

Lisa's 5 Basic Laws of Landlording

By Lisa Moren

Recently, I made a presentation to a group of real estate investors on the subject of landlording: How to determine if your marketplace in today's economy is one for holding real estate, the pros and cons of being your own property manager, as well as creative ways to find good tenants and keep them for the long term.

As I went through my presentation, the naysayers (these are the people who don't believe we should be in the rental business), said, "What about tenants who trash properties?" "Yeah, and how about those that are always late with the rent?" and "What about the neighbors complaining about noise, junk in the yard?" and so on.

Real estate investing is a business. However we run our business, whether it's to buy sell or buy and hold the objective should be future income and wealth accumulation. If you are like me and buy properties to rent, it is important that the way we manage or not manage our properties can make the difference to our bottom line and to our sanity. So thanks to my presentation, you are about to benefit from a few of Lisa's Laws of Landlording. I have many more than what you are about to see here. However, I want to cover the top five, as I can illustrate their importance in this article. This article could be re-titled, *What Lisa has learned never to do again as a landlord.*

1. Don't rent to friends.

Years ago my husband had these friends who were renting in our neighborhood. The landlord kept raising the rent \$50.00 every six months. It got to the point where they could no longer afford the monthly payment. It just so happened that I had a vacancy coming up on one of my rentals in a neighborhood nearby. This was a perfect solution as their children got to continue in the same school district. They stayed with me for seven years, and then they finally bought their own home.

You should have seen the condition of the property when I got it back. Everything was not only "tired" but there were holes in the walls, fixtures missing from the ceiling, and what really got me mad, was they disconnected the washer and dryer that they bought from me on a payment plan, leaving the hoses squirting water all over the family room. The cost of fixing that alone was more than their original deposit. Oh! And the weeds!!!!

The tenants felt they left the property in good condition. I did not. I refused to give them their deposit back. They got a little nasty as I went around taking pictures of the place in case I needed them in court. The long and short of this story, we ended up splitting the deposit 50/50 because they are my husband's friends! Never rent to friends.

2. Get a set of landlord tenant laws for your state.

Know where you stand in advance. Years ago, my son wanted to graduate from school in New Jersey, where I was originally from. He wanted to get into Rutgers University. His grades were OK, but not for Rutgers as an out of state student. So, being the mom that I am, I leased optioned a property, discounting my own rent \$200.00 per month if I paid for the year in advance. The owners were moving to Pennsylvania and needed the

cash.

One of the conditions of the lease specified the landlord would have air conditioning installed by March 31st. My lease was due to expire the end of September. They spent all the money and had none left over for my air conditioner. Ever been to New Jersey when it's hot and humid? I broke the lease, hired an attorney to recover the rest of my five payments, plus my option money. They also hired an attorney. They lost in court. I still have a judgment against the property for money they owe me. Anyone want to buy this judgment? The morale of the story: know where you stand as a landlord or as a tenant. The courts don't always rule in your favor.

3. Make sure your lease has provisions to protect you should a tenant decide to break it before the termination date.

I do a thorough screening of prospective tenants before they even begin to go through the application process. I rented a property to a woman with her teenage son who had plenty of income to afford the property and passed my screening requirements. She was moving to Colorado and needed a place to live before school started and was anxious to be settled in Fort Collins.

Within four months of leasing the house, she decided she hated Fort Collins and needed to move immediately, in the dead of winter, (Merry Christmas) back to California. We worked this out, but I have since changed my lease to deal with sudden vacancies in the winter months when it's impossible to find suitable tenants for your vacant property.

4. Never accept partial rental payments.

I have a friend who owns a lot of duplexes and four-unit buildings. He let his tenants make partial payments occasionally when money was tight. One day, he really needed full payment from every tenant. He threatened eviction if he did not get paid in full on the first of the month. He ended up in court and lost. The logic; "Well you took partial payments from these people before haven't you?"

5. Rent for less.

Many of you have heard me speak at previous CRE Online Conventions about my lease and how I do my discount. Renting at a discount when the tenants out there know they are getting a deal gives you a variety of good prospects to choose from. They also tend to stay longer, so I don't have the normal turnover problems as other landlords do.

I could go on and on about the do's and don'ts of property management. I manage my own properties and, after all of these years, these five basic laws have helped grow my business and have made me a better landlord, freeing up my time to do other things like do more deals.

Don't be afraid to be a landlord, with the right lease, everyone wins!

Lisa Moren has been a real estate investor since 1978. She has been a marketing specialist since 1984 and an investor in the private mortgage industry since 1988. This article is reprinted with permission from Creative Real Estate Online at www.creonline.com.