

12 Steps to Becoming a Successful Do-It-Yourself Landlord

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#1: Recognize that you own a business

Like it or not, if you own one or more rental properties, you own a business. Accepting that fact and making the decision to operate a *successful* business is your necessary starting point if you want to thrive and not just survive as a landlord.

There are several essential requirements to running any effective business operation, including managing residential rental properties:

- **Planning and organization:** set your targets and the required steps to hit them.
- **Personal time investment:** you must expect to invest significant time running your business.
- **Staffing:** line up trusted people to perform key tasks that you are unable to do, including trades people for maintenance.
- **Financial accounting:** you need to keep careful records, have a tax plan, and open bank accounts for maintenance reserves and tenant deposits.
- **Legal compliance:** learn about and obey state landlord/tenant laws as well as local ordinances and property codes.

Owning houses and apartments is not an automatic ticket to the land of wealth and leisure. Without thoughtful business planning your properties and tenants can run you ragged and cost you rather than pay you. But treating your portfolio, whether one or one hundred properties, as a business venture will turn the odds of success in your favor.

#2: Develop a landlord mindset

Let's face it, not everyone is cut out for this kind of work. Not everyone has the natural temperament required to be an effective landlord. So what is a "landlord temperament" and do you have it?

Simply put, you must be able handle the *emotional demands* of dealing with both property upkeep and tenant upkeep.

Your properties: They will need lots of attention to preserve their physical value, so you must be able to handle the relentless demands of normal maintenance as well as the occasional crisis; things like:

- Routine painting, repairs, cleaning, and other preparations for leasing
- Regular seasonal maintenance on systems such as heat and air conditioning
- The occasional midnight call from a tenant to report a serious leak or a wind-damaged roof

Your tenants: At the same time, your tenants will require regular attention and will also create the unexpected crisis. Think about these examples:

- You'll need to get to know prospective renters and evaluate if they will be able and willing to honor their lease.
- What do you do if a tenant is two weeks late on his rent? Are you ready for a potential confrontation? Can you be firm with him or will you avoid the conflict and hope for the best?
- How will you handle it if you visit a rental house during the lease term and find that it is filthy and overrun with roaches? Will you be able to deal with the resident respectfully but firmly?

Being a landlord isn't for the faint of heart. It requires self-confidence, resilience, and tact. You need these qualities in order to manage your properties and tenants. Or they will manage you.

3: Learn what's legal and what's not

Your rental property is yours, but it's not yours to do with as you please without restriction. Landlords and property owners are subject to numerous statutes, regulations, ordinances, and codes originating from federal, state, and local authorities.

Here is a partial list of the legal matters that may affect you as a landlord:

- Federal and state Fair Housing laws forbidding discrimination against protected groups
- The Americans with Disabilities Act that addresses building access, accommodation for the disabled, and modification of structures
- The Fair Credit Reporting Act that deals with how you handle credit reports and personal information about applicants and tenants
- Laws about protecting your tenants from the hazards of lead-based paint in your buildings
- Laws addressing military personnel who have leases and are called to active duty
- State landlord/tenant laws that regulate leases, security deposits, evictions, handling of a tenant's possessions after she abandons a rental, etc.
- State and local regulations dealing with habitability of dwellings, occupancy limits, building codes, fire and safety protections, etc.

As a landlord you have two choices when it comes to legal matters. You can educate yourself, taking advantage of the many online resources to help landlords navigate the legal waters in their state. Or you can hire an attorney knowledgeable in the real estate field to advise you.

Although there is a lot to know, you can learn it, and you will have peace of mind knowing that you are operating your rentals within the bounds of applicable laws.

#4: Prepare your vacant property for leasing

So you own a house that you want to rent, but it's empty and needs some work. What do you need to do to get it ready to show prospects and rent to a happy tenant? As you prepare the house, think of what you'd want if you were going to lease it yourself and we think you'll agree that the standards you should apply are these: the dwelling should be *safe, functional, clean, and attractive*.

Safe and functional: Here are some of the specifics to keep in mind as you prepare the house:

- Install smoke detectors, carbon monoxide detectors (if gas is in use), and fire extinguishers.
- Correct any tripping or falling hazards on floors, stairs, railings.
- Assure locks are substantial and in working order on exterior doors and windows.
- Check and repair as needed all systems and fixtures: water lines, faucets, hot water heater; electrical outlets, switches, light fixtures, breakers; furnace and air conditioning; appliances; doors, windows, and blinds; cabinets, drawers, vanities, closets; carpet, vinyl and other flooring; drywall and trim; etc.

Clean and attractive: To make a perfect rental home you'll also want to be sure to do these things:

- Add a fresh coat of paint to walls and trim.
- If carpet is not new, have it professionally cleaned.

- Clean every room thoroughly, with special attention to kitchens and bathrooms. Go over every surface, vacuuming, washing, polishing as needed, especially ovens, refrigerators, laundry areas, and bath fixtures. Don't neglect basements, attics, porches, decks, and garages.
- Make the house so attractive that you'd be willing to live there.

Your goal is to create a place that tenants will be proud to call their home. Satisfied tenants renew their leases and that saves you the cost of having to prepare the house for yet another resident. Tenant satisfaction begins with providing them an excellent product: a safe, functional, clean, and attractive home.

5: Determine the correct rent amount

Charge too little rent and you're cheating yourself out of income. Charge too much and you're pricing yourself out of the market.

If you're asking \$950 for what is really an \$850 unit in its market, it may take an extra two or three months to get it rented, if you rent it at all. So while you'd make \$100 a month more (\$1,200 a year) if it did rent, the rent lost while waiting could add up to \$1,700, \$2,550 or more.

Question: How do you determine the correct amount of rent to charge so that you can maximize your profits? Answer: You need to conduct a market survey of competing rentals and price yours within the same range. Consult online rental websites or call for information on other houses you see for rent in the neighborhood. Find comparable rentals in terms of:

- Location and neighborhood amenities like parks, shopping, entertainment
- Age and condition
- Number of bedrooms and baths
- Size of rooms and total rooms
- Appliances and property amenities like fireplace, yard, pool, garage

Take the average price of the comparable rentals, adjusting for differences between yours and the others. Then you'll be in the ballpark when it comes to deciding on the rent you should charge.

#6: Market your property effectively.

Marketing your rental house involves two equally important steps: (1) creating *awareness and interest* in your property and (2) *showing* the house and its features to prospective tenants.

Advertising is the process of creating awareness and interest. When it comes to a rental house this is accomplished best by:

- **Signage:** Prospects tend to ride around in neighborhoods where they might consider living. So place a For Rent sign in the yard with a phone number to call. Make it legible and large enough to be read easily from the road. Consider placing small For Rent signs with arrows at intersections near the house to draw people to the location.
- **Curb appeal:** Since people often drive by a property before even making contact you want your rental house to look great from the street. Things to consider: yard and shrubs manicured, no clutter or junk visible, house painted, screens repaired, porch light on.

- **Online listings:** Nearly everyone searches online these days when looking for a place to live. Some websites are free (e.g., Craigslist) while others may charge a fee to list your rental. Mention the important features of the house, list the price, and include quality photos where possible. Inquirers should be able to respond by email or phone.
- **Other ideas:** In some towns a *newspaper* may still be a good place for an ad. Consider *flyers* posted in busy public spaces like grocery or convenience stores. Sometimes larger employers and colleges will have *housing services* for their employees or students; ask if you can list your house there.

When it comes to *showing* your rental property keep these tips in mind:

- **Be available:** Respond to emails or phone messages quickly, and be flexible as to when you can show your rental. The harder it is for prospects to get to view the house, the longer it will take to rent it.
- **Show it at its best:** Be sure the house is completely ready; don't show a unit in process of preparation. Deal with any bad odors. Turn all lights on and open blinds.
- **Emphasize features:** People forget much of what they see when going through a house quickly, so don't hesitate to point out features as you go to make them memorable: closets, appliances, flooring, ceiling fans, etc.

When you price your house right, market it smartly, and show it properly you'll soon have prospective tenants to evaluate.

7: Evaluate your tenant prospects.

How can you increase the probability that the person you allow to live in your rental house will treat the property with respect and pay their rent on time? You need an application process that provides all the information you need to make an informed decision, and it must include evidence of the applicant's good character and financial stability.

An *application form* is a necessity and should provide you with these details on the applicant:

- **Personal data:** Include name, present address, phone numbers, gender, date of birth, Social Security number (needed to properly screen the prospect). An email address can also be helpful. Get an application for each adult who will be living in the house.
- **Employment/income data:** Employer's name, address, and phone number, as well as length of employment; former employer if with current one less than one year; current salary or wages (with copies of pay stubs); other sources of income, with documentation (child support, government benefits).
- **Rental history:** This should include contact information for present and former landlords so that you can contact them for a reference: Did the person pay rent on time and take care of the property?
- **Miscellaneous:** You can also ask if they smoke, have pets, or will have children living in the house and how many. Be sure to have the applicant sign and date the application.

Once you have the application, submit the relevant data to a *tenant screening service* that can provide you with information about the applicant's credit history (including any evictions) and any criminal background. You will probably want to charge an application fee to cover this cost.

Now that you have all the information you need you can make an informed decision whether to accept or decline the applicant. If they are good to go, then the next step will be signing a lease.

#8: Choose the right lease.

Everything going forward depends on the contents of a written and signed lease agreement between you and the tenant. This cannot be overstressed. No merely oral statements will mean anything if you ever have to go to court.

The lease agreement is a *contract* that binds both parties to clearly-defined obligations and consequences; it provides the legal framework for the landlord/tenant relationship. At its most basic level it is the vehicle by which you promise to provide a habitable dwelling to the tenant in return for the timely payment of rent, along with many other specified obligations.

You should either consult an attorney or explore reputable online legal document services that can provide you with a lease contract that is certified as valid in your particular state. This is important since landlord/tenant law varies from state to state.

9: Plan a successful move-in process.

Now that you have a qualified applicant who wants to move into your rental house you need a plan for a smooth transition. Here are the steps to take to protect and benefit both of you as you begin the landlord/tenant relationship.

The documents: Both parties sign and date the lease agreement, and each takes a copy for their records. You should maintain a confidential file with the tenant's application, lease, pay stubs, and any other relevant documents. With the lease you should also provide of list of rules and regulations for the property, as well as contact information and procedures to follow for rent payments and maintenance requests.

The money: At lease signing you will collect the first month's rent along with the security deposit. The deposit should be kept in a trust account pending return to the tenant at the end of the lease, minus any charges authorized by the lease.

The keys: Once the lease is signed, your handing over the keys to the rental house symbolizes and confirms the transition whereby the tenant now has legal possession of the property. Of course you will want to keep a set of keys for yourself. The lease should specify that the tenant is not allowed to change locks and keys without your permission and involvement so that you always have the means to access your property.

The move-in day: You should go through the house with the tenant as they move in. This is for two reasons.

- First, you can acquaint your new resident with the home: how to adjust the thermostat, how to set the security system, when trash is collected, etc.

- Second, you can both sign a Move-In/Move-Out Inspection Form in which you agree on the condition of the unit, room by room, so that you have a standard to measure against when the tenant moves out.

#10: Collect rent like a pro.

The tenant’s chief obligation in a lease—and the one that is most important to you, the landlord—is to pay rent each month when it is due. You absolutely must assure that this key duty of your tenant is performed without fail, and if not, that the penalties of violating the lease are carried out swiftly.

Here is what you can do to make sure that you collect your rent, and how to proceed if you can’t:

- **Rent due date:** Stress to the tenant that rent is due on the 1st and late on the 2nd day of the month (assuming you follow this common practice).
- **No partial payments:** Never accept partial rent payments. If you do, you are agreeing that the tenant doesn’t actually have to pay the whole amount, and in some states you could lose the grounds to then proceed with an eviction during that month.
- **Late fee:** Charge a reasonable but painful late fee if rent is not in your hands by the 5th of the month. Most states require this grace period, and it must be spelled out in the lease. An amount equal to about 10% of the rent is reasonable.
- **Late payment limitations:** Do not accept a late rent payment that does not include the late fee added on. Also, you might require that this late payment be made with certified funds (cashier’s check or money order); you don’t want to have to wait even longer if a personal check proves to be no good.
- **Provide notice:** If rent is late, hand the tenant a late notice with demand for payment, or post it on their front door. If the rent is still unpaid, follow up in a week with a “pay or quit” notice, again demanding payment of rent or possession of the property.
- **Proceed with eviction:** Don’t wait and hope for the best. (It rarely happens!) Instead, proceed with the eviction process as soon as allowed in your state. Consult an attorney or get to know the eviction laws of your state.
- **Follow the lease and the law!** Be very careful to strictly follow the terms of your lease agreement and the laws of your state or you could get into trouble. For example, never verbally threaten a tenant or try to perform a do-it-yourself eviction by turning off the electricity or water.

If you screen your tenants thoroughly, carefully inform them of their obligations, and enforce the rent due date and late fees, you will rarely have to deal with the trauma of an eviction.

#11: Make a plan to handle maintenance.

How will you handle the dreaded midnight call from your tenant announcing that the hot water heater is leaking water and it’s beginning to run through the house? Or to be less dramatic, how will you handle even a routine repair request like the bathroom exhaust fan doesn’t work anymore?

Having a plan for both normal and emergency maintenance issues is one of the most vital—and trying—concerns a landlord faces. And effectively dealing with maintenance is crucial to making sure your tenants stay happy and choose to renew their leases.

Here are your options for meeting this challenge, in order of their cost-effectiveness:

- **Do it yourself:** If you're handy and have the time, you can serve as your own maintenance technician, but be realistic about your skill level and time limitations.
- **Employ a maintenance tech:** This only makes sense if you have a lot of rental units. If you hire someone part-time, be sure they can provide timely service for normal maintenance and urgent service in emergencies.
- **Use a handyman service:** These folks can perform a wide variety of services and can save you needing to have a lot of specialized vendors on call, though you may still need some.
- **Create a stable of vendors:** Whichever of the options above you choose, you will occasionally need more specialized help. Don't wait until you have a need. Interview and check the references of service providers you can call on for various needs: plumbing, electrical, heat and air conditioning, carpentry, drywall repair, painting, pest control, flooring, carpet cleaning, appliance repair, lawn care, etc.

When you find your solution for providing maintenance service you will have perhaps the single most important contributor to your peace of mind as a landlord.

#12: Have professionals on call.

You don't need to be alone in your real estate investment adventure, and you shouldn't be. Every landlord needs professionals he or she can call on for specialized help from time to time (in addition to maintenance people).

Here are key people you should have in your contacts list:

- **Attorney:** We've already mentioned the need to have a lawyer who can help you navigate the legal waters in your state when it comes to landlord/tenant law, especially when you need to evict a tenant.
- **Accountant:** Most landlords need help figuring out the tax implications of owning investment properties: depreciation, business expense deductions, etc. Plus an accountant can provide useful guidance about financial recordkeeping and business planning.
- **Insurance broker:** You need hazard insurance and liability protection for your rental property just as you do for your own home. You may also want to consider requiring your tenants to purchase renters insurance as a requirement of their lease, especially if they have pets.
- **Backup landlord:** You should designate someone who can step into the gap if you are away on vacation or laid up in the hospital. Your investment and your tenants shouldn't suffer when you need a break once in a while. Train someone to take your place.

This concludes our "12 Steps to Becoming a Successful Do-It-Yourself Landlord." Our team at Rock Point Real Estate wishes you all the best in your real estate ventures. Don't hesitate to contact us for any help we may be able to give you along the way.