



# HOW TO LEGALLY RENT OUT YOUR HOUSE

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# 1 HOW TO LEGALLY RENT OUT YOUR HOUSE

No one likes to think about maintenance or service calls from tenants in the middle of the night, chasing down late rent payments and dealing with messy and costly evictions. Unfortunately, many landlords encounter these problems on a regular basis, but do you know why? Chances are these individuals weren't properly educated in the best ways to lease their home. When you know the right methods of preparing and maintaining your rental house, and finding the ideal tenants, you decrease your risk of problems and can make being a landlord a more positive experience.

Importantly, many landlord-tenant relationships sour because the unsophisticated landlord doesn't know any better and they violate the law which ends up costing them time, effort, energy, fines, and sometimes attorneys' fees. Follow along and I will try to outline a legal path to educating you about rental properties, successfully preparing your home for lease, finding and screening quality tenants, and successfully navigating the rental property cycle to return the maximum amount of money to you.



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## WHY DO PEOPLE WANT TO RENT THEIR HOMES?

There are many reasons you may be considering renting your home versus putting it up for sale. These may include but are not limited to:

- A soft sales market
- A temporary employment transfer
- Generating a passive income (while a tenant pays down your debt)

In fact, there are actually four (4) distinct financial elements (described below) a person can benefit from with a rental property investment

or business (each rental home or property should be considered as a separate business):

- Equity gains of the rental property (as the market value goes up and mortgage goes down)
- Rental income (possibly increasing each year)
- Debt reduction as the mortgage gets paid down (OPM strategy)
- Tax benefits for rental property business (depreciation of assets has huge benefits)



## WHY ARE YOU RENTING YOUR HOUSE?

In addition to the four (4) financial benefits described above there are other factors to consider. These other benefits to renting a home, include:

- Renting your home makes it an asset versus a liability
- You already own the home so you can begin an investment career without needing additional capital - It can even serve to fund your retirement through continued rental or by selling the properties later in life and using the cash proceeds
- You retain the home in case you need to move back in at a future date.



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## WHAT IS THE MOST IMPORTANT REASON TO RENT YOUR HOUSE?

Everyone has their reasons but a successful rental property business will have all four (4) financial elements working together to maximize the overall return on investment (ROI). The most important and exciting reason is the strategy which I like to call the “Other People’s Money” strategy, aka OPM strategy. Utilizing tenant’s payments to pay down and pay off your mortgage has significant short-term and long-term benefits.

Warren Buffett once described a sure-fire rental property investment strategy when he stated his preference for purchasing a \$90,000 single-family home near the University of Nebraska in Omaha campus. His strategy is to lease it out to a student while the student’s parents paid down the debt. Buffett coined it the OPM strategy. After a portion of the 15-year mortgage is paid off, Buffett says he would withdraw enough money via refinance to purchase another rental property and start another business. One can continue to employ this strategy and build up a very nice

real estate portfolio in a fairly short amount of time. Remember, after the debt is substantially reduced or completely eliminated by the tenants paying it off you can (1) use this money as passive income, you can (2) sell and exchange the property via Internal Revenue Code Section 1031 and buy another larger building deferring any taxable event, (3) you can keep the property and give it to your heirs, or (4) you can just sell and reap the equity gains.

Utilizing tenant's payments to pay down and pay off your mortgage has significant short-term and long-term benefits.





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# MAKING MONEY SOUNDS GREAT, BUT CAN YOU HANDLE THE PROBLEMS AND HEADACHES?

Sure it is nice to think about the monthly income, the equity gains, and the tax benefits, but how will you feel when your tenant's dog bites the next-door neighbor and you are being sued? You may have heard a number of horror stories from people who weren't truly ready to become landlords. These tales of expensive eviction processes, destroyed property, personal injuries, and difficult tenants can be enough to make you think again. Despite the fact these stories get the most press, a majority of landlord/tenant situations are actually quite positive.

While you can't eliminate the risk of all problems, the tips and techniques included in this guide can help you minimize issues and turn your renting experience into a profitable venture. Regardless of your reasons for renting a home you own, this guide can lead you through the process and reduce the amount of stress you experience, while increasing your chances for the best results.



## **Questions You Should Ask Yourself Before Putting Up the “For Rent” Sign**

Before you even think about handing the keys to your home over to a stranger, there are a few questions you need to ask yourself. The answers to these questions will mold your experience and have the biggest impact on your level of success.

### **What Condition Should the House Be In?**

There are always projects to be done around a home to improve it, but how much should you do when prepping your home for tenants? At a minimum, you are required to provide a home that meets the minimum habitability standards; i.e., the roof can't leak, the heating, plumbing and electrical systems must function, the windows have to provide ventilation to name a few. In California, Civil Code Section 1941 provides the minimum standards for habitability. In fact, I have a one-hour presentation on the California Habitability Standards that I present around the San Francisco Bay Area to various groups – if you are interested I can provide my outline for that presentation or even speak to your group.

Also, the house should be clean, empty (with the exception of a furnished home) and in good repair when any tenant moves in. It's critical to make sure everything is working and there are no unsafe conditions. I always make sure my units have new interior paint (exterior paint helps with curb appeal). In California 10-year

tamper-proof battery smoke detectors are required in each sleeping room, and every hallway leading to sleeping rooms. Carbon monoxide detectors are also required (in an abundance of caution I install dual-powered CO detectors). Professional carpet cleaning should also be used prior to showing the home to prospective tenants. Some other things to consider include:

- How much time and money it will save over having to do repairs later
- Your return on investment on the cost of the improvements
- What improvements will offer a competitive advantage to prevent extended vacancies
- What residents in your area expect from a rental
- What tax benefits will you reap by adding improvements

Remember, your rental property doesn't have to live up to your own standards for a house. Looking at other area rentals, both online and in person, can give you a clear picture of what residents in your area typically receive in a rental home. Because tenants often don't take as much care of the house as you would, it's best to avoid spending too much time and money on unnecessary upgrades that may be ignored or damaged. If you're unsure whether you should complete an upgrade, ask your question on a landlord forum for more input or contact a professional property manager.

### **How Much Can You Charge?**

In theory, something is only as valuable as what the buyer is willing to spend, not how much the seller thinks its worth. The same principle applies to rental homes. The market dictates how much

rent you will be able to ask for. It's up to you to determine what the "Fair Market Value" of your home is and how to get a fair price from your tenants. Market research can let you know what you should expect to charge in rent. There are several rental property websites which help you get an idea for the current market rates.

For businesses, market research requires finding out what other companies in the same industry are charging. This is the same method you should use. Look for rental properties in your area that offer homes of a similar size and condition to get a feel for the typical rental rate you should charge. Some of the resources for market research include:

- Zillow.com
- Craigslist.org
- Trulia.com
- Rentometer.com
- Online rental services in your area
- Looking at "For Rent" signs in your area
- Calling local property management companies
- Talking to other landlords
- Checking the local newspaper

When you're looking at actual rentals in your area, call the landlord and ask what the rent is? what the unit is like?, if there have been any applications so far? This way you can ask some questions and get a feel for the local market. This can help you determine if your home is similar and what the going rate for a home like yours should be. In most situations, if you have a three-bedroom, two-bath home, you can expect to charge just as



much as other homes with similar specifications. Typically, homes with remodeled or significantly updated kitchens and bathrooms will fetch larger rents. Importantly, if the local school district is desirable this helps tremendously.

### **How Much Should You Charge for a Security Deposit?**

The security deposit is the additional amount tenants pay as assurance they will follow the terms of the lease and not cause any damage. However, it's important to remember this is a deposit, not a fee for the services you will provide. This means you need to hold on to this money to return to the tenant upon their departure, minus any damages determined to be caused by the tenant's negligence. Moreover, depending on how long the tenant has occupied the property charging a tenant for painting the interior walls diminishes over time. For example, if they have been there longer than 2 years then there will be

no reasonable chargeback for interior painting per California law.

The amount of the security deposit is up to each individual landlord – state law prescribes the maximum amounts. So it's important to check your state law limitations. It is typically advised to charge the amount of one month's rent. Some landlords may charge more if they have legitimate concerns based on the tenant's prior rental history or other background information. Usually, furnished units can charge more for security deposit. Pets also trigger either Pet Deposits or Pet Rent in lieu of deposit. In California Civil Code Section 1950.5 specifies rules on security deposits for tenants and landlords.

### **How to Find the Best Tenants**

The overall success or failure of your rental home will depend greatly on getting the right kind of



tenants who will take care of your home and pay their rent on time. A bad tenant can cause plenty of headaches, financial loss and stress, while great tenants can give you a sense of peace, security and tranquility. This makes investing the time in finding the perfect tenant an utmost priority. This guide will help you develop a strategy to weed out the bad tenants and boost your chances of success.

### **Advertising to Tenants**

As you reach out to prospective tenants, you need to find ways to approach the largest pool of qualified tenants to give you plenty of choices. The following are easy ways to attract the right tenants:

- Postlets: This site has become one of the largest, most popular websites to post rentals, and look for rentals, which makes it a great place to find tenants. This website is free and distributes the listings to many other

real estate websites. Postlets' format is much more esthetically pleasing than Craigslist.

- Craigslist: Craigslist is the largest, most popular website to look for rentals, which makes it a great place to find tenants. This website is free, except in New York City. There are other websites you can use as well, such as HotPads, Zillow and Trulia.
- Yard Signs: Placing signs in the yard of your rental home can be a great way to attract individuals already living or working in the area. However, this sign can also signal the property is vacant, which may be a drawback – for some people.
- Multiple Listing Service: Non-licensed individuals don't have access to a local MLS, but that doesn't mean you can't take advantage of this source. Contact a local realtor or property manager and strike a deal

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to post your listing in the MLS and see what happens.

- Newspapers: Today newspapers are limited in their advertising capabilities but are still a source. I wouldn't spend much money on this advertising method.

### **Pre-Screening Your Tenants & US Fair Housing Laws**

The US Fair Housing Laws provide for guidelines to follow for people placing their rental properties in the stream of commerce. Every day I look at Craigslist and see Fair Housing violations because most "mom and pop" landlords are not aware of what the law is. There is a first-time fine of \$2,500 for a fair housing violation – without warning. Thus, it is imperative that you make sure you fully understand these statutory guidelines before advertising your rental. For more information you can contact me for a private conversation.

A note regarding discrimination: It's important not to use discriminatory practices when advertising or screening prospective tenants. By federal law, there are seven protected classes against discrimination: race, skin color, sex, national origin, religion, disability or family status. Avoid asking any questions about these areas for your own protection.

After you have advertised the listing the phone calls will start coming in. It's incredibly important to pre-screen prospects so you don't waste your time with people who don't meet your qualifications. Talking to prospective tenants over the phone can help you get a feel for their situation and determine whether they are worth showing the house to. Before you even start taking phone

calls, set a list of criteria you are looking for, including:

- Desired gross income to ensure they can cover rent and other living expenses (usually 3x monthly rent) A favorable credit history (good to great credit range)
- Steady employment with valid proof of income (check with employer's HR department, supervisor, etc.)
- Good references from all previous landlords (tantamount to understanding how this tenant behaves)

You can use this list to ask prospective tenants questions and to determine whether they meet your qualifications before you spend the time showing your house. If they don't qualify, you aren't obligated to set an appointment for a showing. This can take the emotion out of the process and ensures you find good tenants.

When you allow tenants who don't meet your minimum qualifications to move in, you are setting yourself up for disaster – this is a practice that I do not recommend as it will only lead to a major problem in the near future.

### **Showing the Property**

The act of showing your property is often one of the most difficult because about half of people sometimes don't even show up. There are several things you can do to improve these numbers.

- Provide the address over the phone and ask prospects to drive by. They can then call you if they would like to see more. If you don't hear back, you haven't wasted your time. I actually always provide the address in the advertisement

as a business practice (some property managers don't do this).

- Schedule several showings in a block of time. Give them an hour window on a given day and if people would like to see the home, they can stop by during that time. It can be awkward to have more than one prospective tenant in the home at one time, but it can also create a sense of urgency, drawing more applications.
- I work hard for my clients so I will show the property over and over and at any time to get the property rented – that is my job. However, as a solo owner you will have to decide what process is the best for you.





### **The Application Process**

In addition to pre-screening tenants and showing the property, you also need to develop an application process. This process should make it easy for tenants to see your criteria and allows you to determine which tenants would make the best choice.

First and foremost, always give an application to anyone who stops by, even if you don't find them a good candidate. This will also protect you against accusations of discrimination. Encourage everyone to fill it out on the spot (or provide it online via DropBox). While most people prefer to take it with them to fill out and return to you later, it adds a lot of time to the process. Create a plan ahead of time to encourage people to fill it out immediately.

### **The Application**

When you create your application (or use a form), there should be spaces for all adults to fill in the relevant information. Your application should include the minimum of:

- Names of all renters (correct spelling of full name)
- Date of birth
- Social Security number
- Telephone number
- Alternate telephone number
- Email addresses
- Previous addresses for the last five years
- Current employer, including name, income, date of hire and contact information

- Past employer information
- Emergency contact information
- A release of information statement
- Signatures of all tenants

### **Application Fees**

I always check tenant's applications for three things: 1) credit history; 2) criminal history; and 3) eviction history, but this costs money. There are several reasons you should always ask for an application fee at the time the application is submitted – first of all this is an expense the tenant should bear. The actual amount of the fee varies, depending on the market in your area. Ask other landlords and property management companies what they charge to help you choose the right amount and make sure to check your state's laws – for example in California you are only allowed to charge the amount it costs you to process the credit check, criminal history, and eviction history. The application fee can't be a higher amount than your cost to compensate you for your time – if you try to profit on this it is a violation of law.

### **Immediate Disqualifiers**

Once you receive the completed application, along with the designated application fee, look it over for important qualifiers. Next input the information and conduct a thorough background check for credit, criminal and eviction. You will also be confirming:

- The gross monthly income, which should be at least three times the cost of rent
- Employment
- Good references from past landlords

If you immediately identify anything that doesn't match your financial qualifications, you can immediately disqualify those prospects. For instance, if their income falls below your set threshold, they clearly don't pass the test and aren't worth further effort. If their credit is below the "Good" range there needs to be a plausible explanation which can be backed up with references (i.e., divorces sometimes cause credit hiccups, but the people are good paying tenants). However, it's important to verify any and all information first before rejecting the application.

In most cases, the information will be accurate and the tenant simply won't qualify. These individuals often hope you won't notice the issue. As long as you were clear about your expectations when you spoke on the phone, you are within your rights to deny the application. It's up to you if you choose to refund the application fee. I always issue a written reason why I reject an application as a business practice. That way I don't subject myself or my client (the owner) to issues of claimed discrimination in the future.

### **Background and Credit Checks**

As long as the tenant's income is high enough to feel confident moving forward, you need to conduct the background and credit checks. There are many resources available to provide this information quickly and easily. Deciding which type of background and credit check you conduct depends greatly on your location and your market.

If you have a lot of applicants, you can afford to be more selective in choosing only the most qualified tenants. However, if applications are slow, you may need to reconsider your standards

slightly to avoid long vacancies. For instance, a strong rental history and suitable income can carry more weight than a positive credit history because bad credit is common and can happen for a number of reasons, many of which have nothing to do with the ability to pay rent. Talking with other landlords or seeking advice on landlord forums can help you determine which requirements you should stick to and which ones can be a bit more flexible.

When conducting the background check, there are a few things you should look for, such as:

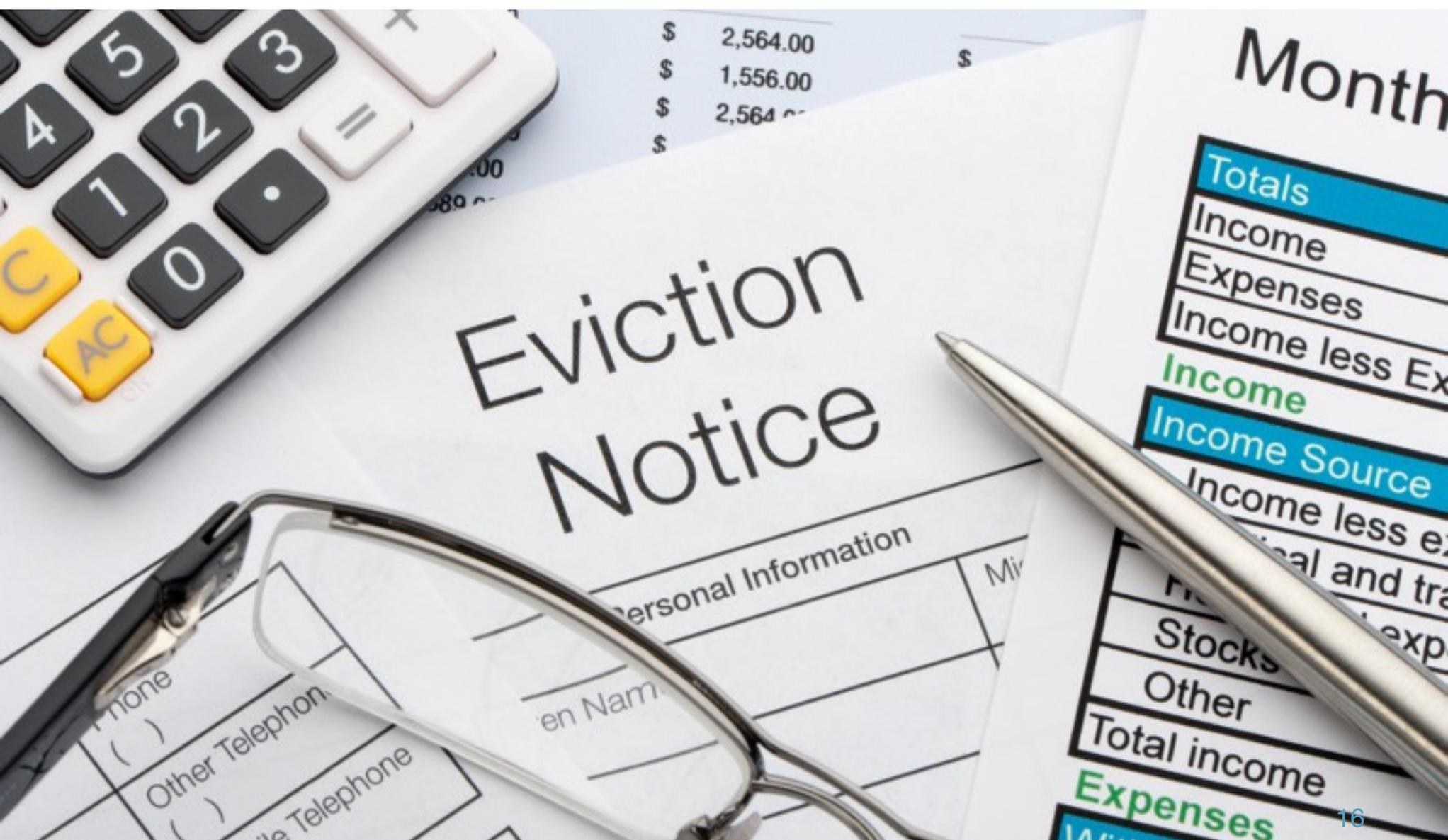
- Prior felony convictions
- Prior evictions filed
- Prior evictions completed

- Bankruptcy
- Judgments against the individual
- Criminal or bad financial history

Many landlords make it a policy to never rent to someone with an eviction on their record or a felony conviction within the last seven years. While people can and do change, it is a risk that isn't often worth taking.

### **Verify Income and Rental History**

It's an unfortunate fact that many people lie when they are looking for a new rental because they know they can't otherwise qualify. Due to this matter, it's important to carefully verify everything the tenant provides on the application. When the prospective tenant signs the release of information form you include with



# CREDIT REPORT

Your Credit Score is:

# 730

- Payment History: EXCELLENT
- Amount of Debt: EXCELLENT
- Length of Credit History: EXCELLENT
- Amount of New Credit: EXCELLENT

**APPROVED**

NAME: Mr. and Mrs. John Doe  
Main Street ZIP CODE:

As long as the tenant's income is high enough to feel confident moving forward, you need to conduct the background and credit checks.

the application, you are allowed to check up on any claims they make. Start with their employment. Contact the current employer and ask to speak with the manager, owner or human resources manager. You may need to provide them the release of information in order to get them to speak with you. Be sure to ask:

- How much the employee makes
- How long they've been at the job
- Whether the job is classified as temporary

After speaking with the employer, ask them to send an email with company email signature to confirm the conversation in writing. Next contact the previous landlords listed by the applicant. However, don't limit your calls to the most recent landlord because some will embellish the truth or even lie in order to help bad tenants move on. For this reason, it's best to call every landlord over the past five years. Monitor the background check and credit check to ensure the addresses provided on the application match the addresses supplied there. In some situations, prospective tenants leave a landlord off the list for various reasons. When you do talk to previous landlords, always ask:



- How long was the tenant there?
- What was the rent amount?
- Did the tenant provide appropriate notice for moving?
- Did the tenant receive their security deposit back?
- Was the tenant ever late with rent payments?
- Did the tenant cause problems with any other tenants?
- Would you rent to this tenant again?

### **Accepting or Denying an Applicant**

Upon going through all of these steps, you will be armed with the information necessary to deem a tenant as qualified. Sometimes you may find more than one party meets your qualifications, leaving you to wonder who to choose. To

avoid discrimination, always process the applications in the order you receive them. That is, start with the first application and go through the above process. If you find they don't qualify at any stage, move on to the next one.

When you do decline an application, keep clear documentation regarding your reasons for doing so. This is to protect yourself (and in my case my clients) from discrimination complaints. Inform the tenant in writing stating they do not meet the minimum requirements you have set and therefore cannot approve their application. Always list the exact requirement they didn't meet. Keep a copy of all records and information you compile through the process, especially for tenants you have declined so you have back up if you need it.

As soon as you find an applicant who does meet your qualifications, contact them by phone and

verbally offer your rental house to them. However, this isn't the end of the process. In some situations, you may find the first individual who qualifies has already found another place to live or has changed their mind for another reason.

**To ensure an individual doesn't change their mind after accepting your offer, require that the tenant sign a lease and pay first month's rent plus the security deposit – or you will not take the rental unit off the market until they do so.**

To ensure an individual doesn't change their mind after accepting your offer, require that the tenant sign a lease and pay first month's rent plus the security deposit – or you will not take the rental unit off the market until they do so.

The lease signing should be scheduled as soon as possible to reduce the amount of time the property is vacant and the amount of money lost. In most cases, it should be done within a couple of days, with possible exceptions for highly qualified candidates. The exact process depends on your market area and personal preferences.



## **The Lease Agreement**

In order to get started, you need to create, purchase or obtain a valid lease your tenants can sign. There are a number of sources available to help you create state-standard leases. You can often download examples and tailor them to best meet your needs, but be sure to take it to your attorney for review before you start using it. Because each state has its own set of rules regarding landlord/tenant law, a lease you find online may not be legally binding in your situation. This is an area where you don't want to make mistakes.

Before you settle on a specific lease agreement, you need to decide whether you will offer month-to-month rentals, a standard one-year lease, a longer lease, or anything in between. In general, landlords typically prefer a one-year lease because it keeps tenants in a home for longer and can minimize turnover. In other situations, month-to-month leases allow landlords the ability to easily remove tenants who aren't working out. Shorter and longer leases can also be used to provide convenience for both tenants and landlords, such as avoiding vacancies or moves during holiday seasons or when vacancies are more difficult to fill. The length and type of leases vary depending on personal preference, but it impacts the lease agreement you draft.

While the length of the lease will vary based on your preferences, there are certain elements every lease should have including but not limited to:

- Tenant names and contact information
- Address for service of notices
- Address of the property

- Lease term
- Rent amount
- Security deposit amount
- Late fee amounts and rules
- Move-in condition report
- Rules and regulations regarding extras, such as utilities, pets, smoking and more

## **State Mandated Disclosures are Required**

In most states you will need to provide specific state and federal mandated disclosure documents with the lease. For instance, the United States Environmental Protection Agency requires landlords to provide a pamphlet on protecting yourself, your family and pets from lead for homes built prior to 1978. Smoke detector, carbon monoxide detector, and water heater disclosures are all required in California for instance. Talk to your attorney about any additional forms you may be required to provide.

Important Advice – Failure to provide mandated disclosures can result in an invalid tenancy which would give the tenant leverage over the owner/landlord in the event of a dispute and may even provide the basis for fines against an owner/landlord.

## **Requiring Tenant Liability Insurance**

I require my tenants to purchase liability insurance and here's why. Most tenants have occupant belongings insurance, but this does nothing for the owner/landlord or the property manager. If a tenant causes a kitchen fire, or drives their car into the garage who pays for the damage? Initially the owner's property insurance policy will, but then they will most likely sue the

tenant for indemnity. By requiring the tenant to purchase liability insurance in the amount of \$100,000 per occurrence then the tenant's policy will pay for damage caused by the tenant. These policies are inexpensive – usually anywhere from \$5 to \$15 per month. This requirement provides a layer of protection for all parties involved in the relationship.

### **How to Sign the Lease**

You will need to schedule a time to meet the tenant to sign the lease – or you can have the lease signed electronically if you are so inclined. Before the tenant arrives, go through the lease and clearly mark the places the tenant should sign or initial using a highlighter or small post-its. This will ensure nothing is missed. At the meeting, walk the tenant through the lease step-by-step and sign with a blue pen as you go through it. This takes time, but protects you if the tenant attempts to claim ignorance down the road. Consider asking the tenant to initial important details, such as a “no pet” policy, to help make it more difficult to forget and to highlight these important elements.

**United States Environmental Protection Agency requires landlords to provide a pamphlet on protecting yourself, your family and pets from lead for homes built prior to 1978.**





### **The Move-In Condition Report (MIMO)**

Once you have collected the rent and security deposit and the lease has been signed, you need to complete the move-in condition report before handing over the keys. This report is a detailed list of the current condition of the property that is signed by the tenant and the landlord. Allow the tenant to walk through the home with this checklist and make notes of the condition of each room and its components. If there are issues, write it down. This protects the tenant

from being charged for damages that already existed and protects the landlord from tenants who claim they weren't at fault. I also take hundreds of photos of the property and provide these photos to the tenant in a Dropbox file so everyone can view the photos. Both the move-in inspection report and the photos are used during the move-out inspection such that we can compare and contrast the conditions and whether there will be any chargebacks on the security deposit.

Once you have collected the rent and security deposit and the lease has been signed, you need to complete the move-in condition report before handing over the keys.

You may think you will remember the details of the condition of the home, but the truth is after a year or possibly longer, you will forget. Having this documentation signed by the tenant will ensure the tenant can't claim damage was already there. This provides you additional evidence if you need it. By law, most states allow landlords to deduct from their security deposit for any damages that aren't specifically listed on the condition report. This makes proper documentation critical. Photographing or videoing the walk-through can be a great way to compile this documentation.

### **Handing Over the Keys**

As a security measure I always re-key a unit the day before the tenant moves in. This way anyone who previously had a key is no longer a



suspect in the event of a burglary or other crime. I always give the tenant two new keys, and I keep one in my lockbox in my office for emergencies.

After everything is read, signed and paid for, it's time to hand over the keys to your new tenants. Your tenant may ask about starting the move-in process before signing the lease or paying the rent, but it's best to make it your policy to never allow it. The consequences of allowing tenants to start moving in early can be disastrous (from an insurance prospective). Be clear about the rules you expect from your tenants, as well as procedures for paying rent, contacting you for maintenance or repairs and any other details about your house. Training tenants on the ground rules before they move in will ensure they are aware of what you expect from them and what they can expect from you.

### **Receiving the Rent**

I require full payments at the time of the lease signing as a business practice. I let the tenant know in advance that I expect full payment so there are no surprises at the lease signing. When you get to the part of the lease that discusses the monthly rent rate is a good time to ask. You should have already received the security deposit in the form of the deposit to hold, but if not, collect that at this time as well.

If a tenant is moving in any time other than the beginning or end of the month, it is often best to pro-rate the second month, rather than the first. For instance, you would receive a full month's rent on the date the individual moves in. On the first of the following month, the tenant will only need to pay for the number of days they were in the home during the first month. For instance, if you are charging \$1200 per month, they will pay

this amount when they move in. If they lived in the home for 20 days, they will only need to pay \$800 on the first of the following month. You can also ask for the prorated month and the next months' rent as well at lease signing (any overage is designated as pre-paid rent).

When you do receive the first month's rent, make sure you receive it in certified funds, such as a cashier's check or money order. Never accept cash and think carefully before accepting a personal check, especially for the first month. The last thing you want is to receive a check that bounces and be forced to evict a tenant quickly. Certified funds will help you develop a stronger sense of trust with your tenant.

In future months, avoid making it a habit of picking up the rent in person because this trains your tenants to expect it. Mailing monthly statements to your tenants will serve as a reminder. You may also want to consider setting up a dedicated PO Box for your tenants to mail their rent in. Other landlords accept mailed payments to their primary home or even allow tenants to drop it off in person. The ways you accept payments depends on your personal preferences. My office collects rent checks from 900A to 500P Monday through Friday as a business practice.

In my business I also provide tenants with the ability to make payments online – this is the most streamlined and security wise system available. I also provide my owner clients with monthly emailed statements and direct wire deposits or ACH payments to facilitate timely payments.

### **How to Handle Problems**

Once your home is rented to people you think will be great tenants, it unfortunately doesn't mean the end of your hard work. In fact, it's only

just beginning. As a landlord, it's your responsibility to make sure rent is paid on time, your tenants know what to expect and what you want from them, repairs are completed promptly, book work is up-to-date and more. During this time, there are a lot of things that can go wrong. Remember you have a duty and obligation to provide a habitable rental unit to the tenant. You must correct, repair or replace non-functioning items in the home promptly.

Sometimes, you may face problems you don't know the answer to. In these situations, it can be valuable to reach out to online forums, a professional property manager, or your attorney for the answers you need. Never move forward if you are unsure of the right way to handle things to avoid legal ramifications from your actions.

**When you do receive the first month's rent, make sure you receive it in certified funds, such as a cashier's check or money order.**

If you would prefer to work with a property management firm to ensure you get the best tenants for your home, contact us. Our experienced team of professionals can provide the assistance you need to enjoy your experience as a landlord.





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# WHY SHOULD YOU USE A PROPERTY MANAGER

Whether you use a property manager plays a major role in how you move forward with renting your home. First and foremost, you need to determine whether you're willing and able to handle all aspects of the process yourself or if you would prefer someone else to look after the home. In most cases, a property manager charges 7 to 9 percent of the monthly rent, along with 50 percent of the first month's rent. In exchange, this individual or company will:

- Prepare your unit for lease
- Advertise and market the unit
- Screen tenants
- Sign leases and disclosures with tenants
- Collect the rent
- Track finances with monthly statements
- Schedule regular maintenance and repairs
- Issue legal notices
- File for evictions (at your expense)
- And basically take care of each and every issue that arises



These tasks, among others, are all tasks you must handle yourself if you choose not to hire a property manager. Another important factor to consider is that property management fees are completely tax deductible – which usually means a substantial reduction in real cost of the management fees.



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## CONCLUSION

When considering the question of whether to manage your rental property by yourself or not, there is no right or wrong answer. It's a personal decision. If you have the resources, time, abilities and energy to handle it yourself, you will save money by taking on these tasks yourself. However, if you don't know how to properly manage a rental property, you will end up spending more money than you would if you hired a property manager to handle it for you.

Remember, with the tax advantages of writing off property management fees, and the professional expertise available usually far outweigh the personal costs of managing a property by yourself.



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## WHY SILICON VALLEY PROPERTY MANAGEMENT GROUP (SVPMG)?

Silicon Valley Property Management Group (SVPMG) manages client residential and commercial properties throughout the greater Bay Area. We provide full service property and risk management to our clients within the scope of normal property management services. We also provide free legal advice to our clients for the properties they own within the State of California – no other company can do this.

## No Other Company Offers Performance Standards Like SVPMG

SVPMG guarantees certain *Performance Standards* because we adamantly believe that your money and assets are of utmost concern and require superior customer service. We provide **Six (6) Specific Performance Guarantees** to our clients.

- **FEE GUARANTEE** – if you can find a lower fee to manage your asset in writing, we will match it – provided the other firm has the same qualifications, experience, expertise – we guarantee to match it.
- **RESPONSE GUARANTEE** – If an owner or tenant calls, texts, or emails us, we will respond within 24 hours, or we will waive that month's management fee. You will probably hear from us much sooner.
- **TRANSPARENCY GUARANTEE** – Owners have *unfettered and full* access to all transactions, fees, and costs associated with their assets via our Owner Portal on our website <http://www.svpmg.net>.
- **SERVICE GUARANTEE** – If we don't mail, deposit, or wire your monthly proceeds by the date we are obligated to, we will waive that month's management fee (unless that date falls on a National Bank Holiday, or Sunday in which case the funds will arrive or be mailed the next business day).
- **PAYMENT GUARANTEE** – If the tenant does not pay their required rent as agreed, you don't pay us our management fee. We are only paid when you are.
- **SATISFACTION GUARANTEE** – If you are not satisfied with our service, you can cancel our contract at any time with a 30-day notice without any further compensation.

## About the Author

David S. Roberson, Esq. is a licensed real estate attorney, a licensed real estate broker, and has been involved in the real estate business since he graduated from college in 1986. David has personally been involved in hundreds of real estate transactions, has personally inspected over 2,500 residential properties, 12,000,000 sq. feet of commercial space, and is an expert in 12 separate building code categories. He and his wife Shelly have managed a personal portfolio of real properties in California and Arizona since 1998. David manages over 100 properties for clients in Silicon Valley including residential, commercial and shopping centers. Visit his website at <http://www.svpmg.net>, or contact David for a personal confidential conversation at 1-408-838-5113 or [droberson.esq@gmail.com](mailto:droberson.esq@gmail.com).

# HOW TO LEGALLY RENT OUT YOUR HOUSE



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