you deny a request to break the lease by your renter who also is your brother-in-law?
- Would you write a stern letter of complaint to your golfing buddy who was reported for homeowners' association violations?
- Can you increase the rent on property leased by an employee when you haven't given them a raise in over a year?
- Will you tell your renter who is also on your sales team at work that the dog they bought after they rented from you will have to go because you don't allow pets?
- How angry can you get at a friend who neglected to water your orange tree, which is now dead?
- Can you look your co-worker in the face when she comes to work for a third day in a row from a home without air conditioning in the middle of the summer?
- Your ill uncle who rents from you has just written you his third bad check in the last six months. Can you deal with this situation effectively?

You get the idea. These are just a few of the many things that can go wrong and that you might have to confront. And without the familiar face behind the problem, you would have no qualms about doing what you know needs to be done in each situation. It is easy to see how things can change very quickly under these circumstances.

And oddly enough, these are not the only problems that you potentially face in these situations. There are legal and tax issues that could enter into the picture. Are you letting someone rent from you because of the relationship when they have a credit rating that would

exclude others? Are you giving great less-than-market rates to someone yet continuing to take advantage of tax breaks available to you?

The answers are beyond the scope of this article, but suffice it to say that if you consider renting to a close friend, relative or co-worker, you may get yourself in a situation you may come to regret.

[Editor's note: The suggestions contained herein are meant as guidelines and are based on the experience of Independent owners. Please send your comments and questions to Jeff Young, Sr. Vice President at First Financial Equity Corporation, 480-778-2041.]

Jeff is the Chairman of Independent Rental Owners IROC. Reprinted with permission from Apartment News Magazine.