

Beginners Guide to Managing Your Home Rental

**We recommend letting a professional manage your property. If you are interested in getting help from a professional management company let us know what area you are in and we will give you our recommendation. If you insist on managing the home yourself, please see below for tips and advice. ACUTRAQ Tenant Screening Services: [CLICK HERE](#) or call 479-439-9174*

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*Tip: Put this logo on everything



1. Why Manage Rental Property?

There are many reasons someone may want to manage rental property.

- Investment property, Moving and can't sell home, Relocating and do not want to sell home, Inherit property, Etc.

No matter what the reason we can all agree the main goal is to -

MAKE A PROFIT!

There are certain factors that will determine if you are a profitable landlord.

Regardless of how great your applicants might appear to be, they can end up bringing down property value and destroying your home. By taking a few simple precautions you will be able to reduce your liabilities when leasing property.

2. Be In Control:

Be fair, but be firm when dealing with tenants. Let them know up front you don't make exceptions when leasing and late payments will not be tolerated. This is going to be one of the most important factors in determining your profitability. What I mean by this is applicants will say, do, and act however they need to in order to access a dwelling.

When an applicant begins to tell you about the story and struggle they have been through, tell them you understand; but be firm in letting them know you have rental criteria and every person is screened the same. Unqualified applicants will often try to convince you to make an exception for them. Making exceptions can get you in deep trouble with Fair Housing Laws. While you may think you are helping an individual, what you actually are doing is discrimination for not renting to past applicants in a similar circumstance. Encourage them to apply but make sure they read the rental criteria and if they feel they meet these requirements they are welcome to apply at any time. ***Note: Getting emotionally involved with a tenant's story will cause you to make bad decisions.***

3. Marketing and finding the right tenants:

Finding the right tenants can be challenging. The biggest mistake landlords usually make is taking the first unqualified applicant that comes along regardless of how big of a risk it seems. Thinking about the unit sitting empty does not sit well with anyone, but taking an unqualified applicant will almost always end very badly. There are many ways to advertise your rental property.

The most common include:

- Local newspaper
- Local rental guides or apartment guides
- Placing signs around the area
- Craigslist and other community classifieds
- Real Estate Firms

When advertising your rental unit it is best to include as much information as you can in the ad. By placing all the details (pictures, pros and cons, rental criteria, app fee) you will cut down on the amount of bogus calls and increase the amount of serious inquiries you receive.

By including good photos you will increase the amount of serious inquiries you receive. Prospective applicants want to know the location and the condition of the property. Always mention in your ad that they should view the property in person before applying.

Beware of internet scams that want to market your property, in most cases you can advertise locally in the places mentioned above at a minimal cost.

4. Charging the right rent amount:

With some research you should be able to determine a fair rent amount. There are a few things you will need to think about. Websites like Zillow or Trulia can give you an idea of the area and how much your home is worth, but it is best to hire a home appraiser who can give you an assessment of the actual home value.

Common practice is to charge approximately 0.8% - 1.1%. This means if your home is worth \$250,000 you could charge approximately \$2,000 - \$2700 for rent.

Doing further research in your area will let you know if you are on the high end or low end of the percentage you can charge. For homes that are valued at \$350,000 you might want to stay on the low end and charge .08%-09%, for homes that are valued under 100k you will want to charge around 1%.

Know your area, you will need to consider lowering your price if you run the numbers and realize you are charging much more than other landlords in your area. Research is a must when evaluating what rent amount to charge.

5. Charging an "Application Fee":

This will be your first line of defense. If you want profitable property, charge an application fee. Your standard of applicant will go up. Landlords often think they will see a decrease in applications if they charge this to the applicant. This is far from the truth as landlords usually get much better applicants by charging an application fee. Here are a few reasons why you MUST charge the applicant:

- Applicants will fill out as many free apps as they can. The landlord then covers the cost and runs the background only to find out the tenant has rented somewhere else.
- If someone cannot afford to fill out your application, can they really afford the rent amount each month? Probably not, and you will be chasing them to get the rent paid.
- By paying an application fee the applicant is invested in waiting to hear a decision.
- When it's free applicants will apply knowing they are not qualified and they are hoping you will make an exception.
- The landlord should not have to cover the cost of the background check
- Qualifying applicants takes time, time is money, charge an app fee.
- This will deter unqualified applicants from applying.

6. How do applicants apply:

Some landlords still accept paper applications while the majority of successful landlords have moved their application process online. By having an online application you increase the chance of applicants taking the time to apply. If applicants are required to pick up a paper application you run the risk of them not ever completing it at all.

Applicants want convenience, and landlords should want to streamline this process so that it is easy to apply. This allows for the applicant to have a good experience right from the start. By allowing applicants to apply and pay online you will be more successful and more efficient in how you process applications.

When you give your applicants the opportunity to apply online you eliminate the need to take cash, checks, money orders, cashier's checks, etc.; with an online application applicants can also upload their I.D., proof of income, pet pictures, and other items that will help qualify them for tenancy.

7. What should a background check include:

Performing a background check is the most important task when deciding to rent to an applicant. Most people think a credit report and criminal report are all that is needed. There are many factors that will help you determine if the applicant qualifies for a lease. These factors include:

- Credit Report
- Criminal and Sex Offender Search
- National Eviction Search
- Phone call to current landlord (if available also call past landlord)
- Verify applicants employment and rate of pay

Credit Report:

This can be hard to obtain for homebased landlords, if available access a credit report. Look at the applicants patterns. Just because an applicant has a low credit score does not mean you should deny them. You will want to look and see if the delinquencies are due to medical bills or student loans, or if they just don't pay anything or anybody. Look at the prior inquiries to see if they have been applying for credit cards or vehicles. You want to check this because if they are applying for things like that their debt to income ratio may change once you write the lease.

Criminal and Sex Offender Search:

As a property owner you are responsible for doing your part. That means ensuring that the community around your rental is not subjected to violent offenders or sex offenders. By running a Criminal and Sex Offender search you can reassure neighbors they aren't living beside a career criminal.

*You can quickly weed out violent and sex offenders, we advise you to take into account the age of offense and the type of offense for all other positive criminal searches.

National Eviction Search:

If your applicant has been evicted, there is a good chance it will show up on the National Eviction Database. Evictions that are filed in court are stored on this database for landlords.

Phone Call to Current Landlord:

By calling the current landlord you can get more insight regarding the character of your applicant. Things you will need to know are:

- Would you re-rent to this tenant? Did they have any animals? Did they receive their full deposit? Was there property damage? Did they pay on time? If they were late, how many times? Any complaints or police activity? How much did they pay for rent? Etc.

Employment Verification:

Call applicants current employer and require applicant to provide proof of income.

8. Protected Classes:

In United States federal anti-discrimination law, a **protected class** is a characteristic of a person which cannot be targeted for discrimination. The following characteristics are considered "Protected Classes" by Federal law:

- Race, Color, Religion, National origin, Age, Sex, Pregnancy, Citizenship, Familial status (*Housing cannot discriminate for having children, with an exception for senior housing*), Disability status, Veteran status, Genetic information

9. Leasing and Lease Compliance:

The guidelines and laws will be different for every state. Some cities will also have further guidelines that must be abided by. When writing a lease it is imperative that you research the local and state laws.

Always assume that the applicant is just as educated as you are when it comes to tenant landlord laws. Applicants have more access to information than ever before, if you are not compliant with local and state laws you are taking unnecessary risk. You will want to call your state realtors association and city officials to obtain any guidelines they require for leasing a home or apartment. For instance some states require you to have double dead bolt locks on all doors, requirements like these can cause major problems for landlords if they are out of compliance.

10. Move in/Move Out Inspections:

This is a great way to protect your property. Conduct a walk through and take as many pictures as possible of the property. Take pictures outside and inside and document anything that is damaged, loose, unsightly, etc.

Upon the tenant moving out conduct the same procedure. Take as many pictures as possible and document anything that is different.

This will be your blue print for proving damages when the tenant moves out. Often times tenants will argue that something was previously damaged. When this occurs simple reference the "Move In" inspection and note the difference or damage to property.

Smart landlords conduct an inspection every 3 months. This helps you to know if there is criminal activity, unauthorized animals, unauthorized tenants, etc.

There are so many variations of property and people that each transaction will be different. With these basic steps you will increase efficiency and reduce liabilities.



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