

ASK DR. CASH FLOW: How to Collect on Judgments

By Nick Sidoti, R.A.M.

Q: My tenant moved out, but they left owing me money for back rent and damages. I went to court and got a judgment. Do you have any suggestions on how I can collect the money they owe me on this judgment?

A: The simplest way to collect on a judgment is to turn it over to a collection agency. It is worth the commission you pay them to have them do the work. Most collection agencies don't get paid unless they collect, so they seem to work very diligently to collect the money.

One asset that landlord's often overlook is the tenant's security deposit at their new residence. This is an asset that can be seized.

You can make their job easier by supplying them with the information that you have gathered on your rental application. The first thing that the collection agency will need to do is find the tenant. If you know where they have moved this will be easy. Otherwise, the information about where they work (if they have a job), their personal references and their credit references from their application will help with this. You can also help by giving the collection agency information about the tenant's assets, such as savings accounts and checking accounts.

One asset that landlord's often overlook is the tenant's security deposit at their new residence. This is an asset that can be seized. In most parts of the country, the law states that this money is indisputably the tenants. It is being held by the landlord. If this is true in your area, you may be able to recoup your money from the new landlord who supposedly has the tenant's money in a separate account, earmarked as the tenant's money. The landlord may be forced to relinquish it under court order.

WARNING: Now that I've shared this secret with you and thousands of other landlords, you will need to be extra cautious that it doesn't backfire with someone coming after the money that you are holding as a security deposit.

I've heard a number of landlords say, yes this tenant had an eviction, but I got a big security deposit, so I'm safe. Think again, this is not your money! It is the tenant's money that the tenant owes to their previous landlord, and that landlord may just come and collect it.

P.S. Remember, an ounce of screening is worth a pound of judgment. Try to keep yourself out of this position by doing your homework before renting to tenants. Do the screening, run the credit check, and take a security deposit. Once you have chosen a tenant, make sure that you never get in a position where they owe you money.

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