

How To Manage Residential Income Property for **Maximum** Profit



The Ritchey Team

Residential Income Property Specialists

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REALTORS®**

HOW TO MANAGE RESIDENTIAL INCOME PROPERTY FOR MAXIMUM PROFIT

Smart Ideas to Increase Your Yield And Reduce Your Headaches

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ABOUT BOB RITCHEY

FOUNDER, THE WIN THE GAME OF MONEY INSTITUTE

Bob Ritchey, a California native, received a Bachelor of Science degree in 1964 with a major in mathematics and a Master of Education degree in 1965 from Miami University in Oxford, Ohio. He moved to Bakersfield, California, in 1965 to teach mathematics at West High School.

Bob started investing in real estate in 1976 and obtained his real estate license in 1977. In 1980, he received his real estate broker's license. He was an independent real estate broker for 25 years. During his real estate sales career, **Bob has sold over 1000 residential income properties with a sales volume of over \$100 million dollars.**

TGR Realty – Income Property Specialists was founded by Bob in 1992. The company was named for the book, "Think and Grow Rich" by Napoleon Hill. The goal of TGR Realty was to help educate individuals so that they can successfully invest in residential income producing real estate. Bob understands that knowledge always increases the probability of success. TGR Realty developed a series of reports and seminars that provided individuals with the knowledge and tools necessary to make intelligent decisions.

After reading our reports and attending our seminars, Bob was able to help dozens of his clients purchase properties and meet some of their financial goals.

Bob has owned over 225 rental units during his investment years. He currently has a portfolio of 47 units of which 32 have no loan. Bob has also owned several real estate management companies. Some of the information that he has authored includes:

- How to Live for Free
- How to Build a Real Estate Money Machine Seminar and Workbook
- What Your Real Estate Agent, Loan Officer, and Investment Guru Don't Want You to Know About Investing in Real Estate eBook
- How to Sell Your Residential Income Property for Maximum Profit
- How to Build a Business Money Machine Seminar
- Getting Your Financial Bathtub in Order
- The Ordinary Man's Way to Wealth
- The Ultimate Nothing Down Cash Flow Money Machine

Bob founded The Win the Game of Money Institute in 2005 to provide people with information on how to become personally and financially successful.

A RESOUNDING RESPONSE

Broker Bob Ritchey of TGR Realty–Income Property Specialists, Bakersfield, Calif., used to market properties the conventional way. He'd put pictures of his listings and himself in local newspapers. Some years it worked well, but some years it didn't, he says.

His approach—and his hit-or-miss results—changed five years ago when Ritchey turned to direct response marketing.

"I'd read books about direct response marketing—how to get people to call you, and how to make more money while working fewer hours," says Ritchey, who cofounded TGR Realty in 1992. "I decided to put together a program giving people a reason to contact me."

Ritchey created brochures offering advice on how to live free by residing in one unit of a four-unit building, how to manage property for maximum profit, and how to become a successful real estate investor.

To get the word out about his brochures, Ritchey placed ads in local newspapers and promotions on his Web site.

Now people who call Ritchey for the brochures get added to his contact list. When they want to download the brochures from Ritchey's Web site, they must first submit their name and contact information. The names, in turn, become part of Ritchey's buyer database, which he uses to market his investment property listings.

Of course, Ritchey doesn't stop with the brochures. Everyone who orders a brochure is subsequently invited to one of his seminars, which are also free.

"I give about five two-hour seminars a month," says Ritchey, who generally gets

about eight people per session. "It's a way to get people in front of me who are interested in buying."

When seminar attendees are ready to buy property, they often turn to Ritchey because they learned the ropes from him.

"Real estate can give people tremendous income if they understand it," he says. "So it's good for my business to help people understand it."

Besides his direct response marketing program, the only marketing Ritchey does is a newsletter featuring his latest listings, sent every other month to his prospect list of 4,000 names.

In the past three years, Ritchey has more than doubled his income. Last year he sold almost \$16 million worth of property. At the same time, though, he has been able to cut his workweek back to 35 hours.

"I hope to cut it to 25 hours," he says. "I have three assistants, and I dele-

gate some work to them. However, I'm not just cutting back hours but also using my hours more creatively to figure out what would make my clients prefer me to any other salesperson."

When he's not brainstorming how to attract customers, Ritchey is building his own portfolio. He owns or co-owns 96 properties—everything from a two-unit rental property to a 21-unit building.

Ultimately, Ritchey, 58, hopes to pay off all his properties and then retire and live off the cash flow they generate. But he says he won't stop giving his seminars: "Making money isn't my only goal. I want to help people become financially successful."

—Leslie Cummings



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Bob Ritchey

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2000 gross production volume	\$15.87 million
Average sales price	\$211,613
Average number of listings	20
Hours per week I work	35

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INTRODUCTION

As I brainstormed for ideas to grow my real estate business and find buyers, I decided to develop a two-hour seminar for the public entitled: **How To Build a Real Estate Money Machine**



My goal was to teach investors more in 2 hours during my seminar than 98% of the real estate agents in the area knew about investing in real estate. I also told my students that my goal was to give them enough education that they could make an intelligent decision about what property to purchase and that they would not have to trust their real estate agent or anyone else to help them make that decision.

What I found was that some of my students would purchase some property and after a year or two, would come to me and want to sell their property because of the management headaches they were having. They just didn't have the knowledge to handle the problems associated with their rental management business.

It was at that time that I decided to create another 2-hour seminar on management, entitled, just like the name of this eBook:

HOW TO MANAGE RESIDENTIAL INCOME PROPERTY FOR MAXIMUM PROFIT

In this 2-hour seminar I presented management information that would improve their chances of success and I gave forms and letters that we used in our management company to develop the necessary relationship between them and their tenants.

As the owner of rental property for 35 years, I would like to share some ideas that I have learned over the years that will make property management easier for you and help provide some ways to maximize your profit.

The first idea that I want to emphasize is that when you buy a rental property, you are buying a business and *you must treat it like a business* if you want to get the benefits that you desire.

THE THREE VARIABLES OF THE INCOME STREAM

Some of these ideas come from the book “The Income Stream” by Robert M. Goodman.

One of the statements that I have heard over the years for investing in residential income property is that when you buy an income property, you are really buying an income stream. The value of the property is based on the amount of the income being generated by the property.

Of course the yield is also greatly affected by the income that a property generates.

In the first chapter of his book, Robert talks about the testing of the income stream of a property using 3 variables.

1. **Quantity** – the amount of income the stream produces.
2. **Quality** – the caliber of the credit behind the income stream.
3. **Durability** – the length and stability of the income stream.

IT IS NOT REASONABLE TO EXPECT THAT ALL THREE ELEMENTS – QUANTITY, QUALITY AND DURABILITY WILL BE PRESENT IN THEIR HIGHEST FORMS IN ANY SINGLE INVESTMENT PROPERTY.

Which of three variables do you think is the most important? We will try to decide at the end of this article.

QUANTITY

Let’s go into more detail. Usually in analyzing a property, the first thing that is looked at is the quantity of the income – the rents being generated. This becomes vital if you are trying to buy, sell, or refinance a property. There are ways to affect the quantity both positively and negatively.

I once worked with an owner who wanted to sell his units. He had a policy that when a tenant rented a unit, the rent would remain the same for as long as the tenant stayed in the unit. He had a tenant who lived in the property over 20 years and his rent was about half of the market rent for the comparable unit. He had low Quantity but high Quality and Durability. Of course his yield was lower than it should be and the value of the property was affected negatively.

I once saw an investor that would purchase a rental property and then allow an excessive number of people to live in each unit and also allow pets. Because of this policy, he could get above market rents. He would then put the property back on the market to try to sell at a higher price. He had high Quantity but low Quality and Durability. He also had higher wear and tear and maintenance costs. A smart buyer would recognize this and reduce the value of the property for these reasons.

I always had the theory of having my units in a clean and well-maintained condition and trying to attract the best quality tenant for my type of unit based on renting for market rents.

QUANTITY VERSUS VACANCY

Let's suppose that we have an apartment to rent and we can offer it for \$600 per month, or \$550 per month.

What would happen if we try the \$600 and it takes one month to rent? For the year we would collect \$6600. $11 \times \$600 = \6600

If I would rent the unit right away for \$550, for the year I would collect \$6600 the same amount. $12 \times \$550 = \6600

But might there be some differences in the quality of the tenants applying for the lower rental amount? Would I maybe have more applicants?

This is where good judgment and common sense come into play. If \$600 was the market rent and the vacancy factor was low to average, then I would probably go for the \$600. If \$600 was slightly above market rent and the vacancy factor was high, then I would definitely go with the lower rent of \$550.

QUANTITY VERSUS INCENTIVES TO RENT

There are times in the rental market when there are less quality applicants than vacant units. There is a tendency for the owner or management company to try to come up with some additional benefit (carrot) to shake in front of the prospective tenant. Frequently they will offer a "move-in special."

The "move-in special" that I like to use has to do with the amount of deposit. If the deposit was \$500, my move in special would be a full month's rent plus \$100 toward the deposit. Then the tenant would pay an additional \$100 until the full deposit was collected. (Is there a risk doing this? Of course, but it is an incentive that has no effect on the quantity if the tenant complies.

Another incentive that I frequently see involves discounting the rent. I have seen one-half month rent to one full month rent off frequently offered. In my opinion, to offer the rent off the first month's rent is extremely dangerous because if the tenant does not pay the 2nd month rent, you have no Quantity except a deposit that has already been used up. If I were going to use this technique, I would offer to give off part of the rent after 6 months or even 1 year as an incentive to keep the tenant in the unit paying their rent for a longer period of time.

The real problem with this incentive is that if you offer one month free rent, you create an automatic vacancy factor of 8.33% from the date the unit is rented for the year.

If we rent the unit for \$600 for one year we would collect \$7200. If we have one month free, we lose \$600. \$600 divided by \$7200 is 8.33% vacancy.

QUALITY

As was mentioned, Quality has to do with the caliber of the credit behind the income stream. When a prospective tenant fills out an application, my policy is think that everything that was written on the application is a **LIE!** Later, I will go into great detail on how to thoroughly check out the application. Once you give the keys to the applicant, you put yourself into a situation that costs time and money to rectify if you picked wrong.

One of the important things that must be considered is if the tenant does not pay their rent and has to be evicted or moves out leaving the unit damaged beyond the security deposit, how does the landlord protect himself? When you lose money this way, you are negatively affecting your income stream and the yield your property is producing.

There are several ways to try to improve the quality of the income for your unit.

1. Try to get a tenant with a long work history. (A salary is attachable)
2. Take a larger security/cleaning deposit.
3. If you have a problem, try to cut your losses as quickly as you can. Try to use the Cash-For-Keys method discussed later or start the eviction immediately unless you have confidence the tenant will come in with the rent.
4. Get a strong co-signor. (This is my favorite) Now you have twice the power of collecting back money owed.

One thing about deposits! When a tenant owes more in back rent than the amount of his deposit, the chances are that in most cases, the tenant will leave the unit dirty and even damaged because they have no chance of return of any money and they are trying to save up for the rent and deposit for their next unit.

Now suppose the applicant says that they do not have anyone who would co-sign for them. What happens when you rent the unit to them? **THE OWNER OF THE PROPERTY AUTOMATICALLY BECOMES THE CO-SIGNOR.** They are the one absorbing the loss if the tenant does not perform. Make sure you would feel comfortable in that situation.

When you have a co-signor, anytime you serve that tenant with a 3-day notice, call the co-signor immediately and inform them of the situation. I have seen three positive things happen from this.

1. The co-signor makes sure the tenant brings in the rent.
2. The co-signor pays the rent themselves.
3. The co-signor will pressure the tenant to move out right away.

If the tenant leaves the unit owing money, write a certified letter to the co-signor demanding that they pay for any money lost and if they don't pay, take them to small claims court.

If the process of trying to improve the Quality of the income source is ignored, the income stream for the investment property can decrease significantly and reduce yield or even cause loss of the property.

DURABILITY

An example of great Durability and Quality would be a 30-year triple net lease with a Fortune 500 company. Usually the owner would have to give up some of the Quantity.

For residential units, some owners and management companies require that tenants sign a lease. I have seen some for a 6-month term and a one-year term. I have mixed feelings about leases and think they apply better to single family houses and higher income apartments. I prefer month-to-month rental agreements for my bread and butter units.

THE WORST CASE SENARIO

Not to be Mr. Negative but there is a lot of risk involved from not doing everything that you can to secure the Quality of the Income Stream, both before the tenant takes possession and after they take possession. Unfortunately there are a lot of expenses involved that can really add up. Here are some to review.

1. You lose rent from the time the tenant quits paying the rent until he vacates.
2. You may have to pay for an eviction which includes court and sheriff fees.
3. If the tenant files an "answer" to delay the eviction, you will have to go to court and it will cost more loss of rent.
4. If the tenant leaves the unit dirty and damaged, you may have to come out of pocket to pay the costs to get the unit back into rentable condition.
5. You will have to pay for the cost or remarketing the unit.
6. You will lose rent from the time you put the unit on the market until it is rented.

These expenses can go into the \$1000's of dollars very quickly. Doesn't in make sense to do everything you can possibly do to get the highest Quality that you can and still rent the unit.

SUMMARIZATION

We have discussed Quantity, Quality, and Durability of the Income Stream. In residential income property Durability is mostly a matter of luck.

But when it comes to Quantity versus Quality what do you think is the most important?

Well I hope you agree with me that **Quality** is the most important variable of the income stream for the sake of the yield and security of ownership of the property.

Fortunately or unfortunately, I have been doing this process for so long that I have seen what can happen when the Quality is not there. I have made the mistake myself and have seen professional management companies do the same. No one bats 1.000 when it comes to screening and renting to tenants.

However, some do a better job than others of processing the application, offering the correct incentives if necessary and protecting the Quality if things head in the wrong direction. This effort will make all other aspects of management a lot easier but affective management starts with requiring those things that increase the credit behind the Quality of the Income Stream.

YOUR MASTERMIND GROUP

As I mentioned early, my real estate and management company was named after the book Think and Grow Rich by Napoleon Hill. One of the chapters in the book talks about the importance of developing a mastermind group of people who have skills that either you do not possess or you can pay them less per hour than you are worth.

In me eBook and webinar on real estate investing I mention some of the important people you should have in your mastermind group. They should include:

- A outstanding real estate agent that specializes in residential income property
- A good Title company and escrow officer
- A good insurance agent
- A knowledgeable appraiser
- A property inspector
- A termite inspector
- An attorney who specializes in real estate law
- An knowledgeable real estate accountant to do your taxes

After you purchase your first property you will need to add to your mastermind group. This might include:

- An account representative at the newspaper for placing rental ads
- An attorney or paralegal that specializes in evictions
- A licensed plumber
- A licensed electrician
- A good, dependable and honest handyman (Worth his weight in gold)
- A gardener
- A pool service company
- A pest control company
- An air conditioning/heating company
- A good cleaning person (Also worth their weight in gold)

Keep a list of all your members of the mastermind group handy. If one is not doing the job, hunt for another. Get referrals. Check on their references.

IT'S NOT ALL A BOWL OF CHERRIES!

Early in my management career, I owned a property with two houses and a duplex. One of my houses was vacant and I had an application from a man and women to rent it. I don't remember how well I screened them but I allowed them to rent the unit. Everything was fine the first few months and then one month they didn't pay their rent. I gave them a 3-day notice to pay rent or quit. They did not respond and so I started the eviction. Finally came the day to meet the sheriff to get possession. When I got to the property, it looked like it was vacant and when I knocked on the door no one answered. I unlocked the door and peeked in. I could see that there was no furniture in the unit. As I entered I could smell a strong mildew odor and I could see a lot of mold in the kitchen. The hollow core doors were falling apart because the glue was not working. When I walked into one of the bedrooms, I noticed aluminum foil covering the windows and a garden hose coming thru the window into the bedroom. As I looked at the carpet, I noticed a lot of dirt and upon closer inspection I could see a couple of funny shaped leaves. My house had been used as a marijuana farm and when the crop was ready to be reaped, they collected their harvest and left. (They didn't even offer me a percentage of the profit.) Needless to say, with the lost rent, eviction cost, and repairs, I lost quite a bit of money.

I also owned a 10 unit complex and rented a 1 bedroom unit to a single woman. Every week or two she would call me and inform me that her front door was broken. Finally, I started talking to the neighbors and found out she was running a personal prostitution business out of the apartment. I quickly gave her a notice to move.

Now I am not telling you these stories to persuade you not to invest in rental property. I am telling you these stories because I want to impress upon you the importance of the ideas I am going to share with you. You are going to make mistakes and have poor tenants that will cost you money. My goal in the eBook is to give you things to look for and try to increase your cash flow and reduce the amount of losses as much as possible.

PROFESSIONAL PROPERTY MANAGEMENT

One of the major decisions that a lot of owners have to make is will they manage the property themselves or have a professional management company take on that responsibility. In some cases, busy professionals have no choice but to use management companies. People who purchase property at a distance from their home will also have to use professional management.

If you decide that this is the way you want to go, let me give you some tips on how to choose a management company and what to look for to make sure they are doing a good job for you.

One of the mistakes that I have seen over the years is that an owner will hire a person to manage their properties that is not a licensed real estate broker. In California, this is against the law. It is also a big risk. Professional management companies must register with the Department of Real Estate and have a designated real estate broker oversee the running of the company. They must have a trust fund and follow certain policies that are policed by the Department. If there is a problem, an individual may write to the Department and file a complaint and may even recover damages caused by the management company. If you hire a person or a company that is not headed by a licensed real estate broker, you put yourself at great risk.

If you hire a professional management company, it is the same as allowing someone to come in and manage any other type of business. If they do a good job, your business will be a success. If they fail to perform their duties professionally and honestly, you can lose a lot of money including the investment property itself.

In most cities of any size, you will find a large number of real estate management companies offering their services. Some are tied to real estate sales companies and some do management exclusively. Don't be lazy when finding your management company. Here is what I would recommend that you do to find an honest reputable company.

- 1) Check to see if there is a local apartment association in the area. They should be listed in the phone book or have an internet site. Call the president and ask him what company he would recommend and have him give you the name and phone of a few other investors in the association that you might talk to.
- 2) Call real estate agents that specialize in selling residential income property and ask them for referrals.
- 3) Call local appraisers and see who they might recommend.
- 4) Call management companies and ask the owner for their opinion of the best companies other than themselves.

Once you have a few names, go to your state department of real estate web site. You should be able to enter the company name and find out who the broker is, how long they have been licensed, and if they have had any complaints filed against them.

You could also call the Better Business Bureau and Chamber of Commerce to see if they are registered and what complaints have been filed. Beware that there might be some unhappy tenants that notified these businesses and they may be bogus or even a good sign.

Pick the top two or three companies and arrange to have an interview with the broker or manager of the company. Most companies will have brochures or information about their services.

In a couple of pages, I have an example of comparing a furniture store to a rental unit. I explain that you need to have a good location, an attractive looking exterior and interior, and provide fast service. This is also true for a management company that is representing your properties.

Ways that Management Companies Make Money for their Services

Management companies have to make a profit to stay in business just like any other business. As part of the owner/management company contract, they will list the different methods that they receive compensation. Here are some that I have seen:

- 1) A fixed price per unit. I have seen \$30 - \$40 per unit with a higher price such as \$60 for single family houses. They receive a fee whether the unit is occupied or vacant.
- 2) A percentage of the rent collected. Usually in the 6 – 7% range for all rent collected for the month. EX. If a unit rented for \$500 per month they would get \$30 or \$35 for the management fee. This method gives them a little more motivation to rent up units.
- 3) Maintenance override fee. A percentage of the maintenance cost is added to the bill as an expense for the management company to look at a job, get quotes, and make sure the work is done correctly. I haven't seen this a lot but they may charge an additional percentage of the bill as the fee for this service. EX: A tenant calls and says the kitchen faucet is broken. The management company sends out a plumber who charges \$80 for the repair. The management company would charge \$12 to the owner (\$80 X 15%) for this part of the service. They would not charge for services such as water bills, trash, gardening, pest control, pool service, etc.
- 4) The management company employs their own handy men and they make a profit on their hourly service fee. EX: The management company sends out their employee to fix the faucet. They charge you \$40 per hour and pay the handy man \$20 per hour. In this case, the management company is paying the withholding and other government expenses of their employee. Some companies use independent contractors for all their maintenance and charge the owner the same amount as requested on the bill, therefore, not making a profit on maintenance.
- 5) Late charge fees, bad check fees, posting fees. Some management companies will want to keep these extra fees that they collect from the tenants. EX: A tenant pays late with a bad check and the management company serves them a 3-day notice. Let's say the rent is \$500. The management company would try to collect \$50 late charge, \$25 bad check charge and \$30 posting fee from the tenant as additional income for them.

Here are my thoughts. The owner of the management company has a fiduciary duty to try to make the biggest profit for the owner. But again they cannot stay in business if they do not make a profit.

I like an owner/management relationship to be win/win situation. I can stand a win/neutral relationship but I get very nervous in a win/lose position.

In example 1) above that is a win/neutral relationship. The company gets paid for service, not for performance.

Example 2) is a win/win situation. The more rent they collect, the more they make.

Example 3), 4), and 5) are situations that you have to really watch. In these cases the management company makes more money if there is a lot of maintenance or tardy tenants. You have to watch these situations very carefully and make sure they make sense, just like you would in a conventional business. I especially dislike #5 when it comes to late charges. I have had two management companies that I have hired that took advantage of this policy. First of all, it is not a win situation for you to have a lot of habitually late tenants. Everyone who pays late is borrowing money from you without your permission and this is definitely not what you want. Here is an example of what I have seen. A tenant pays \$500 rent. He pays late and the management company charges him a \$50 late charge. The management company credits you with \$450 and they keep the \$50 late charge **even though they didn't collect it**. This is definitely a violation of the duties of being a reputable management company.

In another case, I have seen management companies allow tardy tenants to pay late every month without taking any action to correct the situation because they kept the late charges. I have seen tenants pay over 20 late charges. It wasn't to the benefit of the management company to rectify this situation. This is definitely a lose situation for tenant and the owner. In a lot of cases, when the tenant did vacate, they became vindictive and tore up the unit as a way of venting their anger. Continued late paying tenants should be trained to pay on time or asked to move.

If you had a tenant apply for one of your apartments and you found out from the previous landlord that this tenant almost always paid late, would you really consider renting to them? My experience has been, that a tenant that is always trying to get caught up will eventually end up burning you.

HOW TO INTERVIEW A MANAGEMENT COMPANY

Once you have chosen the management companies that you will consider, you should call them and set up an appointment to meet them, and get to know what they do and how they do it. Finding a management company is the same as hiring an employee. You are the boss and you want to qualify the company to see if you want to hire them. I recommend you come with a list of questions to ask:

HERE ARE SOME QUESTIONS YOU MIGHT CONSIDER:

- How long have you been a property manager?
- Do you have any Professional Management designations? What professional organizations do you belong to?
- How many units do you currently manage?
- How many vacant units do you have right now?
- What is the average length of time it takes to fill a vacancy?
- Is the average time getting longer or shorter?
- What are your management fees?
- What are the different areas you would charge me for your services?
- How do you market your vacant units?

- Do you have a company website?
- Do you recommend special incentives to find tenants and what are they?
- How do you screen prospective tenants?
- What factors would make you reject an applicant?
- Would you accept a tenant who met your qualifications in some areas, but not others?
- What qualifications are most important to you?
- Do you use co-signors?
- May I have a copy of your management company contract, tenant application and rental agreement?
- What is your late rent policy?
- Who receives the tenant's late fees?
- What percentage of tenants do you have to evict?
- How does the eviction process work here?
- How do you handle maintenance requests?
- Are your handymen employees or independent contractors?
- What kinds of maintenance jobs are handled in-house?
- How many quotes do you get for jobs?
- Do they have a billing rate for their company handymen?
- How expensive does a job have to be for you to contact me for approval before doing it?
- What are your rules for contractors being inside occupied rental units?
- Do you market properties as a real estate broker?
- If I decide to sell my property, do I have to list it with you? (I recommend it they say "yes", you look at another company. You need one real estate agent to be your representative and you want the best. (See my eBook or videos on purchasing rental property.)
- What reports will I receive and how will I receive them?
- What is the required cash reserve?
- What is the termination policy?
- How much notice do you require before terminating a management contract?
- Would you give me some owner references that I may check with?

Once, you have met and interviewed your prospective management companies, it is time to do your homework and really check them out. Review the contracts and their questions. If you have some more questions, call them back. Check the references. Don't be lazy in the extremely important area.

YOU HIRED YOUR MANAGEMENT COMPANY

Once you have hired a management company, your responsibility does not end. When you receive your monthly statements, sit down and give them a thorough analysis. Does the rent collected make sense? Are the expenses reasonable? Don't be afraid to contact them and ask questions about anything that you feel needs to be explained.

If you live in the area, periodically drive by the units and check their appearance.

The goal and responsibility of a professional management company is to try to get you the highest return on your investment. Unfortunately, there are companies whose real goal is to make their company the most amount of money possible at your expense. If you see something wrong, confront the company. If they don't have a good explanation or aren't willing to correct the problem, it is time to move on to a new company.

YOU HAVE DECIDED TO MANAGE THE PROPERTY YOURSELF

Now, most people that purchase residential income property have not owned a business before and lack some of the skills that are necessary to run a successful management business. These can include people skills, legal knowledge, construction and maintenance skills, and book keeping skills. The faster and better you learn these skills, the more successful you will become.

Let's say you own a triplex. Unlike a conventional business, you will only have three customers (clients) at any one time. Your goal is to find the best customers you can in your market and develop a mutually beneficial relationship with them.

In my webinar HOW TO BUILD A REAL ESTATE MONEY MACHINE, I explain that I love good tenants: Every month they pay me rent, and from that rent I pay the expenses for the property and keep the rest as cash flow. As part of the expense their rent pays the mortgage payment so in effect, they are buying the property for me. Good tenants are of great value to me and you.

Of course, bad tenants are like the plague. They can cost you a lot of money and stress and can be a real pain in the...!

I have divided this eBook on property management into 3 categories:

- 1. Marketing**
- 2. Operations**
- 3. Finance**

I recommend that you consider yourself the President of Marketing, the CEO, COO and CFO of your management business:

One of the questions, I will ask you now and then we will answer at the end of the book is: “Which of these three areas, marketing, operations, or finance is the most important?” What do you think? _____

Before we get into our three areas, I would like to discuss some preliminary ideas and lay out some actions that I strongly recommend.

YOUR BUSINESS

As I have mentioned, owning rental property is about the same as owning any business. I would like to make a comparison between purchasing rental property and starting a business, let’s say a furniture store.

One of the first things you should do is to determine who you want your potential market to be. Let’s say you want to sell middle priced furniture to middleclass people. You should spend a lot of time researching that potential market, how much competition, where customers live and shop, what is the potential mark up between wholesale and retail, who are your suppliers, what are the best selling products, etc. You should develop a business plan.

You should look at rental property the same way. Who do you want as your tenants, higher end, pride of ownership type tenants, middleclass, bread and butter type tenants, or lower end tenants that may be on welfare or Section 8, and rent properties in a rougher area? What is the potential for profit in each of these areas? What are the vacancy factors for each type of property? How management intensive properties are you willing to take on? For our model, let’s pick middleclass, bread and butter type units.

Back to the furniture store, what do you do next? You need to find a commercial building that will meet the requirements for the store. It must be in an area where middleclass people shop. It should have good street exposure and adequate parking. It should have good signage and an attractive exterior. The building should have nice paint and attractive windows. When a potential customer sees the store, they should be impressed enough to want to come in and look around.

When looking for a rental property to purchase, you should look at the location and exterior as a potential tenant would look at it. Not only appearance but security should be taken into consideration. Is it close to schools, shopping, or public transportation? Does it have a neat and clean exterior appearance? Is the grass mowed and weeds removed? Are there exterior lights and maybe a fenced yard? As you look at a property, you may have to think about how you can make the outside more attractive so it will be more desirable to good tenants. We want them excited about seeing the inside of the unit.

A customer has parked their car in the parking lot of the furniture store and decided to walk into our store. When they come through the front door, they should see a well organized, attractive interior that would encourage the customer to look at the products. There should be helpful salespeople ready to answer questions and take orders. You want it to be a pleasant experience. **Remember, you are competing with other furniture stores in your area.**

If a prospective tenant decides that they want to look inside the rental unit, you want it to stand out. You want it to be clean and smell good. You want light bulbs and light covers on all the lighting fixtures. You want plastic covers on the light switches and sockets. I use to try to get a new roll of toilet paper on the spool. You want it what I call “detailed out” and “rent ready”. You want to be friendly and answer any questions that they may have. If this is a good tenant, you want him to apply for your unit. **Remember, you are competing with other vacant units in your area.**

SETTING UP YOUR MANAGEMENT BUSINESS

WHO OWNS THE PROPERTY?

FICTITIOUS BUSINESS NAME

In my opinion, the first major mistake that most people make is how they define their management entity. **My philosophy is that you do not want the tenants to know that you are the owner. You do not want them to know where you live and your personal phone number.**

You want them to believe that you are an individual that represents the owner.

I strongly recommend that you come up with a fictitious business name for your management company. You do not need a business license. In California, a fictitious business name only costs around \$20. Do not use your name in the business name. Use something like Sunshine Management, Friendly Management, or ABC Management. My real estate company was TGR Realty so I used TGR Management for my management company name.

So why don't you want the tenants to know you are the owner of the property? It has to do with the relationship that must exist between you and your tenants. You are in a business and you have to be firm but fair.

As the owner, you do not want to become “friends” with the tenants. They are your customers and you should have a business relationship with them. They will think that if you are “friends”, you won't mind that the rent is a little late or that you should waive the late charge.

It is easier to be the middle man. If a tenant wants some new carpet, it is easier to say that you will have to ask the owner and get back to them than tell them out right, “no.”

P.O. BOX

I strongly recommend that you get a P.O. Box at a nearby post office and use it for all your business mail.

I use to have the tenants mail me their rent at my home address. One day, I came home and tried to turn on the lights. They didn't come on. I also tried to turn on the water and it was turned off also. When I called the power company and water company, they told me that I had called them and had the utilities turned off. Of course, it was one of my ex-tenants who was not happy with me. After that, I told the utility companies that they were not to turn anything off without a password that we agreed on.

The office of Sunshine Management!



BUSINESS PHONE

I also strongly recommend that you get a separate business phone line and either have voice mail or an answering machine attached. When you have a vacancy, have the message give information about the unit and how the prospect can view it. If they are calling for any other reason, have them leave a message. Have the phone line located somewhere in your house away from your bedroom so you will not be disturbed at 3:00 AM. If you choose to, you can have calls forwarded to your cell phone.

For years, my company rented a voice mail account that had no phone line involved. We were given a phone number and would call the account to get our messages or put on new messages.

CHECKING ACCOUNT

After you get your fictitious name and P.O. Box, next go to the bank and open up a business checking account. You will need to have your fictitious name paper work with you. Order your checks and deposit slips and you are ready to go.

FILING CABINET AND FOLDERS

Have folders for each property and each tenant. Place in your tenant folders applications, rental agreements, notices, and letters. Keep everything organized. I recommend you purchase a filing cabinet for convenience.

KEYS

One of the big challenges of owning multiple units is keeping track of the keys. I remember lots of times where I sold a property and we had to do the interior inspection. The owner or the management company would give me a hand full of keys to the property and half of them did not work. We would have to call a locksmith to meet us at the property.

I started with a big shoe box and I did a poor job of labeling the keys. Finally I bought a specially made key box with hooks and some labeling tags. If I was going out to one of the properties or a vendor was going out to do some work, we would take all the keys for the unit with us and check to see which ones worked. **THROW AWAY ALL KEYS THAT DO NOT WORK!**

SOME ADDITIONAL IDEAS

MONTH-TO-MONTH VERSUS LEASE

I was often asked what I thought was better, to rent units on a lease or a month-to-month. The answer is, "it depends." If you are renting a nice single family home or condo, or live in an area where the tenancy is stable, I recommend a lease. Bakersfield was a very unstable, high turnover area and so I used a month-to-month.

When I first started renting apartments, I tried a year lease. Of course, if the tenant moved out before the year was over, I was entitled to try to collect the money for the rest of the lease period, or until I rented the property again. I could only collect the money that I lost for the breach of the lease. Next, I tried a 6 month lease. I tried to get the tenant to commit to that period of time, so they just didn't move in and move out. I even had a time where I discounted a part of one month's rent if the tenant stayed a certain length of time. There is a problem with a lease. If the tenant is obeying the rules and paying the rent on time, it is almost impossible to get rid of them. This is a challenge when the tenant creates problems that irritates the heck out of you and you would really like to have them move.

I finally settled on using a month-to-month rental agreement after all of my experiments.

FURNISHED VERSUS UNFURNISHED

Some of the first units I purchased were furnished. The quality of the tenant's are usually lower and it is a pain trying to keep up with the inventory. Finally, I took what was left of the furniture in the unit and donated it to Goodwill. All of my units rent unfurnished.

REFRIGERATORS

This is lose-lose. At first I rented my units with refrigerators. Whenever one broke or was taken by the tenant, I had to go out and look for a used refrigerator and then get it transported to the apartment. One day, I decided to be generous and told every tenant that had one of my refrigerators in their unit they could have it. I got out of the refrigerator business.

My thought process was also that a tenant with a refrigerator was more stable. I then had two new problems. Some applicants did not have a refrigerator. I solved this by telling them that if I supplied a refrigerator, I would have to charge them extra and it would be easier for them to get their refrigerator at RENT – TO – OWN. It would cost them less and they would end up owning the refrigerator.

The last challenge with the tenant owning their own refrigerator was when they moved it into or out of the unit, sometimes they would tear the linoleum. I started having my installers put in heavy duty tiles like you find in grocery stores instead of the thin one sheet linoleum that had a short life.

QUALITY OF UNIT

It won't take you long to learn that when it comes to tenants, there are different levels of civilization. You always want to have your unit spotlessly clean. However, for bread-and-butter type units, you don't want to paint the interior or replace the carpet every time a tenant moves out. When you do, consider painting the whole unit with enamel paint and using a lower grade of carpet.

PEST CONTROL SERVICE

In my area, we had a lot of pests trying to attack our rental units. We had ants, cockroaches, mice, rats, and pigeons to name a few. Part of the responsibility of the owner/property manager is to keep the property pest free. In some cases, this is impossible because of the sanitary philosophy of the tenant. You also have the challenge of a dirty tenant living next door to a clean tenant, and the pests invading the clean tenant's apartment.

Once in a while, just to be humorous, when a tenant would call in complaining about some pest in their house, I would tell them, "I'm sorry, we don't allow pets."

Seriously though, I have had times when a tenant would not pay their rent and when I started legal action, they would claim that they did not have to pay rent because the property was uninhabitable because of pests. (This is a legal defense. If the tenant is deprived of necessary

services or has unhealthy circumstances at the property such as heating, cooling or plumbing not working, no screens on the windows to prevent insects from entering, etc.) Tenants will call the building department or human services department and have inspections done. **DON'T BE A SLUM LANDLORD.**

I recommend that you have monthly pest control services for your properties. Then if a tenant claims that their unit is uninhabitable because of pests, you can tell the judge that you have pest control services for the property.

ONE OF THE GOLDEN RULES OF MANAGEMENT

NEVER ARGUE WITH AN IGNORANT PERSON!

There have been many, many times, when I have had a conversation with a tenant about some part of the contract that had been violated. I have heard things such as; "You can't evict me, I have children!" or "My attorney says you can't do that!" Don't argue with the tenant. Just serve whatever papers that needs to be served and take the actions that you are legally allowed to do. Having a heated argument only increases the chances of more damages to the unit before the tenant vacates.

TAKING OVER A NEWLY PURCHASED PROPERTY

Before closing escrow on a property, you will want to make sure that you get copies of rental applications and agreements from the current owner and confirm that the tenants names, rents, deposits, rental payment due dates, personal property owned by the seller, and any other pertinent information is confirmed with the tenants so that there is no argument later. You will also want the names of all the utility companies and vendors that are currently being used for the property

I cover this in more detail in my eBook, What Your Real Estate Agent, Loan Officer, And Investment Guru Don't Want You To Know About Investing in Residential Income Property.

Example: The owner says the tenant has a \$300 security deposit. Later the tenant gives a notice to move and requests his \$500 deposit after vacating. You find out that the previous owner made a mistake in the escrow.

This can be a challenging period of your management career based on how well the previous management performed their duties. Sometimes, the tenants will need to be taught new habits and behaviors that they didn't have to do previous to you taking over. You may have to spend some time and effort shaping up the tenants.

Again, I strongly recommend that when you do the interior inspection or have any contact with the tenants, that you tell them you are with a management company and represent the new owner. Make sure your agent knows this as well.

**Letter to tenants informing them of a new management company
Sunshine Management
P.O. Box 12345
Sunnydale, CA 94567
(555) 555-5555**

Dear Tenant,

We want to inform you that the building where you live has changed hands. Because tenants usually feel some apprehension every time such a changeover occurs, we would like to take this opportunity to clear the air by letting you know what you can expect in the future about a few things.

DEPOSIT...One special concern you might have is your deposit. Your deposit has been transferred from your old owner to our trust fund.

MAINTENANCE... It is our desire to do all repairs as quickly and efficiently as possible. If you need a repair to your unit, please call 555-5555.

RENT PAYMENTS...Your rent is due on the 1st day of each month. We require all of your rent to be paid by 5:00 PM on the 5th day of each month. Make your rent check or money order (no cash accepted) payable to:

Sunshine Management

And mail it to: Sunshine Management
P.O. Box 12345
Sunnydale, CA 94567

Make sure that you mail your rent early enough for the post office to receive it and put it in our P.O. Box. Anyone not paying all the rent by the 5th will be charged a late charge of 10% of the rent. You will also receive a 3-Day Notice and may be subject to eviction.

Sincerely,

Sunshine Management

A NOTE ABOUT LATE CHARGES

Throughout this book you will see the use of a late charge of 10%. In California this is the maximum that a landlord can charge. I have seen judges deny a request from a landlord in small claims court to collect this amount however. For several years, I charged 10% because I believed that it would put more pressure on the tenant to pay on time. A few years ago, I changed my philosophy and reduced the late charge to 6% to help the tenant survive. I will leave it to you to determine your philosophy regarding what to charge.

Tenant Information form to be used at time of taking over the management

TENANT INFORMATION

Your Name _____

Your Address _____

Your home telephone number _____ Cell Number _____

Who lives with you? (Include ages of the children, please) _____

Do you have a waterbed? _____

What vehicle(s) do you have? Make _____ License# _____

Make _____ License# _____

Where do you work? (Company name) _____ Phone # _____

Where does your co-tenant work? (Company name) _____ Phone # _____

When did you move in? _____

What is your current rent per month? _____

What date is your rent paid up to right now? _____

When is your rent due each month? _____

What refundable deposits have you paid? Keys \$ _____

Cleaning/Security \$ _____ Other (Please explain) \$ _____

When you moved in, you paid your first month's rent. Did you also pay your last month's rent?

_____ If so, How much was it? _____

Which of the following furnishings belong to the **owner** of the property?

(Please give room locations where appropriate.)

Carpets _____ Drapes _____

Shades _____ Blinds _____

Stove _____ Refrigerator _____

Other appliances? (Please list) _____

Other furniture? (Please list) _____

Do you have a rental agreement or lease in writing? _____

Do you own any pets? _____ Please List: _____

In case of emergency, what friend or relative should we contact?

Name _____ Phone # _____

Date _____ **Your signature** _____

VICE PRESIDENT - MARKETING

ADVERTISING

- Newspaper Ads**
- For Rent Signs**
- Flyers in Grocery Stores, etc.**
- Current Tenants**
- Internet Ads**
- Example of “For Rent” Flyer**

HOW TO SHOW A VACANT UNIT

RESIDENT MANAGER

- Philosophy**
- Paying the Resident Manager**
- Resident Manager Requirements Form**

RENTING VACANT UNITS

- Statement of Rental Policy**
- The Rental Application – The Most Important Process in Property Management**
- Parts of the Application**
- Rental Application Form**
- Rental Application Verification Form**
- Landlord Interview Form**
- The Denied Application Form**

SIGNING THE RENTAL AGREEMENT – The Second Most Important Process in Property Management

- Property Rules and Regulations Form**
- Tenant Information and Instructions**

WHEN IN DOUBT – GET A CO-SIGNOR

- Co-Signor/Grantor Agreement Form**

ADDENDUMS

- Smoke Detector Addendum Form**
- Lead Base Paint Disclosure**
- Mold and Radon Disclosures**
- Broken Windows**

MOVE-IN/MOVE-OUT CHECKLIST

TENANT CHECKLIST FORM

NEWSPAPER ADS

Newspaper ads can be expensive. You may want to consider running your ad on certain days such as Friday, Saturday, or Sunday. Check with your newspaper and other management companies to see what days they feel are the most effective.

You want to tell the tenant the most you can with the least amount of words. Only give the most important features of the property.

Our newspaper lists the apartments for rent by price. We did not list the deposit in most cases because that was an area that we could offer as an incentive depending on the strength of the rental market and the strength of the tenant. **Also do not make the deposit the same amount as the rent. A tenant might try to claim that his deposit was actually his last month's rent.**

Next we give the property address. You will notice in the ads, we did not give the unit number. I also suggest that you make sure the vacant unit does not look vacant. Make sure that the windows are covered and the unit is secure. The last thing you want is a homeless person moving in or some high school students having a party in one of your vacant units. Also make sure you cancel your ads as soon as the property is rented to save money.

**\$450 + Dep., 810 31st St.
Clean 2 bdrm, 1 bath
bltins, gas stove, wash/dry
hkups, pvt. bkyd 555-5555**

**\$450 + Dep., 520 28th St.
extra clean 2 bdrm., built-
ins, Laundry rm. 555-5555**

**\$900 + Dep. SW 3600 Ashe Rd.
Large 3 bedroom 2 ½ bath
townhome, but-ins, pvt yard
fireplace, 2 car garage, pool
and spa. 831-8483, 555-5555**

You will notice on the third ad, there are two phone numbers. The first number is for the resident manager and the second is for your rental line.

FOR RENT SIGNS

Signs are another way of marketing a vacant unit. I have seen signs that say “For Rent” and a phone number. I have also seen signs that have a detailed description of the property, similar to the newspaper ads above. You can even have a tube attached with copies of a property flyer inside. Remove the sign as soon as the property is rented.



FLYERS IN GROCERY STORES, ETC.

Sometimes you can find a prospect with a flyer on a bulletin board.

CURRENT TENANTS

Inform your current tenants that you have a vacancy and if they know someone that would be interested, you will pay them a certain amount as a referral fee if the tenant qualifies.

INTERNET ADS

Craig's List

Local newspaper web site

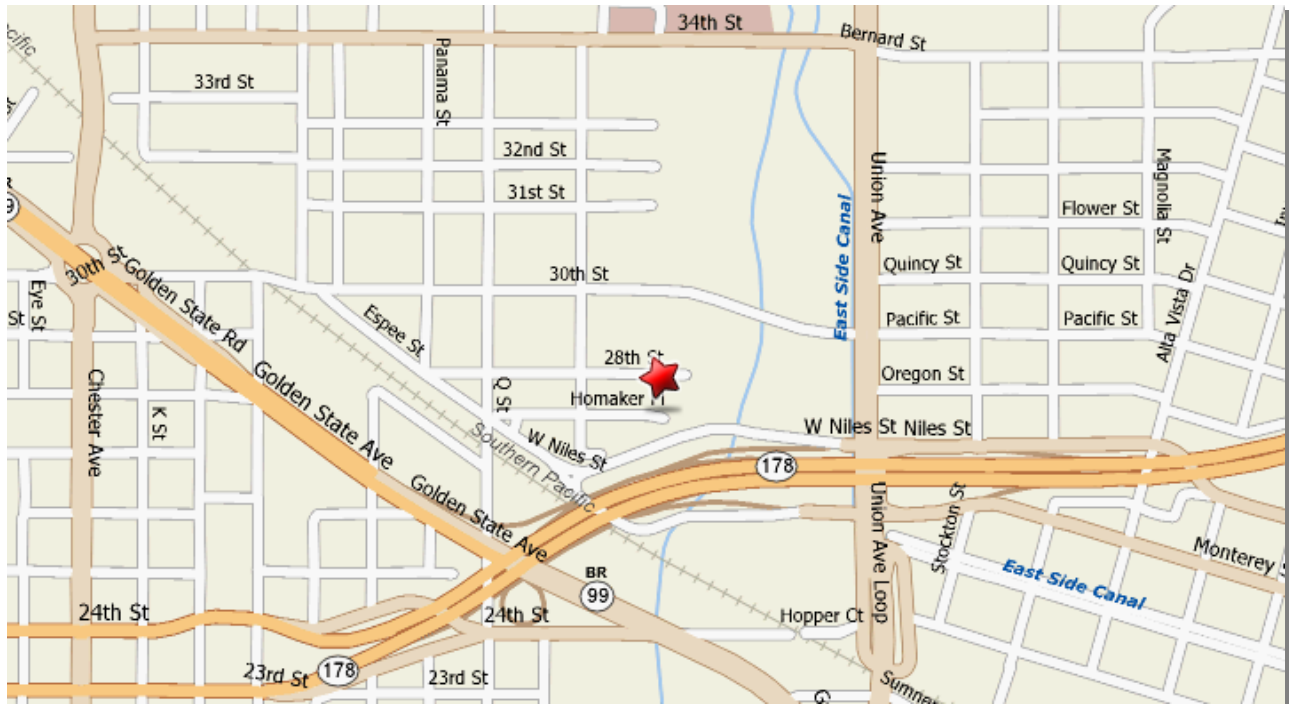
On the next page is a example of a flyer that could be used in a tube with the for rent sign. You can also give the flyer to a prospect who looked at you unit and didn't commit yet to an application.

FOR RENT

529 28TH STREET



RENT \$750 DEPOSIT \$600
CLEAN – NEWER PAINT AND CARPET
2 BEDROOMS 1 BATH - BUILT IN GAS STOVE
WASHER/DRYER HOOK UPS –PRIVATE PATIO
(555) 555-5555



HOW TO SHOW A VACANT PROPERTY

Since you are in the rental business, one of your challenges will be to show vacant units more effectively than your competition. You are competing with professional rental management companies that are open during the day and properties with resident managers.

This can be one of the most time consuming and frustrating parts about marketing.

First, I don't recommend that when you get a call from a prospect, you set up an appointment and drive over to the property expecting to meet them. It only took me a couple of no shows to eliminate that process.

Specific Showing time – On your voice message and in your advertisements you can inform prospective tenants that you will be at the property between 5:30 – 6:30 PM to show the unit. Make sure you have applications with you and bring something with you to work on the property while you are there.

Existing tenant – I mention later than some states require a resident manager if the property has a certain amount of units or more. For smaller properties, you may have a tenant who is home most of the time and will show a vacant unit for you. Offer to pay them some money to show the unit and help you pick their new neighbor. They should have a key, rental application, and information page about the unit. If a prospect fills out the application, have them leave it with your tenant and have your tenant call you right away.

Ask a management company to rent vacant units – check with existing professional management companies to see if they will show vacant units for you for a one-time charge.

*Another idea that you may want to consider is to have an addendum in your rental agreement that states that if a tenant gives you a 30-day notice and cooperates with you in allowing their unit to be shown before they vacate, they will be eligible for a monetary bonus.

RESIDENT MANAGER PHILOSOPHY

In California, the law requires that any property with 16 units or more must have a resident manager. I would like to share a few ideas that I learned over the years.

The only definition that I know of for a resident manager is that they live on the property. The amount of responsibility required and time worked is a variable.

Some owners essentially give complete control to the resident manager. From processing the application, renting the units, filing out the rental agreements, collecting and depositing the rents in the bank, paying the bills, overseeing the maintenance and doing some themselves, and serving legal documents. There are a couple of challenges with this.

First if you do it, I strongly recommend that you have the individual bonded. I have heard stories of resident managers skimming rent, paying bogus bills, and even grabbing all the money and leaving town.

Second, if they do something illegal, such as discriminate, you are the person that is going to be liable.

My philosophy was that I wanted my resident manager to have the least amount of responsibility possible.

One of the most important things that I wanted was that the resident manager is not the “property policeman” telling tenants what to do. Their responsibility was to be the “property spy” and to report to me anything that was going on at the property that shouldn’t be. We would take care of problems, not them. I wanted them to be loved by the tenants.

I don’t want resident managers to touch any money ever, period! I have included a list of requirements for our resident managers. As you can see, they have very few duties.

Activities such as picking up trash around the property, cleaning the laundry room, keeping the pool water level up, etc. take time and effort and deserve some type of pay.

Our advertisements give tenants the opportunity to call us or the resident manager (we paid for a separate phone for the resident manager with instructions not to use it for personal use). We ask the resident manager to be available at certain times (office hours) to show vacant units and give the tenant an application. During this time the resident manager can be doing their ironing, watching TV, or any other home based activities. This is not the same as an employee working for us in a job. We **posted office hours on the front door** of the resident manager in case someone stopped by the property during a time when the resident manager was available, they could see the vacant unit immediately. (By the way, it is to the resident manager’s advantage to have all the units rented so that they do not have to spend time in this area.)

Don’t make management and renting their personal unit related. Have your residential manager sign a rental agreement with the same rent as a normal tenant would pay. The reason for that is if you have to terminate them as a manager and they stay as a tenant, you don’t want to have to give them a notice of rent increase which will have some time restrictions.

Then have them sign a separate management agreement. The management agreement should state that as long as they are manager, they will pay a discounted rent but upon termination of their management responsibilities, their rent will go back to the stated rent in the rental agreement. You might consider giving the manager a notice of rent increase whenever the rest of the units are notified, so that upon termination, the rent will be the current market rent.

PAYING THE RESIDENT MANAGER

This is another challenging decision. As I mentioned early, in California, any property with **16** units or more is required to have a resident manager. How much you pay them would be based on how much you ask them to do. It would be a good idea to check with the professional management companies in the area to see what they do. You must pick your manager with the same care, if not more, as you do your tenants.

The government has a philosophy that the resident manager is an employee of the owner and that you would have the same responsibilities to provide withholding from their salary as any regular employee of a business. I did this at times. Most of the time, however, I would give the manager a unit at a discounted rent as their reimbursement and would not mess with the government paper work. I discounted their rent \$20 for each unit in the property. EX: Beardsley is a 20 unit complex. The rent for a 2 bedroom unit is \$575. The resident manager would receive $20 \times \$20$ or \$400 a month management fee and therefore would pay rent of \$175. (I advise you talk to your accountant and attorney for advice in this area.)

SUNSHINE MANAGEMENT

RESIDENT MANAGER REQUIREMENTS

1. The grounds and pool area must be kept clean at all times.
2. The laundry room must be kept clean and tidy at all times.
3. Empty the trash can in the laundry room regularly.
4. Keep watch of the exterior lights, and let us know immediately if they are not working properly.
5. Keep the pool level up. If the level falls, fill it up.
6. Inform us immediately of any problem tenants, loud music, loud guests, unusual activities, (drugs) or any other activities that can disturb other tenants or neighbors.
7. Inform us immediately if a tenant is moving out of the unit or additional people are moving into a rented unit.
8. Let us know immediately if unauthorized pets are on the property or in a unit.
9. If the sprinkler system should fail, or a head is broken contact us immediately.
10. Keep non-residents off the property and out of the pool.
11. Keep an eye on the gardener and report anything unusual if he "no shows."
12. Inform us immediately of any graffiti on the property.
13. Make sure the back gates are locked.
14. Inform us of people who are parking in non-parking areas.
15. Let us know if there are any vehicles on the property that should not be. (Disabled vehicles, motor homes, boats, etc.)
16. Let us know if water accumulates on the sidewalks or landings.
17. Give the tenants our phone number if they have maintenance problems.
18. Show vacant units. Be friendly and positive. Give applicant our application and explain to them to bring it back to you.
19. Be at your home during office hours if there are vacant units.

***** Non-compliance with the above requirements will result in immediate termination as Resident Manager.**

Resident Manager	Date
-------------------------	-------------

Property Manager	Date
-------------------------	-------------

RENTING VACANT UNITS

Below is a Statement of Rental Policy that is smart to have. This explains how you will process a tenant's application and will provide you protection from potential law suits for discrimination and angry applicants. It is smart to hand this out to the applicant with the rental application and before collecting any application fees. If after quickly reviewing a rental agreement, it is evident that the tenant cannot qualify, tell the applicant that you are sorry and do not collect an application fee.

Statement of Rental Policy – Sunshine Management

Equal Housing Provider

We are an equal opportunity housing provider. We fully comply with the Federal Fair Housing Act and with all state and local fair housing laws. We do not discriminate against any person because of race, color, religion, sex, handicap, familial status, or national origin.

Occupancy Guidelines

We restrict the number of occupants who may reside in our housing units in order to prevent overcrowding and undue stress on building systems. In each rental unit we allow two persons per bedroom plus one. For example, a two bedroom rental unit could house five people, and a three bedroom rental unit could house as many as seven people. In determining these occupant restrictions, we adhere to all applicable fair housing laws.

Application Process

We evaluate every application in the following manner. You must submit a rental application and answer all questions on the form. All adults living in the rental unit must complete an application and meet qualification requirements. You must pay the \$30 nonrefundable application fee. An additional \$15 application fee will be charged for each co-tenant. We will determine whether, from your responses to the application questions, you qualify for the unit you are applying for. If you do not, we will reject your application. If you do, we will check your credit report, criminal history, and employment and rental references to confirm that they meet our rental criteria. If you meet our criteria, we will approve your application. This process usually takes between 24 to 48 hours.

Only one rental application is reviewed at a time for any of our rental units. We do accept back-up applications, but you will not be required to submit an application fee for a back-up application. If the first application is rejected, we will contact the back-up applicant and collect the application fee at that time.

Rental Criteria

To qualify for one of our units, you must meet the following criteria:

1. **Income.** Your combined monthly income should be at least two and a half times the monthly rent and must be verifiable. If you have been a full-time student at any time within the past year, we may require you to have your tenancy guaranteed. If you are unemployed or your income is less than the required amount, you must provide proof of a source of revenue, verifiable income, availability to assets, or an additional security deposit if applicable.

2. **Rental history.** You must have satisfactory rental references from your prior landlord(s). If you have ever been evicted or sued for any lease violation, we may reject your application. The property manager must approve unusual circumstances.
3. **Credit history.** Your credit record must currently be satisfactory. If your credit history shows any unpaid debts or late payments, we may reject your application.
4. **Guarantors.** If you do not meet one or more of the above criteria, you may be able to qualify for the rental unit if you can get a third party to guarantee your lease (co-sign). The guarantor must pass the same application and screening process that you must pass, except that we will deduct the guarantor's own housing costs before applying his or her income to our income standard. A guarantor must make a minimum of four times the rent to qualify. The fee for an individual guarantor (co-signor) is \$15.00.
5. **Criminal history.** If you have ever been convicted of a felony, we may reject your application. If you have been convicted of a misdemeanor involving dishonesty or violence within the past five years, we may reject your application.

Possession

Before you can take possession of a housing unit you must provide us with the signed original copy of the Rental Agreement/Lease with all Addenda along with a **cashier's check or money order for the first month's rent and the security deposit.**

RENTAL APPLICATION THE MOST IMPORTANT PROCESS IN PROPERTY MANAGEMENT

**The next document in our book is the absolute most important document
that you will ever use as an owner of rental property.**

The purpose of the rental application is twofold:

- 1) **To qualify the applicant to rent the property.**
- 2) **To find the tenant if they vacate the property owing you money so that you can try to collect it.**

Over the years that I worked with sellers as a real estate agent, one of the things that a buyer asks for are applications and rental agreements for the existing tenants. It was amazing to me to find that some property owners would not have a prospective tenant fill out an application. Instead they would do their approval on the vision test. If they looked like nice people, they qualified. A few owners didn't even use rental agreements.

As I have mentioned, when you purchase a rental property, you are purchasing a business. Could you imagine an equipment rental company allowing people to come in and rent equipment without getting some important information from the renter? Could you imagine a bank making a loan without a thorough application? Would either give you anything without signing an agreement?

Have you ever heard the statement; “Better safe than sorry!”

The purpose of owning rental property is to get a high yield. Yield is determined by rent collected and expenses paid. If you allow a tenant to take possession of a property and he doesn't pay his rent you lose money. If you have to pay to evict him, you lose money. If he leaves the unit damaged, you lose money. Would that affect your yield at all? Of course! It would decrease it significantly; maybe even take it from a positive yield to a negative yield.

Even if you carefully screen a potential tenant, you will still have a chance of that tenant costing you money.

The philosophy that I recommend that you have when a prospective tenant hands you an application to check out is that everything that is written on the application is A **LIE!**

Your goal is to take that application and determine if the information is true or not. Your goal is to determine if this person is responsible enough for you to hand them the keys to your rental property and have confidence that the person is an excellent risk.

If two people want to apply that are not married, have each of them fill out a separate application. If a tenant needs a cosigner, have the co-signor fill out a separate application and check them out the same way you would a tenant application.

There are a lot of places that you can go to find rental application forms. Some are free and some cost money. The application presented in our eBook is one that is a combination of a lot of other ones that we reviewed. We took what we felt was the best ideas for each.

PARTS OF THE APPLICATION

There are different parts to the rental application that we will now discuss.

PERSONAL INFORMATION

First are the name, birth date, social security number and driver's license number for the applicant. We get this information because we will always run a credit report on each adult. I recommend that you ask the tenant for his driver's license and compare it to the rental application. We always took a copy of the license and put it into the tenant's file.

A credit report is a history of how a person paid his bills in the past. It usually will reflect their attitude about paying bills on time in the future.

Always run a credit report on your applicant.

In fact, there are tenant screening services that you can pay a one-time fee or a subscription fee to run an applicant's credit report, previous tenant history, statewide eviction history, statewide criminal history, and sex-offender search. You can easily find services by googling "Tenant Screening" or "Tenant Checks."

Another helpful tenant screening technique that I have found is to go to your local county court house website. In my county's case, they have listed all civil cases (evictions could be found here), small claims (where one person is suing another for damages), and criminal (someone was bad and broke the law.)



Here is a picture of the Kern County Court web site. You can see by the arrow you have links to the civil, criminal, and small claims records. If you click on one of the three, you will be taken to the next window.



In this case, I clicked on civil. You will see under Civil Search Menu, it says "Search Case Information by case number, party name, entity name or filing date."

"Our mission is to impartially dispense justice to all residents of the County of Kern."

Home | Services | Fee Schedules | Forms | Records | Revenue Recovery | Jobs | Contacts | Search

**Superior Court of California
County of Kern**

APPEALS **CIVIL** CRIMINAL FAMILY LAW JURY JUVENILE PROBATE SMALL CLAIMS TRAFFIC

Site navigation map: Home > Civil > Search for Civil Case Information

Search for Civil Case Information

Civil Search Menu

- Search Case Information by case number, party name, entity name or filing date
- Search Hearing Schedule by case number, hearing date
- Search Tentative Rulings
- Search Tips

General Information

- Civil Case Exhibits
- Civil Mediation
- Civil Mediator Panel
- Court Call - Phone Appearances
- Court Contact Information
- Court Fees
- E-Mail Civil ADR
- E-Mail Civil Limited

Case Number: * - -

Party Name: *

Last Name: First Name:

Entity Name: *
(business or government agency)

Daily Index *

Filing Date Range:

Date From: Date To: (format: mm/dd/yyyy)

[Search Tips](#)

* One or more parameter(s) required.

If you fill in the first and last name of the tenant, make sure it is the correct name (remember, you checked their I.D.) and hit search, you can check these three areas for free. I have gone back and checked some old tenants using this site and if I had done it before I rented the unit, they would not have qualified and I would have been saved some grief.

RENTAL HISTORY

The next information is gathered to evaluate their rental history. The more previous landlords you speak to, the better. By the way, which would be more credible, the current landlord or the previous landlord? The answer is the previous landlord. If I have a crappy tenant currently living in my unit and you call me because they have applied to rent your property, I might not tell you the truth just so I can increase the chances of getting rid of my problem tenant.

I would like to share a story with you that taught me a big lesson. I had a vacant unit at one of my properties and a person applied. We will call her Mrs. Apple. On the rental application, Mrs. Apple said that her current landlord was Mrs. Bell and that she rented 123 A Street. I called Mrs. Bell and asked her the landlord questions and was told that Mrs. Apple was a great tenant and always paid her rent on time. I approved Mrs. Apple and she paid her first month's rent and deposit and moved into my property. The next month she did not pay her rent and I had to evict her, which cost me a lot of money. I went back to her rental application and decided to do some research. I called a

title company and asked who owned 123 A Street. Guess what? It wasn't Mrs. Bell. Mrs. Bell was just some friend or relative that lied for Mrs. Apple.

From that point on, I paid more attention to this area.

If the applicant rented from a professional management company I would make sure that the phone number listed was correct and that they answered the phone in the name of the management company.

If the owner was an individual, I checked with a title company to make sure that the person I was going to call was the actual owner. **REMEMBER, EVERYTHING ON THE APPLICATION IS A LIE. YOU MUST PROVE THAT IT IS TRUE.**

EMPLOYMENT RECORD

Next we are going to investigate the employment record. Your goal would be to have someone who has worked for a company for a length of time and has stability. If you rent to a tenant and he leaves your property owing you money, you will probably want to try to collect it. If the tenant has a job from a legitimate company, one of the ways to collect your money is to attach his paycheck. In my area this was done through the Sheriff's Office. If a person is self-employed or on government assistance, it makes it almost impossible to use this process. You should then consider a co-signor. We requested that the applicant bring a copy of two of his pay stubs to give to us as part of the application process.

BANKING INFORMATION

Banking information is also important. Another way to collect money owed is to place a lien on the tenant's savings or checking account. If a tenant pays their rent with a check, make sure to compare the information on the check with the information on the rental agreement. We took copies of checks and put them in the tenant's folder before depositing them.

PERSONAL REFERENCES

Personal references are not as important in processing the application as for tracking down a tenant if they leave owing you money. I would recommend that you call the references to see if the number is correct. I also feel more confident if the references are listed in the phone book.

A couple of interesting questions to ask are: "Joe C. has applied to rent an apartment/house from us and used you as a reference. What do you know about Joe that would encourage us to accept him as a tenant? If we required a co-signor for Joe, would you be willing to guarantee his contract with us by becoming his co-signor."

OTHER

Information about their automobiles may come in handy when you need to collect money and you have the sheriff possess their car to sell for the debt settlement.

The "HAVE YOU EVER" area is designed to have them consider being honest on the application. Sometimes credit reports will reveal if they are telling the truth. I also like the question:

“Do you own a vacuum cleaner?” It should be a legitimate question to determine how they plan to keep the carpets clean.

The “IN CASE OF EMERGENCY PERSON TO NOTIFY” gives you another person to help you track down your tenant if they end up owing you money.

I strongly recommend that you review the application before collecting the application fee. If by observation, you can see that the tenant will not qualify because of not meeting the minimum requirements, then tell them that you are sorry but they cannot qualify and don't take their money. It is not fair to require an application fee unless they look like they can qualify based on their application.

RENTAL APPLICATION

**Sunshine Management
P.O. Box 12345
Sunnydale, CA 94567
(555) 555-5555**

**** There is a \$30.00 per single person or \$45.00 per married couple fee that must be paid with application which is non-refundable, whether you are approved or disapproved.**

Date _____ Property Address Applying for: _____

Full Name of Applicant: _____

Home Phone #: _____ Cell Phone # _____

Birth Date: _____ SS#: _____ Drivers Lic. # _____

Present Address: _____

How long have you lived at present address? _____

Reason for leaving? _____

Name of Landlord: _____ Phone # _____

Prior Address: _____

How long did you live at prior address? _____

Reason for leaving? _____

Name of Landlord? _____ Phone # _____

Employer Name: _____

Address: _____ Phone # _____

Position/Title: _____ How long? _____

Gross Income \$ _____ Other Income \$ _____

SPOUSE INFORMATION

Full Name of Applicant: _____ Phone #: _____

Birth Date: _____ SS#: _____ Drivers Lic. # _____

Employer Name: _____

Address: _____ Phone # _____

Position/Title: _____ How long? _____

Gross Income \$ _____ Other Income \$ _____

OTHER OCCUPANTS

Names and ages of occupants: _____

Name of Bank: _____ Phone # _____

Address of Bank _____

Checking Account # _____ Savings Account # _____

PERSONAL REFERENCES

NAME	RELATIONSHIP	PHONE
_____	_____	_____
_____	_____	_____
_____	_____	_____

OTHER INFORMATION

VEHICLES OWNED

Make/Model _____ Year _____

License # _____ State _____ Color _____

Make/Model _____ Year _____

License # _____ State _____ Color _____

*Do you own a pet? If so what? _____

HAVE YOU EVER

Filed for bankruptcy? _____ If yes, when? _____

Been served an eviction notice or been asked to vacate a property you were renting?

Willfully or intentionally refused to pay rent when due? _____

Do you own a vacuum cleaner? _____

IN CASE OF EMERGENCY PERSON TO NOTIFY:

Name: _____ Relationship: _____

Address: _____ City: _____ Zip: _____

Telephone #: _____

Please bring a photo ID when turning in this application and provide the following supporting financial information:

1. Copy of applicant's last paystub (or most recent federal tax return if self-employed)
2. Copy of applicant's last bank statement for your checking and savings accounts

Applicant represents that all information given on this application is true and correct. Applicant hereby authorizes verification of facts and references to include but not limited to current and previous landlords and employers and personal references. Applicant hereby authorizes Landlord/Agent to obtain Unlawful Detainer Reports, Credit Reports, and/or Criminal Background Reports. Applicant agrees to furnish additional credit information and/or personal references upon request. Applicant understands that incomplete or incorrect information provided in the application, may cause a delay in processing which may result in denial of tenancy. Applicant hereby waives any claim and releases from liability any person providing or obtaining said verification and information. The cost of the credit report is not a deposit or rent, and will not be applied to future rent or refunded, even if application to rent is declined. Applicant(s) understand that the landlord may terminate any rental agreement entered into for any misrepresentation made above.

Applicant's Signature	Date	Co-Applicant	Date
-----------------------	------	--------------	------

(555) 555-5555

**** There is a \$30.00 per single person or \$45.00 per married couple fee that must be paid with application which is non-refundable, whether you are approved or disapproved.**

This form is to be used when you start you investigation of the tenant for verification purposes.

SUNSHINE MANAGEMENT
RENTAL APPLICATION VERIFICATION FORM

GOAL: To Process within 24 hours

Applicant #1 Credit report 1-10 _____
Applicant #2 Credit report 1-10 _____
Applicant #1 _____
Appearance 1-10 _____
Employer _____
How Long? _____ Gross Income _____
Spoke to _____
Payroll Stub _____ Picture ID. _____

Applicant #2 _____
Appearance 1-10 _____
Employer _____
How Long? _____ Gross Income _____
Spoke to _____
Payroll Stub _____ Picture ID. _____

RENTAL HISTORY – USE LANDLORD INTERVIEW FORM

References Phone book?

1 - 10

Credit History	Work History	Rental History	Total Rating
_____	_____	_____	_____

***There are two more evaluations that you can do as part of this process. The appearance test and the smell test. I always felt uneasy with applicants with green and orange hair and who smelled like a rhinoceros. However, do not deny them for these reasons; use the ideas from the Denied Application Form.

This form is used to verify the applicant's rental history.

**Sunshine MANAGEMENT
LANDLORD INTERVIEW FORM**

Current Landlord Name _____
Confirmed owner of property with Title Company? _____
Landlord Interview Date _____
How long lived at the property _____
Pay rent on time? _____
Any late payments? _____
Gave 30-day Notice? _____
Received deposit back? _____
Would you rent to them again? _____

Previous Landlord Name _____
Confirmed owner of property with Title Company? _____
Landlord Interview Date _____
How long lived at the property _____
Pay rent on time? _____
Any late payments? _____
Gave 30-day Notice? _____
Received deposit back? _____
Would you rent to them again? _____

Previous addresses off credit report

THE DENIED APPLICATION FORM

I added this form to our portfolio because of a very important reason: I don't want you to get sued by prospective tenants or fined by the government.

Your goal in renting your rental property is to get the best tenant possible. We discussed the application process and the importance of checking each applicant very carefully. We even discussed a grading process on their credit, rental, and employment history.

It is very important that you understand that it is against the law to discriminate for any reason.

There are some tenants that will become very vindictive if they are refused the opportunity to rent an apartment. There are government agencies that will believe anything that a tenant or prospective tenant says about you as a landlord. Their attitude is that you are guilty until you prove yourself innocent.

You cannot refuse to rent to a person because of race, religion, ethnic background, sexual preferences, or children. There are government agencies that will send out different applicants, which fall into different categories, usually racially.

Example: They send out two prospective tenants, one Caucasian and one African-American. Both of the people will fill out applications, with the minority tenant having a little bit stronger qualifications. If you rent to the Caucasian with lesser qualifications, you may be in big trouble.

Almost every single tenant that applies to rent will have some negative comments after you have done your review of their application.

Personally, I would not recommend that you send them a copy of the DENIED APPLICATION FORM unless they request it.

Once in a while, a prospective tenant will feel like they have been cheated out of their application fee. If this happens, you can either emphasize the first or last sentence on their application or agree to refund all or part of their fee. If this doesn't satisfy them, you may consider giving all or some of their application fee back to them.

DENIED APPLICATION FORM

Name: _____ Date: _____

Thank you for your interest in our apartment/house for rent. We have completed review of your rental application. Unfortunately, based on the information currently in our files, your application has been rejected for the following reason(s).

1. EMPLOYMENT/INCOME

- Employment could not be verified
- Local employment could not be verified
- Irregular or temporary employment
- Income could not be verified
- Insufficient income
- Other _____

III. PERSONAL REFERENCES

- Could not be verified
- Lack of non-family references
- Negative references
- Other _____

II. RENTAL HISTORY

- Could not be verified
- Delinquent rental payment reported
- Property damage reported
- Disruptive behavior reported
- Prior eviction reported
- Other _____

IV. APPLICATION PROBLEMS/DISCREPENCES

- Application unsigned
- Application incomplete
- False information
- Apartment rented to prior applicant
- Other _____

V. CREDIT HISTORY

- Could not be verified
- Unsatisfactory payment history
- Bankruptcy filing
- Other _____
- Credit Bureau phone number (See Below)

Our decision was based in whole or in part on information obtained from one or more of the consumer reporting agencies listed below. You have certain rights under federal and state law with respect to your consumer report and have the right to a disclosure of the information in your consumer file from any of the consumer reporting agencies listed below. In order to exercise this right or exercise your right to receive a copy of your free credit report you must submit a written request to the consumer reporting agency within 60 days of receiving this denial.

Equifax Credit Information
Services, Inc.
P.O. Box 740241
Atlanta, GA 30374
800-685-1111
<http://www.equifax.com>

Experian Consumer
Assistance
P.O. Box 2104
Allen, TX 75002
888-397-3742
<http://www.experian.com>

TransUnion Consumer
Solutions
P.O. Box 2000
Chester, PA 19022-2000
800-888-4213
<http://www.transunion.com>

You have the right to dispute with the credit reporting agencies any inaccurate or incomplete information provided by the consumer reporting agency. If the disputes items are determined to be inaccurate, incomplete, or cannot be verified, the information will be deleted or modified. Upon you request, the consumer reporting agency will notify us of any changes made to your report.

Thank you for your interest in our apartments.

Sincerely,
Sunshine Property Management

SIGNING OF THE RENTAL AGREEMENT THE SECOND MOST IMPORTANT ACTION IN PROPERTY MANAGEMENT

You have completed the most important step in effective property management. You have screened a prospective tenant, they look like they are qualified and you have decided that you will rent to them.

You arrange to meet with the tenant(s) and cosigner, if applicable, at the property to sign the rental agreement and any addendums, and collect the money for the deposit and first month's rent. You tell them what to bring with them which includes:

- 1) A copy of their driver's license. Compare this with their application. Make sure they are who they say they are.
- 2) Copies of payroll stubs and/or proof of other income.
- 3) Cash, money order, or cashier's check for the deposit and first month's rent payable to Sunshine Management. **(No personal checks accepted at this time)**

Suppose it is the 28th of the month and your rent is \$600 which is \$20 per day. The prorated rent would be \$60 plus the deposit. Would you give the tenant the key for \$60? I certainly hope not.

This is what I recommend that you do. Tell the tenant that they must bring the full amount of the rent of \$600. On the first of the next month, they will pay you the prorated amount of \$60. Now you and they might think that the prorated rent should not be due until the 28th of the next month which is really correct. However, if you gave them the unit for the \$60, they would owe you \$600 on the 1st and you would have a total of \$660 from them at that time. All you are doing is reversing the two amounts of rent.

A note about proration! I started my management career having the tenants pay me every month based on the date they moved in. The net effect is that I had different due dates for the rent on each unit. **This was a night mare.** Have all of your rents due on the 1st of the month.

- 4) All adult parties (including the co-signor if applicable) must be present to sign the documents.

Once all the parties are at the property, it is time to explain the rules of the rental contract. There are many rental agreements available from different sources. We used a 6-page agreement developed by the California Association of Realtors®. The California Apartment Association has a 3-page agreement. Find one that you feel comfortable with. In the eBook, I have included some addendums that you may want to use for additional clarifications with your tenant.

First of all, explain that the documents that are being signed is a contract outlining the responsibilities of each party. As a management company we have certain responsibilities and as a tenant they have certain responsibilities.

I recommend that you give an explanation something like this.

“The owner of this property (remember you are not the owner, you are the manager representing the owner) is one of the nicest people that I know. He is concerned about the comfort and well-being of his tenants. However, he has instructed me that I am to follow the rules of this contract and strictly enforce the rules as far as the tenant is concerned. Is that clear?”

As you go step by step through the rental agreement, emphasize those areas of most concern as if you were a loan officer at a bank going through the loan documents covering such things as:

- 1) **Occupants** - Per your application, we are renting the property to ___ adults and ___ children. These people are to be the only tenants allowed to live at the property, period. If anyone else moves into the unit without our written permission, you will be in violation of your rental contract and subject to a 3-day notice to perform or vacate.
- 2) **Rent** – “the rent is due on the 1st and late at 5:00 PM on the 5th. There are no excuses for late rent. We will not accept excuses such as the mail was slow, I mailed it to the wrong address, or I didn’t get paid. When you don’t pay your rent on time, you are in effect, borrowing money from the owner without his permission. THIS IS UNACCEPTABLE, PERIOD. We are instructed by the owner, which is in the rental agreement, to charge you a late charge of 10% of the rent which will not be waived. If you feel that you are going to be late, I recommend that you do not rent from us. We also belong to a national tenant reporting bureau and have the power to adversely affect you credit. Don’t mess up with you rent. It’s not worth it. It is very important to prioritize the rent payment and keep your credit clean.

You will be allowed to pay your rent from this time forward, with a personal check. However, if the check bounces, you will be charged a late charge and a NSF of \$25. You will be required to pay your rent with a money order or cashier’s check for the next 3 months. For any late rent, we will also serve you with a 3-day notice to Pay Rent or Quit on the evening of the 5th. If you do not pay your rent and late charge during that 3-day period, we will start a legal action with our attorney called an unlawful detainer action. This will result in additional charges of a minimum of \$600 plus the sheriff will physically remove you from the property and we will receive a judgment against you that will affect your credit. If you do not have the rent by the fifth, I strongly suggest that you borrow it somewhere or go to a pawn shop. **DO YOU UNDERSTAND THE POLICY THAT I HAVE JUST EXPLAINED?”**

- 3) **Security Deposit** – Your security deposit is just that, a security deposit. We will not allow you to apply it to any rent owed. **IT SHALL NOT BE USED BY TENANT IN LIEU OF PAYMENT OF LAST MONTH’S RENT.**
- 4) **Tenant’s Obligations Upon Vacating Premises.** We want to return your security deposit to you in full. In order for this to happen, you must give at least a 30-day written notice to vacate your unit. You must pay your rent on time to prevent any legal actions. You must leave the apartment clean and undamaged, excepting normal wear and tear.

- 5) **Parking** – Parking is permitted in designated parking places only. Parking spaces are to be used for parking properly licensed and operable motor vehicles, except for trailers, boats, campers, buses or trucks (other than pick-up trucks.) Tenant shall park in assigned space(s) only. Vehicles leaking oil, gas, or other motor vehicle fluids shall not be parked on the premises. Mechanical work or storage of inoperable vehicles is not permitted in parking space(s) or elsewhere on the premises. Any violation will result in the vehicle being towed and stored at tenant's expense.
- 6) **Maintaining the property.** – When you take possession, it is your responsibility to keep the interior and exterior of your property clean and sanitary. You must contact us immediately of any problem, malfunction or damage. You shall be charged for all repairs or replacements caused by tenants or guests excluding normal wear and tear. Tenant shall be charged for all damage to Premises as a result of failure to report a problem in a timely manner. (Examples would be a toilet or faucet leaking that causes the water bill to be higher or damage to a wall. An evaporative cooler that leaks and causes damage to the roof.) Tenant shall be charged for repair of drain blockages or stoppages, unless caused by defective plumbing parts or tree roots invading sewer lines.
- 7) **Alterations** – Tenant shall not make any repairs, alterations or improvements in or about the Premises including: painting, wallpapering, adding or changing locks, installing antenna or satellite dish(es), or using screws, fastening devices, large nails or adhesive materials without Landlord's written consent.
- 8) **Pets** –The owner does not allow pets on the premises, which includes guests of the tenant bringing a pet. This is very important and will not be tolerated. If you have an illegal pet, you will be immediately given a notice to remove the pet or vacate. (In most cases, we have a no pet policy. If you do allow pets, I suggest a separate contract regarding type, number, and conditions required to have a pet. I would also suggest an additional pet deposit as a requirement.)
- 9) **Termination of Tenancy** - Make sure you discuss the proper way for the tenant to vacate the unit by giving a written 30-day notice.
- 10) Any other areas that you feel should be emphasized.

I would then suggest that you end by telling the tenant that the rules outlined in the rental agreement will be strictly enforced and if they had any reservations, please decide to go somewhere else now, rather than face a problem in the future.

Below is a copy of Property Rules and Regulations that you may want to use. You can always add or subtract clauses. Make sure you don't have something on there that is a violation of the law.

Sunshine Management
P.O. Box 12345
Sunnydale, CA 94567
(555) 555-5555

Property Rules and Regulations

Please follow the rules and regulations listed below in order to maintain a safe and pleasant environment for yourself and your neighbors.

1. All maintenance requests, except in the case of an emergency, are to be made by contacting management at the above phone number. Tenant is liable for any damage caused by his/her neglect to notify the Landlord/Landlord's Agent of any maintenance problems.
2. No persons, pets, or animals are permitted to occupy the premises other than those listed on the original Lease/Rental Agreement without the express written permission of the Landlord/Landlord's Agent.
3. Tenant is responsible for repairs to plumbing, plumbing fixtures, and appliances should damage be caused by Tenant's negligence or misuse.
4. Tenant is to park in assigned parking space only (if a space is assigned by the Landlord/Landlord's Agent). Any unauthorized parking on the premises is subject to towing at the vehicle owner's expense. Vehicle repair or washing is not allowed on the premises.
5. Disorderly conduct, loud talking, and excessive noise is not permitted on the premises.
6. Skate boarding, and roller skating is not permitted on the premises.
7. Laundry facilities (if available) are to be used between the hours of _____ a.m. to _____ p.m. daily.
8. Tenant may not use or store gasoline, cleansing solvent or other combustibles on the premises.
9. Tenant may not make any alterations to the premises (i.e., painting, changing locks, alarm installation, window air conditioner installation) without the express written permission of the Landlord/Landlord's Agent.
10. Tenant is responsible for the conduct and the cleanup of their guests and invitees.
11. Tenant who performs any illegal activity or causes a nuisance on the premises will be subject to eviction.
12. No rugs, towels, articles of clothing or other such items are to be draped over the rails of windows, balconies or lanais, and no mops or rugs are to be shaken from same or through window openings.
13. Personal items such as bicycles, brooms, tools, etc. shall be kept out of view at all times.
14. The premises shall be kept in clean condition free of any objectionable odors.
- 15. Management is not responsible for damage or theft of Tenant's personal property. Tenant should obtain insurance for this purpose.**

Landlord/Agent: _____ Date: _____

Tenant: _____ Date: _____

Tenant: _____ Date: _____

TENANT INFORMATION AND INSTRUCTIONS

We welcome you and hope you will enjoy your new home. We would like to take this opportunity to explain some of our services, policies, procedures, and rules.

Annual Inspections

We will inspect your residence at least once a year. You will be sent a notice with an appointment time. We would prefer that you be present, but we can enter with our key if you are not available. You may request a different time for the inspection by contacting our office. During the inspection we will look for problems with your residence. If we notice a problem that you are responsible for, we will notify you. If we notice a problem that is due to normal wear and tear, we will repair the problem at no cost to you.

Access for Inspection and Emergency

In certain instances we have the right to enter your residence without proper notice. Please refer to your Lease or Rental Agreement for more information. Unless there is an emergency, we will notify you in advance before entering your residence.

Please do not re-key any locks to your residence or add an alarm system without contacting us first. If you need to have your locks re-keyed or wish to install an alarm system, please contact us. If you change the locks and we are unable to access your residence, a locksmith may be called and you will be billed for this cost.

Barbecue Grills

Use care and follow the rules below when using a barbecue grill:

1. Never use grills on or near: wooden decks, balconies, dry grass/brush, or near combustible material.
2. Never use grills in a confined space.
3. Never add more starter fluid after the fire has been lit.
4. Never leave the grill unattended after it has been lit.
5. Completely extinguish the fire and thoroughly douse the coals in water after grilling.

Dishwasher

1. If water comes out of the air vent at the top of the sink, your dishwasher may be clogged. Unclog the dishwasher before re-using.
2. Only dishwasher detergent can be used in the dishwasher. Make sure the detergent is free of any lumps before using.
3. Scrape off large chunks of food before placing dishes into the dishwasher.
4. Keep the dishwasher strainer clean to prevent any clogs.
5. Some items that should not be washed in the dishwasher are: rubber or wooden items, cast iron utensils, plastic items, and anodized aluminum.

6. The top rack should be reserved for plastic items (that are dishwasher-safe), glasses, and mugs. Items such as plates and bowls should be placed on the lower rack.
7. Close the door securely before use and choose a wash cycle that is appropriate for the load.

Electrical Panel Box (Breaker Box)

Your residence may have multiple breaker boxes. They are usually located inside closets and inside garages. Each box will contain multiple breaker switches that control different portions of your residence. All the switches should be set to the "on" position. If the electricity goes out in one portion of your residence, check for any breaker switches that are in the "off" position. If none are in the "off" position, turn all the breaker switches to the "off" position and then back to the "on" position. There may also be a GFI (ground fault interrupter) switch with a reset button that needs to be pressed. GFI switches are usually located in a bathroom or in the garage.

Emergencies

An emergency is anything that threatens the health, life, or safety of any tenant(s) and may cause permanent damage to the premises and/or property. The following are examples of emergencies that need to be reported immediately regardless of the day or time:

Any sewer or drain back-ups that effect the entire residence

No heat to the residence

All of your toilets are not working

No water to the residence

No electricity to the residence

A pipe burst that causes a flood inside or outside the residence

Inability to properly secure doors or windows

Electrical problems that could cause a fire

A fire - Evacuate the building first, then call 911, lastly call the Property Manager

Major roof leaks (not just a drip) - Move furniture out of way and place something underneath the leak to catch the water, if possible. Then call the Property Manager. The roof cannot be fixed while it is raining. If it is a minor leak, place something underneath the leak to catch the water and call the Property Manager in the morning.

Gas smell - call The Gas Company (_____) and let them determine if it is an emergency. If it is, they will turn off the gas.

Emergencies should be called into the Property Manager's office immediately. During normal business hours call the Property Manager's office phone number listed below. After business hours, call the Property Manager's after hour's number listed below. If leaving a message, please speak slowly and repeat your call back number twice.

The following are urgent situations that may not be handled outside of regular business hours. Examples of urgent situations are:

Loss of keys - Call a locksmith

Non-functioning appliance such as refrigerator, dishwasher, stove, and garbage disposal

No electricity in one room or area

Neighbor complaints - Call the police

Break-ins - If your residence is broken into call the police and get a police report filed. Call the Property Manager and report any damage done to the residence.

Energy Conservation

Please contact us immediately if you notice any leaky faucets or running toilets. Turn off your air conditioning when you leave and turn off patio lights during the day.

Fireplace

Use care and follow the rules below when using the fireplace:

1. Before starting a fire, make sure the chimney flue is open.
2. Do not place decorations, debris or combustible materials within 3 feet of the fireplace when it is in use.
3. Close the chimney flue when the fireplace is not in use.
4. Never leave a fire unattended after it has been started.
5. Keep the metal or glass screen drawn closed to prevent embers from jumping out of the fire and into the room.
6. Never burn cardboard, paper, trash, charcoal or debris in your fireplace.
7. Always extinguish your fire before going to bed.
8. Do not use manufactured fire logs as a starter log or with other wood or fuels.
9. Do not exceed the fuel capacity of your fireplace.
10. Never use liquids such as kerosene, alcohol, gasoline, or lighter fluid to start or accelerate the fire.

Floors

Be careful moving large items or items with small feet on vinyl or hardwood floors. It is advisable to place pads or coasters on these items to prevent damage. Vinyl and hardwood floors may be washed with a solution of warm water and soap. Vinyl and hardwood floors should NOT be cleaned with gas, benzene, naphtha, turpentine or waxes containing these solvents. Carpets should be vacuumed at least once a week and should be professionally cleaned when you move out.

Garbage Disposal

1. Only soft foods should go into the disposal. Hard items such as bones, shells, uncooked rice, corn husks, and non-food items should not be placed into the disposal.
2. Run cold water to solidify grease and drain food waste while using the disposal.
3. Do not overload or stuff food into the disposal.

Heating and Cooling Equipment

1. ***The filters for the heating and cooling equipment should be changed once every 3 months.*** You will need a screwdriver to remove the vent covering the filter. A replacement filter can be purchased at a local hardware store. It is your responsibility to purchase and install the new filters. If you do not maintain the filters properly, the heating and cooling equipment may be damaged.
2. Do NOT leave doors or windows open while the heating and cooling equipment is running.

Helpful Phone Numbers

How to Contact the Property Manager

We prefer to have you contact us via email, but you may contact our office by any of the following methods:

1. By Email

Our office email address is _____.

2. By Phone

Our office can be reached by phone at _____. For emergencies after hours call _____.

3. By Mail

Our office mailing address is _____.

How to Contact the Building Manager

If your building has a separate Building or Resident Manager. He or she can be reached by calling _____.

Landscaping

You may be required to maintain the landscaping. Make sure the landscaping is getting enough water (please refer to your Lease or Rental Agreement). Please report any sprinkler problems to the Property Manager. Routinely check to make sure the sprinklers are turning on and that the automatic timer is plugged in and working (if applicable). Please make sure flower beds and backyards are kept free of weeds and trash.

Lease or Rental Agreement

A copy of your Lease or Rental Agreement is attached. Please take the time to review this document carefully and contact us with any questions you may have.

Maintenance

You are responsible for the routine upkeep of the premises and for maintaining all the equipment and appliances in good working order. The Property Manager is responsible for maintenance due to normal wear and tear. You will be charged for repairs or damage caused by your misuse or negligence.

Here are some examples of maintenance that you are expected to perform at your own expense:

- Replace light bulbs
- Replace batteries in smoke detector(s)
- Repair or replace damaged screens or windows
- Replace or clean air conditioning and heater filters

Here are some examples of maintenance that the Property Manager is expected to perform:

- Repair or replace garbage disposal
- Repair roof leaks
- Repair plumbing
- Repair or replace light fixtures
- Repair or replace heater and air conditioning units

To request service for maintenance or repairs, please contact our office by the email address listed above or mail a letter to our address listed above. Our repairmen will make an appointment with you. **If you are unable to keep the appointment, you must let the repairman know immediately. You will be charged for the service call if the repairman arrives and you are unable to keep the appointment. In some cases the Property Manager will be able to let the repairman into your residence after giving you appropriate notice.**

Parking

You may or may not have been assigned a parking space when you moved in. If someone else uses your parking space, it is your responsibility to call _____ at _____ to have the offending vehicle towed.

Paying Rent

1. Your rent is due and payable in advance on the first day of the month (unless your Lease or Rental Agreement specifies a different date) and becomes delinquent if not received at our office on the due date specified in your Rental Agreement.

2. Payments not received on time are subject to a late charge.
3. **All payments will be first credited to any previous rent due or all other charges assessed against you before any credit will apply to the current rent due. Charges include, without limitation, late fees, dishonored check fees and charges for tenant-caused maintenance and damage to the property and any unpaid utility bills.**
4. If you fail to pay your rent, a legal action to evict can be brought against you.

Pests

Minor insect problems can be treated with insect sprays purchased at grocery stores. Cockroaches and silverfish can also be treated with boric acid and bait traps. Insects are attracted to food particles and standing water. Please keep your kitchen clean and dispose of your trash regularly to help prevent insect problems. If you are having a major insect problem (such as swarming termites inside your residence), please contact the Property Manager.

Phone Number

All tenants are required to provide the Property Manager with their home and work numbers. Please be sure to notify us when you change your work or home telephone number (even unlisted numbers must be provided).

Portable Electric Heaters

If you use a portable electric heater in your residence, be sure that the heater is properly positioned and cannot be tipped over. Be sure the heater is placed away from anything that might be combustible. Do NOT leave the heater on and unattended!

Refrigerators

The coils and vents on the back of the refrigerator should be vacuumed and cleaned at least once a year. This will improve the efficiency of the unit, which will lower electricity costs.

Renter's Insurance

Please consider purchasing a standard renter's insurance policy (your Lease or Rental Agreement may require that you purchase renter's insurance). Renter's insurance provides coverage for the inside of your residence and for all of your personal belongings within the residence in the event of loss, damage, or destruction. The Landlord's insurance policy does NOT cover any loss to your personal belongings. Renter's insurance may also cover additional living expenses if your residence becomes uninhabitable and may also protect you from liability resulting from your activities. Renter's insurance is usually inexpensive with yearly premiums ranging from around \$100 to \$300. Contact your insurance agent for more information.

Security

Keep common area doors closed at all times. Report suspicious individuals or activity to the Property Manager or to the police.

Security Deposits

If you intend to vacate your residence, you must provide the Property Manager with written notice thirty days in advance. Please use the Notice of Intent to Vacate form that was provided to you at move in. Your notice must include the date you plan on moving out and your forwarding address.

Per your Lease or Rental Agreement your security deposit CANNOT be applied to the last month's rent. Once you move-out you will need to return all of your keys to our office. If you do not return your keys, you will be deemed to be in control of the residence and will be responsible for rent until your keys are returned.

Your security deposit will be returned to you provided you have complied with all the provisions of the Lease or Rental Agreement. A complete explanation of any deductions from your deposit will be sent to you within twenty-one days of your move-out. Your security deposit will be refunded to you as well, provided that:

1. The residence is left in the same condition as when you moved in (properly cleaned)
2. There is no damage other than ordinary wear and tear
3. All of your rent due and any other charges have been paid, and
4. Any utility charges you are responsible for are all paid current

Shutoffs

If your home is a single family residence, you may need access to the water and gas shut-off valves in the case of an emergency. The main water shut-off is usually in the front yard on a pipe that comes up from the ground and enters the house. There may also be a water spigot on this pipe as well. The water shut-off for the water heater is usually located on a pipe that leads to the top of the water heater. There are also separate water shut-off valves for sinks, toilets, and washing machines.

The gas shut-off is near the gas meter on the outside of the house. In order to shut off the valve, you must use a wrench to turn it so that the valve is perpendicular to the pipe. Only a representative from the gas company should reopen the shut-off valve once it has been closed. There are also gas shut-off valves on the gas pipes that connect to gas appliances. These valves can also be shut off by turning the valve so that it is perpendicular to the pipe.

Smoke Detector(s)

Per state and local law there are smoke detector(s) installed within your residence. It is your responsibility to test the smoke detector(s) monthly to determine if they are operating properly. If the smoke detector(s) begin to make a regular beeping noise, you will need to replace their batteries. If the smoke detector(s) are not working, contact the Property Manager immediately.

Storage Areas and Garages

Do not store any flammable items in your storage area or garage. The Landlord is not responsible for any damage/loss related to your storage area or garage. Please cover your stored items with your renter's insurance. The common areas are not for storage of personal items. Any items left in the common areas may be disposed of.

Stove

Clean the stove top, drip pans, oven, and oven racks regularly. Do NOT use oven cleaner on self-cleaning or continuous cleaning ovens.

WHEN IN DOUBT, GET A CO-SIGNOR

If there is a co-signor involved in the process, you will need to spend a few minutes discussing why they are signing an agreement and what will happen if the tenant defaults on any parts of the rental contract. I always told them that they are guaranteeing that the tenant will keep the rules and if there is any monetary loss, we will spend more time and effort collecting from the co-signor, than the tenant.

It is also important that you contact the co-signor when anything is going on that could affect them. Any time you give a 3-day notice to pay rent or quit, call the co-signor and let them know. They may get after the tenant or pay the rent themselves rather than jeopardize themselves for any legal action. Also, if the tenant moves out with damages in excess of the security deposit, let the co-signor know so they can quickly come over and clean or make repairs. Treat the co-signor right, it is only fair.

Sunshine Management
P.O. Box 12345 Sunnydale, CA 94567 (555) 555-5555

CO-SIGNOR/GRANTOR AGREEMENT
(Addendum to Rental Agreement)

This agreement is attached to and forms a part of the Rental Agreement dated _____ between _____, Owner/Management Company, and _____, Tenants.

My name is _____.

I have completed a Rental Application for the express purpose of enabling the Owner/Management Company to check my credit. I have no intention of occupying the dwelling referred to in the Rental Agreement, and I promise to guarantee the Tenants compliance with the financial obligations of this Agreement.

I understand that I may be required to pay for rent, cleaning charges, or damage assessments in such amounts as are incurred by the tenants under the terms of this Agreement if and only if the Tenants themselves fail to pay.

I also understand that this Co-Signor/Grantor agreement will remain in force throughout the entire term of the Tenants tenancy, even if their tenancy is extended and/or changed in its terms.

Co-Signor/Grantor

Accepted by Owner/Manager

One of your biggest financial liability positions has to do with smoke detectors. There can be large settlements against owners that did not adequately install and maintain these important alarms. First check with you local government agency and insurance company to see what the requirements are for number of detectors and the correct places to install them. Tenants will take out the batteries from smoke detectors and use them for other reasons. You cannot go into the unit every few days to make sure the detectors are functional. This addendum places the responsibility of maintaining the detectors on the tenant. I still recommend that you check the smoke detectors every six months or so. It gives you a reason to enter the tenant's unit and check out how it is being maintained. Make sure you properly post the unit to enter.

SMOKE DETECTOR ADDENDUM

NOTICE THIS DOCUMENT PLACES A DUTY UPON THE RESIDENT TO REGULARLY TEST THE SMOKE DETECTOR(S) AND REPORT ALL MALFUNCTIONS TO OWNER OR MANAGEMENT AGENT IN WRITING.

THIS ADDENDUM dated _____ will become a part of the original lease or rental agreement dated _____

Between _____, Manager,
and _____, Tenant,

for the residence located at _____

1. Smoke Detector: You acknowledge that as of this date, the Residence is equipped with one or more smoke detectors; that you have inspected the smoke detector(s); and that you find it/them to be in proper working conditions.
2. Repair: You agree that it is your duty to regularly test the smoke detector(s) and agree to notify property manager immediately in writing of any problem, defect, malfunction or failure of the smoke detector(s). Within 7 days of receipt of such written notification, management shall repair or replace the smoke detector(s), assuming the availability of labor and materials.
3. Maintenance: (A) You agree to replace the smoke detector(s) battery, if any, at anytime the existing battery becomes unserviceable. (B) If after replacing the battery, the smoke detector will not operate, you must inform management immediately in writing of any deficiencies.
4. Replacement: You agree to reimburse management, upon request, for the cost of a new smoke detector and the installation there of in the event the existing smoke detector(s) becomes damaged by you or your guests or invitees.
5. Disclaimer: YOU ACKNOWLEDGE AND AGREE THAT OWNER OR AGENT IS NOT THE OPERATOR, MANUFACTURER, DISTRIBUTOR, RETAILER OR SUPPLIER OF THE SMOKE DETECTOR(S). YOU ASSUME FULL AND COMPLETE RESPONSIBILITY FOR ALL RISK AND HAZARDS ATTRIBUTABLE TO, CONNECTED WITH OR IN ANY WAY RELATED TO THE OPERATION, MALFUNCTION OR FAILURE OF THE SMOKE DETECTOR(S), REGARDLESS OF WHETHER SUCH MALFUNCTION OR FAILURE IS ATTRIBUTABLE TO, CONNECTED WITH, OR IN ANY RELATED TO THE USE, OPERATION, MANUFACTURE, DISTRIBUTION, REPAIR, SERVICING OR INSTALLATION OF SAID SMOKE DETECTOR(S). NO REPRESENTATION, WARRANTIES, UNDERTAKING OR PROMISES, WHETHER ORAL OR

IMPLIED, OR OTHERWISE, HAVE BEEN MADE BY OWNER, ITS AGENTS OR EMPLOYEES TO YOU REGARDING SAID SMOKE DETECTOR(S), OR THE ALLEGED PERFORMANCE OF THE SAME. OWNER OR AGENT NEITHER MAKES NOR ADOPTS ANY WARRANTY OF ANY NATURE REGARDING SAID SMOKE DETECTOR(S) INCLUDING EXPRESSED OR IMPLIED WARRANTIES. OWNER OR AGENT SHALL NOT BE LIABLE FOR DAMAGES, LOSSES AND/OR INJURIES TO PERSON(S) OR PROPERTY CAUSED BY (1) YOUR FAILURE TO REGULARLY TEST THE SMOKE DETECTOR(S); (2) YOUR FAILURE TO NOTIFY OWNER OF ANY PROBLEM, DEFECT, MALFUNCTION, OR FAILURE OF THE SMOKE DETECTOR(S); (3) THEFT OF THE SMOKE DETECTOR(S) OR ITS SERVICEABLE BATTERY; AND/OR (4) FALSE ALARMS PRODUCED BY THE SMOKE DETECTOR(S).

6. Entire Agreement: The parties acknowledge that this written addendum is the entire agreement of the parties relative to the smoke detector(s) in the above referenced residence. Any agreement that in any way varies the terms of this Addendum shall be unenforceable and completely void unless such agreement is in writing and signed by both parties.
7. Term: The term of this Addendum shall be the same term as lease renewal or extension of rental agreement.
8. Acknowledgement: I acknowledge I have read this addendum and it places a duty upon me to regularly test the smoke detector(s) and report all malfunctions of the same to lessor or agent in writing.

Landlord/Agent: _____ Date: _____

Tenant: _____ Date: _____

Tenant: _____ Date: _____

OTHER ADDENDUMS

LEAD BASED PAINT DISCLOSURE

In California, for any residential property built prior to 1978, the owner or management company is required by law to give the tenant a pamphlet entitled *Protect You Family from Lead in Your Home* and have the tenant sign a *Lead-Based and Lead-Based Hazards Disclosure*. You may be able to purchase the booklet and disclosure form from the Board of Realtors®, Apartment Association, office supply stores, or you can look for them on line. I recommend you check your state to see what is required for you.

MOLD AND RADON DISCLOSURES

Check what your state requires for disclosures to tenants of the dangers of mold and radon. You should be able to get copies of information books and disclosure forms online or from apartment associations and office supplies.

BROKEN WINDOWS

One of the challenges you will probably face will go something like this. A tenant calls and says, "I just came home from work and one of my windows is broken. I don't know how it happened. In one such case, I found out that the tenant's children were playing with a ball and broke the window. In another interesting case, when we went to the apartment, we found that the window was double paned and the inside pane was the one that was broken. We added the following addendum to our rental agreement:

Broken windows are the sole responsibility of the tenant to repair or replace. Since a broken window is a health hazard, it is required that you replace it immediately. If you would like our handy man to replace your window and bill you directly that will be acceptable. If you do not repair your window immediately and the management company has to do it, we will be forced to charge you and apply the rules for Balances Owed From Previous Months Addendum which can lead to additional charges and/or eviction.

MOVE IN/MOVE OUT CHECKLIST

I strongly recommend that you do a walk thru and fill out a **Move-In Checklist** as part of your tenant's taking possession of the apartment. The reason that this is important is that some tenants will move out of a unit leaving in dirty and damaged beyond the cost of their deposit. If you decide to take them to Small Claims Court to try to recover the additional damages, you will tell the judge what the tenant did and may even have pictures. The defense of the tenant will be that he left it in the same condition as when he rented it. Now the question is; "How can you prove the condition of the unit when the tenant moved in?" I have heard of some landlords taking pictures of the unit with a newspaper showing the date. Your best defense is to have a statement of the condition of the unit at the time the tenant took possession signed by the tenant as part of your rental agreement. The best time to do this is when you meet them at the property to sign all the paper work. At times we have mailed a copy to the tenant and asked them to mail it back, but in some cases the tenant would be a little liberal with the truth or not mail the form back to us. Give the tenant a copy of the checklist also. When the tenant has vacated and wants to do a final walk thru, you bring your copy to determine what if anything needs to be charged to the tenant's deposit. Then the cost of the repairs will be itemized on the Disposition of Security Deposit Letter.

MOVE IN/MOVE OUT INSPECTION CHECKLIST

Tenant(s) _____

Property Address: _____

Codes (S) Satisfactory (NA) Not Applicable

(NC) Needs Cleaning (NR) Needs Repair

Item	Move In	Move Out
Keys		
Front Door		
Mailbox		
Other		

<u>LIVING ROOM/DINING ROOM</u>	Move In	Move Out
Walls/Ceiling		
Flooring/Carpet		
Doors		
Glass		
Drapes/Blinds/Shades		
Other		

<u>KITCHEN</u>	Move In	Move Out
Overall Cleanliness		
Range/Oven		
Refrigerator		
Cabinets/Countertops		
Sink		
Dishwasher		
Garbage Disposal		
Floor		
Glass		
Walls/Ceiling		
Other		

<u>HALLS</u>	Move In	Move out
Walls/Ceiling		
Flooring/Carpets		
Doors		
Other		

<u>BEDROOM #1</u>	Move In	Move Out
Walls/Ceiling		
Floors/Carpet		
Closet/Closet Door		
Door		
Glass		
Drapes		
Blinds/Shades		
Other		

<u>BEDROOM #2</u>	Move In	Move Out
Walls/Ceiling		
Flooring/Carpets		
Closet/Closet Door		
Door		
Glass		
Drapes		
Blinds/Shades		
Other		

<u>BEDROOM#3</u>	Move In	Move Out
Walls/Ceiling		
Flooring/Carpets		
Closet/Closet Door		
Door		
Glass		
Drapes		
Blinds/Shades		
Other		

<u>BATH #1</u>	Move In	Move Out
Overall Cleanliness		
Tub/Shower		
Sink		
Toilet		
Tile		
Vanity/Medicine Cabinet		
Flooring		
Door		
Glass		

<u>BATH#2</u>	Move In	Move Out
Overall Cleanliness		
Tub/Shower		
Sink		
Toilet		
Tile		
Vanity/Medicine Cabinet		
Medicine Cabinet		
Flooring		
Door		
Glass		

<u>MISCELLANEOUS</u>	Move In	Move Out
Smoke Detectors		
Fire Extinguishers		
Laundry Room		
Storage Room		
Garage		
Heating/Air Conditioning		
Furniture		
Fireplace		
Other		

Approved Date:

Landlord/Agent:

Tenant

Tenant

TENANT CHECKLIST – SUNSHINE MANAGEMENT

1. Give the applicant a copy of each of the following
 - a. Rental Application
 - b. Statement of Rental Policy
2. Collect the completed Rental Application along with a copy of each of the following:
 - a. Photo ID
 - b. Bank Statement
 - c. Paystub
 - d. Application fee (in cash, cashier's check, or money order)
3. Review the Rental Application using the Rental Application Verification form and the Landlord Interview form
 - a. Deny application and provide Rental Application Denial form (Optional)
 - b. Approve application and provide the following
 - i. Rental Agreement
 - ii. Rental addendums
 - iii. Lead Based Paint Disclosure form (Radon and Mold Disclosure Forms)
 - iv. House Rules and Regulations form
 - v. Notice of Intent to Vacate (to be used at Move-Out)
4. Collect original copy of signed Rental Agreement and any other documents that required signatures. Collect cashier's check or money order for first month's rent and security deposit.
No Personal Checks at this time.
5. Provide Tenant with:
 - a. Copy of Rental Agreement and Addendums
 - b. Tenant Information and Instructions form
 - c. Keys (residence, garage, common area, trash mail, etc)
6. Perform initial inspection and complete Move-In/Move-Out Inspection Checklist. Provide Tenant with a copy within 24 hours.
7. Place rental agreement and application, all addendums and disclosure forms, Move-In Inspection form, etc. into folder and place in tenant drawer
8. Make sure that utilities that are to be paid by the tenant are out of our name
9. Cancel ads, change voice mail on answering machine message if necessary, remove sign
10. When Tenant gives notice to move-out, send a Receipt of 30-Day Notice of Termination of Tenancy along with the Cleaning Requirements to Qualify for Security Deposit Refund
11. Collect all of the keys from the Tenant.
12. Perform final move-out inspection and complete the Move-In/Move-Out Inspection Checklist.
13. Send the tenant the following within 21 days of move-out.
 - a. Security Deposit Refund form
 - b. Final copy of Move-in/Move-Out Inspection Checklist
 - c. Remaining deposit (if any)

VICE PRESIDENT – OPERATIONS - COO

HOW TO COLLECT LATE CHARGES, ETC.

Balances Owed From Previous Months Addendum

NOTICE OF ENTRY FORM

BOUNCED CHECK LETTER

NOTICE OF CHANGE IN TERMS OF TENANCY LETTER

WARNING NOTICE – Complaints from Neighbors/Residents

AUTOMOBILE/VEHICLE CITATION LETTER

PET CITATION

DRIVE-BY RENTAL AGREEMENT INSPECTION NOTICE

REMOVING A TENANT FROM A RENTAL AGREEMENT

NOTICES TO TERMINATE A TENANCY

Termination of the Tenancy Without a Reason

Receipt of 30-Day Notice of Termination of Tenancy from Tenant

Receipt of 30-Day/60-Day Notice of Termination of Tenancy from Management Company

CLEANING REQUIREMENT TO QUALIFY FOR SECURITY DEPOSIT REFUND LETTER

IMPROPER NOTICE OF TERMINATION OF TENANCY LETTER

TENANT RECOMMENDATION LETTER

RETURN OF TENANT’S DEPOSIT

Disposition of Security Deposit Letter

WHAT HAPPENS IF A TENANT VACATES THE UNIT WITHOUT GIVING NOTICE

Notice of Belief of Abandonment Form

Notice of Right to Reclaim Abandoned Property Letter

WHO SHOULD YOUR HANDYMAN BE?

Work Request Order

Maintenance Request Goal

THE 3-DAY NOTICE TO PAY RENT OR QUIT FORM

YOUR RENT IS LATE AND YOU OWE A LATE CHARGE/NOTICE OF POSSIBLE EVICTION LETTER

EVICTION AND HOW IT AFFECTS YOU LETTER

WARNING LETTER – CLOSE TO EVICTION

USING THE PAYMENT PLEDGE

CASH FOR KEYS

HANDLING A TENANT THAT PAYS THEIR RENT BUT BREAKS OTHER RULES

THE 3-DAY NOTICE TO PERFORM COVENANT OR QUIT

OH-OH! I MAD A MISTAKE AND RENTED MY UNIT TO THE TENANT FROM HELL!

The Unlawful-Detainer Action

Small Claims

WHO SHOULD YOUR HANDYMAN BE?

Work Request Order Form

Maintenance Request Goal

O.K. The tenant has moved into the unit and you now have 100% occupancy. You no longer have to concentrate on the marketing area. You are in the maximum yield mode. You want to operate the property so that the maximum income comes in, the property is maintained with the least amount of cost, and the tenants behave themselves. If a tenant doesn't pay their rent or creates problems, you have to handle them quickly and efficiently.

A REAL IMPORTANT GOLDEN RULE OF MANAGEMENT WHEN IN DOUBT CONCERNING A TENANT PAYING THEIR RENT ON TIME OR OBEYING THE RULES, TAKE ACTION EARLY AND CUT YOUR LOSSES.

HOW TO COLLECT LATE CHARGES, ETC.

One of the challenges that I have seen over the years has to do with the ability of the landlord to collect late charges, bad check charges, or the costs of tenant caused damages. Normally, if the tenant pays their rent every month, the only way to collect these charges is to take the tenant to small claims or subtract it from their deposit when they move out. Can give the tenant a 3-Day Notice to Pay Rent or Quit (explained later) for these types of charges? The answer is "no!"

Finally, I figured a way that was more effective for me to collect this money. You will see in the addendum on the next page, that I had the tenant agree that any money that he pays me will be applied first to money owed from previous months, then what ever was left would be applied to the current rent.

Example: If a tenant's rent was \$500 and they paid late, they owed me a \$50 late charge. I would send them a letter informing them that they owed the late charge. If they didn't pay and the next month they paid me \$500, I applied \$50 to the late charge, \$450 to the rent and gave them a 3-Day notice for \$50 plus a letter that they owed a \$5 late charge.

This resulted in less late rents and almost a 100% collection of other money owed by the tenant.

**Sunshine Management
P.O. Box 12345
Sunnydale, CA 94567
(555) 555-5555**

BALANCES OWED FROM PREVIOUS MONTHS ADDENDUM

This agreement is an addendum and part of the rental agreement between management and tenant.

Money submitted by the tenant will be first applied to any outstanding balance owed. This includes security deposit, late fees, bad check fees, no show fees, and repairs. The remaining balance will be applied to the current rent owed. If the remaining balance of payment made does not equal the total rent owed, any deficit will result in a 3-day notice issued on the 5th of the month, and a late charge of 10% of the amount owed. If the balance has not been paid by the 9th, it could result in Sunshine Management starting an unlawful detain action (eviction), which could incur legal fees of \$600 or more.

Tenants

Management

NOTICE OF ENTRY

A tenant has the right to quiet enjoyment of their unit. The landlord does not have the right to bang on the front door and walk into the unit any time he wants to. You must give the tenant a proper notice to enter with at least a 24-hour time period between service and entry. You must also have a legitimate reason to enter. We use to have as our excuse that we wanted to check the smoke detectors or replace the A/C filters.

Sunshine Management
P.O. Box 12345
Sunnydale, CA 94567
(555) 555-5555

Notice of Entry

To: Tenant(s): _____

The Premises which are held and/or occupied by you are:

Address: _____ Apartment or Suite Number: _____
City: _____ State: _____ Zip: _____

Other notice address if different Premises above:

You are hereby notified that, pursuant to Section 1954 of the California Civil Code, the Landlord/Agent or Landlord's/Agent's employee(s) will be entering the above listed Premises on the ____ day of _____, 20____ at about _____ AM PM, during normal business hours for the reason listed below:

To make the following necessary or agreed repairs:

To exhibit the premises to: prospective tenant(s), workers and/contractors
 Other:

If you have any questions, please call us at the following number:

Phone: _____

Date: _____ Landlord/Landlord's Agent: _____

SUNSHINE MANAGEMENT
P.O. Box 1234
Hometown, USA 56789
(555) 555-5555

BOUNCED CHECK LETTER

Tenant(s) _____

Address: _____

Your rent check number _____ for the sum of \$ _____, was returned to us from our bank due to **NON-SUFFICIENT FUNDS**) in your account.

Copy of dishonored instrument attached to this notice.

Because your rent check was returned to us, it is considered late and therefore you owe a late charge and bank charge. Your charges are as follows:

Rent Due	\$ _____
Late Charges	\$ _____
Bank Charges	\$ _____
Total Due	\$ _____

This amount is due immediately. Please mail (arrange for us to pick up) a cashier's check or money order in the total amount due as soon as possible to avoid other charges or penalties.

We will no longer accept personal checks from you for rent for 3 months.

Pursuant to California Civil Code Section 1947.3

"A landlord or a landlord's agent may demand or require cash as the exclusive form of payment of rent or deposit of security if the tenant has previously attempted to pay the landlord or landlord's agent with a check drawn on insufficient funds or the tenant has instructed the drawee to stop payment on a check, draft, or order for the payment of money. The landlord may demand or require cash as the exclusive form of payment only for a period not exceeding 3 months following an attempt to pay with a check on insufficient funds or following a tenant's instruction to stop payment. If the landlord chooses to demand or require cash payment under these circumstances, the landlord shall give the tenant a written notice stating that the payment instrument was dishonored and informing the tenant that the tenant shall pay in cash for a period determined by the landlord, not to exceed three months, and attach a copy of the dishonored instrument to the notice. The notice shall comply with Section 827 if demanding or requiring payment in cash constitutes a change in the terms of the lease."

If you have any questions, please call us at the number above.

Sincerely

Sunshine Management

If you are treating your investment property as a business, you will want to consider raising rents when the market warrants it. Your expenses will continue to go up over the years. Property taxes, insurance, maintenance costs, utility costs rise year by year. You should be checking what other comparable properties are renting for. Also if you have a vacancy, consider trying a higher rent and see what the demand is. If you have a lot of applicants and the unit rents quickly, you should consider raising the rent of your other tenants.

SUNSHINE MANAGEMENT

P.O. Box 1234

Hometown, USA 56789

(555) 555-5555

NOTICE OF CHANGE IN TERMS OF TENANCY

Tenants: _____

Address: _____

Your Tenancy in the Premises is changes as follows:

The change shall take effect 30 days after service of the Notice or on the _____ day of _____, 20____, whichever is later.

If this Notice increases the rent to an amount that is 10% greater than any rental payment charged in the last 12 months, then the change shall take effect 60 days after service of the Notice or on the _____ day of _____, 20____, whichever is later.

Rent shall be increased from \$ _____ per month to \$ _____ per month, which is an increase of \$ _____ per month.

Your security deposit shall be increased from \$ _____ to \$ _____ which is an increase of \$ _____.

Other changes: _____

Except for the above changes, all other terms and conditions of your tenancy shall remain in full force and effect.

Date: _____

Landlord/Landlord's Agent: _____

If a tenant is breaking some of rules of the rental agreement, you may want to send the tenant a warning notice. If the notice is ignored, you then might serve the tenant with a 3-Day Notice to Perform or Quit.

SUNSHINE MANAGEMENT
P.O. Box 1234 Hometown, USA 56789
(555) 555-5555

WARNING NOTICE

(Complaints from Neighbors/Residents)

Date: _____

Memorandum from Landlord/Manager to:

_____ Resident(s)

Property Located at: _____

Re: Complaints from neighbors/other residents

Neighbors/residents have contacted our office, either in written or verbal form regarding the following disturbances or conditions:

Approximate date(s) of occurrence:

It is very important to the management that our residents be able to enjoy the peace and quiet of their homes. Disturbing or affecting neighbors is a violation of the terms of your lease/rental agreement. You are requested to take the following corrective action immediately:

If you have any questions, please contact us at the number listed above.

Thank you,

Sunshine Management

SUNSHINE MANAGEMENT

P.O. Box 1234

Hometown, USA 56789

(555) 555-5555

AUTOMOBILE/VEHICLE CITATION

Date _____

This car/vehicle has been cited with a 72-hour notice to move for the following reason.

- _____ Abandoned
- _____ Parked in a no parking zone or area
- _____ Vehicle not in working condition
- _____ Vehicle with no or non-current tags
- _____ Vehicle in violation of lease/rental agreement

**IF YOUR VEHICLE IS NOT MOVED
WITHIN 72-HOURS OF THIS NOTICE,
IT WILL BE TOWED AT
VEHICLE OWNER'S EXPENSE.**

Sincerely,

Sunshine Management

In California, it is legal for an owner to post cars that are violating property rules and have them towed away after 72 hours. Check with your states laws.

Here is a form distributed by Peachtree Business Products http://www.pbp1.com/pm_index.asp

WARNING

YOU ARE ILLEGALLY PARKED FOR ONE OR MORE OF THE FOLLOWING REASONS AND ARE SUBJECT TO BEING TOWED OR BOOTED AT YOUR EXPENSE

- Parked in a HANDICAPPED space
- No valid PARKING PERMIT
- Parked in a NO PARKING zone
- Parked in a FIRE LANE
- Blocking entrance to building or driveway (fire department regulation)
- Unauthorized parking in a RESERVED PARKING AREA
- Blocking access to trash receptacles
- Improperly parked _____
- Vehicle not in acceptable condition _____
- Other _____

DATE ISSUED _____ TIME _____ BY _____
This vehicle will be towed on DAY _____ DATE _____ TIME _____




Warning Issued

Date _____ Time _____
Location _____ Space # _____
Make/Color of Vehicle _____
Tag Number _____ State _____
Towing Deadline Date _____ Time _____
Reason for Violation _____

Towed Booted

Date _____ Time _____
Location (to) _____ By _____

PWS-58F

 PEACHTREE

1-800-241-4623

PBP1.com

SUNSHINE MANAGEMENT

P.O. Box 1234

Hometown, USA 56789

(555) 555-5555

PET CITATION

Date: _____

Memorandum from Landlord/Manager to:

_____ **Resident(s)**

Property Located at: _____

RE: PETS

As per your rental contract (See attached) unless authorized by management with a separate pet agreement and an additional deposit at the time you signed your rental agreement, you must remove pet(s) within 72 hours. If not complied with by _____, you will be asked to vacate the property as per your signed agreement with the management company.

If you have any further question, you may contact us at the above number.

Sincerely,

Sunshine Management

SUNSHINE MANAGEMENT

P.O. Box 1234

Hometown, USA 56789

(555) 555-5555

DRIVE-BY RENTAL AGREEMENT INSPECTION NOTICE

Dear Tenant,

Upon a drive-by of your property, we found the following problems:

- Unauthorized or non-working vehicle(s) parked on the property without management approval
- Unauthorized animal on the premises
- Window or screens broken/damaged on the _____ side of the building.
- Too many occupants loitering or actually residing in the property.
- Items left on the porch, balcony or yard that are a violation of community health or safety standards or rental agreement.
- Excessive noise coming from the property.
- Other problems/violations:

We assume that you are aware of the above conditions and that you desire to abide by all the terms of your rental agreement so as not to jeopardize your tenancy. Please correct the above condition(s) by the following date:

If the problem persists, we will be force to give you a 3-Day Notice to Perform or Quit or a 30-Day Notice to Move.

Sincerely,

Sunshine Management

WHAT HAPPENS IF YOU RENT THE PROPERTY TO TWO OR MORE ADULTS AND ONE WANTS TO VACATE THE UNIT AND HAVE THEIR NAME REMOVED FROM THE RENTAL AGREEMENT?

There will be times when you will have applications from a man and women who decided to live together or two or more friends that want to rent a unit. Of course, you are checking out each person's individual application to see if they qualify. Let's say that based on all their numbers, their total income will qualify them.

After a few months, things change and one of them wants to move out and have their name removed from the rental agreement. What you want to do is look at the tenant(s) that are left and determine if they qualify on their own. If they don't, you have a couple of choices:

- 1) Tell the people that they no longer qualify for the unit and will all have to all move out.
- 2) Tell the remaining tenants that they will have to get a co-signor or will have to move out.

NOTICES TO TERMINATE A TENANCY

TERMINATION OF THE TENANCY WITHOUT A REASON

By law, a tenant can terminate a month-to-month agreement by giving you a 30-day written notice to vacate. They do not have to give you any reason why they are moving.

You have the same right except if the tenant has been there over one year, you will need to give them a 60-day notice. Less than one year is a 30-day notice. Let's say that a tenant has been paying their rent on time but has been creating a problem that you are tired of. You can hand them a 30-day or 60-day notice to vacate. If the tenant asks why, just say you were instructed by the owner and that is all you know. If you start listing reasons, you can get the tenant ticked-off and you are asking for problems. If the tenant has not vacated by the termination date, you can start an eviction without any other notices.

THE BEST TIME TO GIVE A TENANT A 30-DAY OR 60-DAY NOTICE TO VACATE

First of all, I have found one of the worst times to give a notice is on the first of the month before the tenant has paid their rent for the month. A lot of times they refuse to pay you the rent and you have to give them a 3-day notice to pay rent or quit and then evict. I prefer to give them the notice right after they paid their rent and I know that the money is good. If they pay me with a money order or cashier's check, hand it to them at that time. If they give you a check, deposit it and make sure it has cleared or go to the bank that the money was drawn on and cash the check there.

ANOTHER GOLDEN RULE OF MANAGEMENT

**IF YOU GIVE A TENANT A 30-DAY OR 60-DAY
NOTICE TO VACATE, DO NOT GIVE THEM A
REASON FOR IT. YOU DON'T NEED A REASON.**

The following notices should be sent upon receiving or giving a notice to vacate. I recommend that you include the CLEANING REQUIREMENTS TO QUALIFY FOR SECURITY DEPOSIT REFUND.

SUNSHINE MANAGEMENT

P.O. Box 1234

Hometown, USA 56789

(555) 555-5555

***RECEIPT OF 30-DAY NOTICE OF
TERMINATION OF TENANCY***

Tenant(s): _____ Date: _____

On _____ you gave us a 30-day written notice of termination of tenancy.

You have given proper notice that complies with your rental agreement. Thank you.

In order for this process to go smoothly please do the following:

On _____, you will owe _____ days rent (\$ _____) to be paid as usual.

This amount will not be credited from your security deposit.

Prior to or on _____, you must return your keys to our office and have a final inspection. You need not be present at the move out inspection, however, if you are not present you will waive all rights to dispute any move out charges. Any delay in scheduling an appointment could result in additional rent and eviction charges.

Please give us your forwarding address so that we can mail you any deposit refund.

Rent will be charged until the keys (including the mailbox key) are returned to us. Do not leave the keys in the apartment. We cannot take possession until the keys have been returned.

We want to return your complete deposit. Any cleaning cost and damage repairs will be deducted from your security deposit. Please find enclosed a general list of cleaning requirement to help insure that you receive your security deposit refund.

Please contact us when you have completely vacated the property so that we can do a final walk thru.

Thank you for your cooperation.

Sincerely,

Sunshine Management

SUNSHINE MANAGEMENT

P.O. Box 1234

Hometown, USA 56789

(555) 555-5555

***RECEIPT OF 30-DAY NOTICE OF
TERMINATION OF TENANCY***

Tenant(s): _____ Date: _____

On _____ we gave you a 30-day (60-day) notice of termination of tenancy. In order for this process to go smoothly please do the following:

On _____, you will owe _____ days rent (\$ _____) to be paid as usual. This amount will not be credited from your security deposit.

Prior to or on _____, you must return your keys to our office and have a final inspection. You need not be present at the move out inspection, however, if you are not present you will waive all rights to dispute any move out charges. Any delay in scheduling an appointment could result in additional rent and eviction charges.

Please give us your forwarding address so that we can mail you any deposit refund.

Rent will be charged until the keys (including the mailbox key) are returned to us. Do not leave the keys in the apartment. We cannot take possession until the keys have been returned.

We want to return your complete deposit. Any cleaning cost and damage repairs will be deducted from your security deposit. *(This includes Sunshine Management having a professional carpet cleaning service clean the carpets.)* Please find enclosed a general list of cleaning requirement to help insure that you receive your security deposit refund.

Please contact us when you have completely vacated the property so that we can do a final walk thru.

Thank you for your cooperation.

Sincerely,

Sunshine Management

It's a good idea to send another page with your Termination of Tenancy letter that explains the requirements for the tenant to have his deposit returned to him.

SUNSHINE MANAGEMENT

P.O. Box 1234

Hometown, USA 56789

(555) 555-5555

CLEANING REQUIREMENTS TO QUALIFY FOR SECURITY DEPOSIT REFUND

Our goal is to return you total security/cleaning deposit back to you and give you a Tenant Recommendation Letter. In order for that to happen please do the following:

General:

- 1. Apartment must be free of trash. Cabinets, storage room, and closets should be emptied of all debris.**
- 2. Clean patios, garage, washer/dryer rooms, and outside storage areas of dust and cobwebs (including around doorbell and patio light).**
- 3. Front door should be washed inside and out. All interior doors, door trim, and baseboards washed. Wash dirt from walls.**
- 4. All light globes and fixtures washed and polished. Replace all burned out light bulbs.**
- 5. All windows, window coverings, sliding glass doors including tracks, are to be clean inside and out.**
- 6. Vacuum all carpets. Mop all hard surface floors. (We will have the carpets professionally cleaned?)**

Kitchen:

- 1. Wipe clean all counter tops, cabinet doors and drawers. Sponge clean inside all cupboards.**
- 2. Kitchen sink, sink stoppers, and fixtures should be cleaned and polished.**
- 3. Clean stove and oven inside and out including burners, drip pans, boiler pans, racks and knobs. Stove hood, fan filter and light should be free of all grease and smoke.**
- 4. Dishwasher cleaned inside and out, including edge of door.**

Bathroom:

- 1. Bathroom sink, vanity, tub/shower doors, walls, toilets and other bathroom fixtures should be clean and free of soap residue.**
- 2. Floors should be moped.**
- 3. Medicine cabinet should be cleaned out.**

All the above have to be taken care of at move out or our cleaning and maintenance people will have to do the work and costs will be deducted from your security deposit.

Thank you for your cooperation.

Sunshine Management

Sometimes a tenant will call and give you a verbal notice that they are going to move. By law, they are required to give you a written 30-day notice. If this happens, here is a letter you can send them.

SUNSHINE MANAGEMENT

P.O. Box 1234

Hometown, USA 56789

(555) 555-5555

***IMPROPER NOTICE OF
TERMINATION OF TENANCY***

Tenant(s): _____ Date: _____

We have received notice of your intent to vacate your apartment.

In regards to your notice, please be advised that it was not properly given because:

- Your notice must be in writing and must be signed by all tenants listed on your lease.**
- You notice is required to give at least 30 days notice.**

If you have any questions or would like to discuss any of the above cites, please contact our office at (555) 555-555

Sincerely,

Sunshine Management

Here is a letter that I found that you may want to use. It may motivate the tenant to do a little better job when vacating.

SUNSHINE MANAGEMENT

P.O. Box 1234

Hometown, USA 56789

(555) 555-5555

TENANT RECOMMENDATION LETTER

To Whom I May Concern:

Let it be known that _____ has been a tenant at _____ from _____ to _____. The rent was \$ _____ per month and has always been paid promptly. They always respected the terms of the rental agreement and left the unit in good condition. They were able to have their complete deposit refunded to them.

This tenant has proven to be an upstanding individual and I would recommend him/her to any other manager as a good person the rent to.

Sincerely

Property Manager

RETURN OF TENANT'S DEPOSIT

A SAD BUT TRUE STORY

One day I was sitting in one of the small claims court rooms waiting to present a case when I witnessed another case that was very interesting. A tenant was suing a landlord for his deposit. The tenant was a young guy and the landlord was quite old. The tenant claimed that he had not received a letter from the landlord explaining what had happened to his deposit. The judge started interviewing the landlord. He asked what happened. The landlord said that the tenant had left the apartment damaged and dirty that resulted in costs greater than the tenant's deposit and he had pictures and receipts to show the judge.

The judge said that it was not necessary for him to see the information and then asked the landlord if he had sent a letter to the tenant within **21 days** explaining why the tenants were not getting back their deposit. The landlord stated that he did not have the forwarding address for the tenants so he couldn't mail them anything. The judge then asked if the landlord had sent a letter to the tenants at the address of his rental that they had just vacated to see if it would be forwarded to the tenants. The landlord said "no". The judge then gave a judgment to the tenants for the amount of the deposit because the landlord had failed to try to provide a letter within the legal time period as to the disposition of the tenant's deposit.

In California, an accounting of a tenant's deposit must be mailed to them within 21 days after their move out date. If this is not done within 21 days, the tenant can demand all of their deposit whether they are entitled or not.

The first thing that must be done is to determine what charges the tenant will owe. If you do a walk through with the tenant at the time of vacating the unit, the damages and cleaning needed should be noted on the walk-through form. If the tenant is not present for a walk-through, it must be done as soon as the tenant has vacated the unit. **A tenant does not have to pay for normal wear and tear.** They do have to pay for damages to the property and any cleaning that must be done. Determine what work needs to be done and have the vendors do the work as quickly as possible. Take pictures of the unit, and any damages the tenant has caused. (If the tenant did not professionally clean the carpets, have it done and charge the tenant.) ***(Make photocopies of the bills. They must be sent to the tenant with the disposition of the deposit letter.)*** Also determine if the tenant owes any late charges or back rent.

Complete a Return of Deposit Letter and mail it to the tenant **within 21 days of the tenant vacating the unit.** .

It is the responsibility of the tenant to give you a forwarding address. If you do not have one, mail the statement to the address of the apartment they have just vacated. Make sure to make copies of the statement and envelop before mailing. After the Return of Deposit form is filled out, make a check payable to the tenant, if applicable, and mail it with the form. Be sure to make a copy of the form and put it in the tenant's file along with all other paper work involved.

SUNSHINE MANAGEMENT

P.O. Box 1234

Hometown, USA 56789

(555) 555-5555

DISPOSITION OF SECURITY DEPOSIT

Date _____

To: _____

This letter is an accounting of the security deposit paid by you when you rented the premises at _____.

If you failed to give proper notice of termination as required in your contract, you may still owe additional rent:

Tenant's Security Deposit \$ _____

You as a Tenant owe:

Rent: _____ \$ _____

General Cleaning \$ _____

Carpet Cleaning \$ _____

Damages: _____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

Misc: _____ \$ _____

_____ \$ _____

_____ \$ _____

Total You Owe: \$ _____

Subtracted from Security Deposit \$ _____

Amount we owe you: (Enclosed if any) \$ _____

Amount you owe us: (Please remit within 10 days to avoid collection procedures) \$ _____

Sincerely

Sunshine Management

WHAT HAPPENS IF A TENANT VACATES THE UNIT WITHOUT GIVING NOTICE (SNEAKS OUT IN THE NIGHT)

Every once in a while, a tenant will move out of one of your units without informing you. In most cases, it will be because they owe you money or they don't want to clean up the apartment or it is damaged. It is especially upsetting if you don't learn about it for a few weeks after the event.

If you have a tenant that you have served with a notice to quit, it might be a smart idea to check every few days to see if they are still there or contact other tenants in the unit and ask them to call you if they see or think the notified tenant is vacating.

If you are sure that the tenant is gone, go in and get the unit rent ready as quick as you can and get it back on the market. If you are in the middle of an eviction you can either wait for the sheriff to meet you at the property and give you possession or you can contact the sheriff's office and inform them that you now have possession. Change the locks to prevent the tenant trying to reenter.

If the costs of lost rent, cleaning and repairs are greater than the tenant's deposit, then you have two choices.

- 1) File a small claims action and try to get the tenant served.
- 2) Accept the loss and move on.

If you are not sure if the tenant has vacated, there is furniture left in the unit or other signs that indicate the tenant may still be occupying the unit, you should post a **NOTICE OF BELIEF OF ABANDONMENT**. You will have to wait a period of time before you can enter and start cleaning up. I advise you to take pictures of the property before cleaning so you have a record of how the unit looked and what was left by the tenant. If there is personal property worth less than \$300 left in the unit, bag it up and put it somewhere where you have access in case the tenant claims the property. If it worth more than \$300, you will need to take some additional actions. I recommend you find out the requirements for you state and follow them. There are a lot of websites that explain how to do this process.

I have had a few cases where the tenant didn't voluntary leave the apartment and left all of their belongings. One case involved a person getting arrested and put in jail. I actually went down to the jail and talked to her about what to do with her possessions. Another case involved a man who was very sick and had to be in the hospital for an extended period of time. We could not contact him and he never contacted us so we had to store and sell his possessions. Every once in a while a tenant will die. Luckily, in those cases relatives came over and claimed the personal property.

Remember, if your unit rents for \$600 per month, everyday it sits vacant costs you \$20. Don't wait longer than necessary to take action to solve these types of problems but make sure you follow the law to prevent a tenant suing you for lots of money because you disposed of their very valuable broken pressed board dresser.

NOTICE OF BELIEF OF ABANDONMENT

TO: _____

This notice is given pursuant to Section 1951.3 of the Civil Code FOR PREMISES
LOCATED at:

Street: _____ Apt: _____

City: _____, State _____ Zip: _____

The rent on this property has been due and unpaid for fourteen (14) consecutive days and the Lessor/Landlord believes that you have abandoned the property.

The real property will be deemed abandoned within the meaning of Section 1951.2 of the Civil Code and your lease/rental agreement will terminate on _____.

unless before such date the undersigned receives at the address indicated below a written notice from you stating both of the following:

1. Your intent not to abandon the real property.
2. An address at which you may be served by certified mail in any action for Unlawful Detainer (eviction) of real property.

You are required to pay the rent due and unpaid on this real property as required by the lease/rental agreement. Failure to do so can lead to a court proceeding against you.

Date: _____

Signature: _____

Print Name: _____

Owner's Phone: _____

Address: _____

NOTICE OF RIGHT TO RECLAIM ABANDONED PROPERTY

TO: _____

When you vacated the premises at: _____

The following personal property remained: _____

You may claim the above described personal property at:

Unless you pay the reasonable cost of storage for all of the above described property, and take possession of the property, which you claim, not later than

this property may be disposed of pursuant to Civil Code, Section 1988.

[] Because this property is believed to be worth less than \$300.00, it may be kept, sold or destroyed without further notice if you fail to reclaim it within the time indicated above.

[] If you fail to reclaim the property, it will be sold at public sale after notice of the sale has been given by publication. You have the right to bid on the property at this sale. After the property is sold and the cost of storage, advertising and sale is deducted, the remaining money will be paid over to the County. You may claim the remaining money at any time within one year after the county receives the money.

Date: _____

Signature: _____

Print Name: _____

Owner's Phone: _____

Address: _____

Earlier in this section I gave you this very important rule of management.

WHEN IN DOUBT CONCERNING A TENANT PAYING THEIR RENT ON TIME OR OBEYING THE RULES, TAKE ACTION EARLY AND CUT YOUR LOSSES.

It is better to be safe than sorry. Protect yourself by reducing your risk. Every day you delay can increase your losses.

THE 3-DAY NOTICE TO PAY RENT OR QUIT

In California, the first step that must be taken to start an eviction when a tenant has not paid money that is owed is a 3-DAY NOTICE TO PAY RENT OR QUIT. **Check the requirements for your state.** I recommend that you spend time learning about the legal documents that are involved in both evicting (for California this is called an UNLAWFUL DETAINER ACTION) and small claims actions to collect money owed you by the tenant or co-signor.

In order for you to correctly follow the laws and prevent further loss or money or time, you must carefully follow the rules for filling out and serving a 3-Day Notice.

-
- 1) List all the adult tenants on the notice.
 - 2) **Only list past rent due.** Do not include late charges, bad check charges, or any other cost.
 - 3) Service. The owner or manager is allowed to serve the notice by a) handing the notice to an adult tenant, b) leaving the notice with a non-tenant adult and mailing a copy to the tenant's address, or c) posting the notice in a conspicuous place (I used the front door) and mailing a copy to the tenant's address.

If you make a mistake in any of these three areas, you will have to start over. If you are in the eviction process, have to go to court, and the judge asks you such things as; "Is the correct rent stated on the notice?" or "Did you serve the notice using one of the three acceptable techniques?" and you say "no", you will have to start all over again.

When I served the 3-Day Notice to Pay Rent or Quit notice, I did two additional things:

-
- 1) I gave the tenant **YOUR RENT IS LATE AND YOU OWE A LATE CHARGE, NOTICE OF POSSIBLE EVICTION** letter that gave more detail about what was going to happen.
 - 2) If the tenant was home, I would have a discussion with them about why their rent was late, what were they going to do to pay their rent, and maybe some creative suggestions that they might think about like having a yard or garage sale, taking something to the pawn shop, or borrowing the money from someone else other than the landlord. In some cases, for tenants with a positive track record, I would recommend that they fill out and sign a **Payment Pledge that explains how they plan to pay their delinquent rent...** If I felt that the tenant was not going to perform, I would offer the **CASH FOR KEYS OPTION** explained in a few pages. Otherwise, I would start the eviction process as soon as the 3-day notice time had elapsed.
 - 3) 3-Day Notices and other legal notices are available from some Boards of Realtors®, Apartment Owners Associations, Office Supply Stores, or online.

3-DAY NOTICE TO PAY RENT OR QUIT

To Tenants: _____

The Premises which are held and/or occupied by you are:

Address _____

City _____ State _____ Zip _____

This notice is to the above-named Tenant(s) and any other occupants of the above-referenced Premises.

WITHIN THREE DAYS from service of this Notice, you are required to:

Pay rent for the Premises in the following amount, which is past due, to:

Name _____ Phone Number _____

Address _____

City _____ State _____ Zip _____

Acceptable method(s) of payment: Cashier's Check, Money Order, Cash, Personal Check

Past Due Rent:

\$ _____ for the period _____ to _____

\$ _____ for the period _____ to _____

\$ _____ for the period _____ to _____

Total Due: \$ _____.

Or vacate the Premises and surrender possession.

If you fail to perform or otherwise comply, Landlord declares the forfeiture of your Rental/Lease Agreement and will institute legal proceedings to obtain possession. Such proceedings could result in a judgment against you, which may include attorneys' fees and court costs as allowed by law, and an additional punitive award of six hundred dollars (\$600) in accordance with California law (California Code of Civil Procedure §1174). If you fail to fulfill the terms of your credit obligations, a negative credit report may be submitted to a credit reporting agency. This Three-Day Notice to Pay Rent or Quit supersedes all previous Three-Day Notices to Pay Rent or Quit, if any.

This Notice was served by:

1. Personal service. A copy of the Notice was personally delivered to the above named Tenant(s).
2. Substituted service. A copy of the Notice was left with a person of suitable age and discretion at the residence of the Tenant(s) or usual place of business and a copy was mailed to the Tenant(s) at the residence of the Tenant(s).
3. Post and mail. A copy of the Notice was affixed to a conspicuous place on the Premises and a copy was mailed to the Tenant(s) at the Premises.

Date: _____ Landlord/Landlord's Agent: _____

Give this letter with the 3-Day Notice

SUNSHINE MANAGEMENT

P.O. Box 1234

Hometown, USA 56789

(555) 555-5555

**YOUR RENT IS LATE AND YOU OWE A LATE CHARGE
NOTICE OF POSSIBLE EVICTION**

Dear tenant,

It is now after 5:00 P.M. on the 5th day of the month and you rent is not in our possession. Per your rental agreement you now owe a late charge of \$_____. (10% of the rent owed).

When you don't pay your rent on time, you are in affect borrowing money from the owner of the property without his permission. This is not acceptable to the owner as he has to come out of his pocket to pay his bills. If you need to borrow money to pay your rent, please borrow if from someone you know, not the owner.

You are also receiving a 3-day Notice to Pay Rent or Quit. If you do not pay your rent during the 3-day period, you will be subject to legal action called an Unlawful Detainer Action. Our attorney charges us \$600 to initiate this action. If we start this action against you, beside the rent and late charges you owe, you will also be required to reimburse us for the \$600 cost. This action results in the sheriff physically removing you and your family from the property and a judgment against you. Our policy is to pursue this judgment in any way that we can, including attaching your salary or having the sheriff sell you assets including your car.

We also want to review what to do if you quit (move out) during the 3-day period. You will need to arrange to return the keys to us and it is a good idea to set up an appointment to do a walk through to review the condition of the unit so that you do not get charged for any damage that might occur after you move out. We are required by law to provide you a list of any charges and refund any of your deposit owed to you within 21 days. We would request that you give us your forwarding address before or at the time of your vacating the property.

If you have any questions, feel free to call us any time.

Sincerely

Sunshine Management

Here is another letter that might give tenants something to think about. I recommend that you try to work with those tenants that will try to borrow or earn the money in some way or vacate the property immediately to prevent the eviction process from happening. Evicting a tenant is kind of the last resort you want to do. It's like a bank foreclosing on a property. They really don't want to do it unless they have to. Neither do you. However, you don't want to delay and then have to do it anyway. Remember, it is better to act and cut your losses than delay and lose more.

EVICTION AND HOW IT AFFECTS YOU

Dear Tenant,

As you know, your account is now or soon will be in "Eviction Status". It's possible that you may not know about or understand the ramifications of what it means to be the subject of an eviction proceeding. Below is a list of easy to understand consequences a person will face as a result of a legal eviction proceeding?

- 1. Eviction Court. This can be a humiliating experience and also a matter of permanent public record.**
- 2. Dispossession. You will be forcibly removed from the premises by the Sheriff's Office. This can be also be a humiliating experience and also a matter of permanent public record.**
- 3. Judgment(s). Your credit rating will be severely damaged. This may also result in:**
 - a. A collection process until your debt is paid in full,**
 - b. Possible seizure of assets you may own, including bank accounts, automobiles, etc.**
 - c. Garnishment of wages**
 - d. Notification of credit bureaus causing inability to qualify for lines of credit, including credit cards, car loans and mortgages.**
 - e. Notification of National Tenant Reporting Services causing inability to qualify for rental housing. (Most quality rentals require credit & tenant screening)**

We understand that you are having difficulties paying your rent or complying with your rental agreement. We sincerely hope you will be able to resolve any problems you are currently experiencing and bring your account out of eviction status or surrender your rental unit immediately.

Sincerely,

Property Manager

Here is another letter or notice that you may want to use as one last chance. In most cases if the tenant hadn't paid their rent or come into sign a payment pledge, I would recommend start the eviction immediately.

SUNSHINE MANAGEMENT

**P.O. Box 1234
Hometown, USA 56789
(555) 555-5555**

WARNING LETTER – CLOSE TO EVICTION

Dear Tenant,

On _____, you were given a Notice To Pay Rent Or Quit. As of today, we have not received your rent and late charge.

On _____, we will take your paper work to our attorney to initiate the **EVICTION PROCESS**.

This will result in an additional charge of a minimum of **\$600**.

Please remit you rent and late charges of \$_____ immediately to prevent this additional cost and eviction.

Sincerely,

Sunshine Management

DON'T COLLECT PART OF THE RENT OWED AFTER GIVING A 3-DAY NOTICE

Another big mistake made by landlords is accepting a partial payment of rent from a tenant after you have given them a 3-Day Notice to Pay Rent or Quit unless you have agreed on some payment plan using the Payment Pledge form. If for instance the tenant owes you \$500 rent and you have given him a 3-Day Notice and/or started the eviction. The tenant then tries to give you any part of the rent, say \$100 and you accept it, all of the paper work is no longer valid. You will have to start over. If the tenant mails you a personal check or money order, do not cash it. Either return it to the tenant or hold it until you see what happens. If they try to pay you some of the rent in cash, you can either return it and tell the tenant you will only accept the full amount of rent or accept it and give them a new 3-Day Notice to Pay Rent or Quit for the new amount owed.

USING THE PAYMENT PLEDGE

If you have a tenant that has performed well for a period of time and then has a problem with paying the rent, besides giving them a 3-Day Notice to Pay Rent or Quit, you may decide to allow them to sign a Payment Pledge that will give them some time to collect money and pay the rent without you starting the eviction process immediately. I recommend that you do this only with tenants that have a positive history with you for a reasonable period of time, not with someone that has just moved in. I also recommend that the payment pledge date not be longer than 15 days from the day the rent was due.

SUNSHINE MANAGEMENT

P.O. Box 1234
Hometown, USA 56789
(555) 555-5555

PAYMENT PLEDGE

Dear Sunshine Management,

On or before _____, I promise to pay you \$_____, for rent and other charges now owing on the dwelling, which I rent from you, located at _____.

I expect to be receiving sufficient funds to pay you from the following sources:

Name	Address	Phone#	Amt Expected
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

If I fail to honor this pledge, I understand that I will be evicted and that this pledge will be used against me as evidence of my bad faith in paying what I owe.

I also acknowledge receipt of a Notice to Pay Rent or Quit Notice as required by law to begin an eviction proceeding. I understand that the Notice may show a balance owed which is different from that given above because a Notice to Pay Rent or Quit Notice can only demand the delinquent rent. I also understand that the period mentioned in this Notice is being extended only to the date given above, at which time I promise to pay you what I owe. If I fail to pay on or before that date, you have the right to continue the legal eviction procedure against me without having to serve me with another 3-Day Notice to Pay Rent or Quit Notice. I have already been served. I am being given the extra time to pay only as a courtesy and only this once.

Signed _____ Date _____

Here is a letter that I developed to give to tenants with a 3-day notice to try to help them survive our tough times. In many cases, tenants were able to get assistance and continue to live in their units. With a little effort, you can probably come up with a similar letter for your area.

IDEAS TO ASSIST A TENANT TO PAY THEIR RENT ON TIME

Dear tenant,

We recognize that times are tough and that many people have lost their job, had their hours cut back, or other actions that are causing financial headaches. We are seeing more and more people become delinquent in paying their rent. This causes the tenant to have to pay additional late charges and also increases the chances of eviction and negative credit report notifications. Our owners are not in the loan business and they expect their rent to be paid on time. Here are some ideas that we would like to suggest to make it easier for you to stay current on your rent including agencies that will in some cases, if you qualify, give you money to pay your rent.

- 1) Cancel any monthly subscriptions that are not a necessity at this time, i.e. Cable TV.
- 2) Borrow money from a relative or friend before your rent is due
- 3) If you have a job and you will not receive your paycheck before your rent is due, go to a check cashing company and borrow against your paycheck. They will charge you less money than you would have to pay in penalties to the management company.
- 4) Consider selling some personal items or taking them to a pawn shop.
- 5) Ask people if there is something that you can do for them to earn some extra money.
- 6) Contact the following agencies to see if they can help you.

UNITED WAY OF KERN COUNTY

Community Action Partnership of Kern 2-1-1 Program

300 19th Street, Bakersfield CA 93301

Call 2-1-1 or 661-321-4260 www.uwkern.org/2-1-1.htm

SALVATION ARMY

Salvation Army Reach – (661) 837-4243

120 19th Street, Bakersfield – (661) 587-1660

4417 Wilson Road, Bakersfield – (661) 836-4243

4130 Ming Avenue, Bakersfield – (661) 835-0337

FLOOD MINISTRIES – 661-323-5663

CATHOLIC SOCIAL SERVICES - (661) 281-2151

525 18th Street
Bakersfield, CA 93301-4932
(661) 281-2130 www.ccdof.org

Kern County Department of Human Services

100 E California Ave
Bakersfield, CA 93307
(661) 631-6000

HOUSTING AUTHORITY OF THE COUNTY OF KERN

601 24TH Street, Bakersfield, Ca 93301 (661) 631-8500 www.kernha.org/

BAKERSFIELD FOOD BANKS

Kern County Food Bank

Distributes food (USDA Commodities, Emergency Food, Senior Brown Bags) to needy families throughout Kern County. Everyone must call number for referral. Must have identification (driver's license, state ID, social security number).

Tel: 661.336.5200
Tel: 800.273.2275 (Toll Free)

Women, Infant and Children (WIC)

Tel: 888.942.9675 (Toll Free)

Kern County Department of Human Services (DHS)

100 E. California Avenue
Bakersfield, CA 93307
Tel: 661.631.6000
Tel: 661.326.2840
Tel: 800.690.1997 (Toll Free)

DHS Food Stamp Program

Leave your name and address and the application form will be mailed to you with a return envelope. Mail the completed, signed application forms in the return envelope. Your application starts the day the county receives your signed application form in the mail. You will receive an appointment by mail by for a face-to-face interview.

Tel: 661.631.6062 (Food Stamp Application Line)

Salvation Army

4417 Wilson Road
Bakersfield, CA 93309
Tel: 661.325.8626 Tel: 800.958.7825 (Toll Free)

Golden Empire Gleaners

1326 30th Street
Bakersfield, CA 93301

Tel: 661.324.2767

By referral or volunteer. 8 am to 2 pm (free lunch)

Bethany Services

1600 East Truxtun Ave

Bakersfield, CA 93305

Tel: 661.322.9294

Rent, Utilities, Referrals, Food, & Shelter for Women, Children & Families

Catholic Social Services

310 Baker St.

Bakersfield, CA 93305

Tel: 661.281.2130

Rent, Utility, & Food

St. Vincent de Paul

316 Baker Street

Bakersfield, CA 93305

Tel: 661.323.2942 Clothing, emergency furniture, food baskets with referral; rent/utilities as funds are available.

Love, Inc. of Greater Bakersfield

P.O. Box 10082

Bakersfield, CA 93309

Tel: 661.325.8838

Fax: 661.325.9838

Individuals may call directly or agency may also fax a referral on behalf of the client. Appliance repair, home maintenance, auto mechanic, food delivery to ill/elderly, furniture, appliances, food pantries, transportation.

Help with Gas and Electric Bills

Home Energy Assistance Program of the Community Action Partnership of Kern

661-336-5203

HOW TO TRY TO CUT YOUR LOSSES WHEN A TENANT IS NOT GOING TO PAY THEIR RENT

You have given a tenant a 3-day notice to quit and they have not responded. I usually prefer to talk to the tenant one more time before starting the eviction. I want to get a feel for what is going on and ask a few questions.

The results on an eviction always result in a tremendous loss of money for the owner.

1. You have to pay for the cost of the eviction. In my area the cost of a paralegal to do the eviction is \$555 which includes court costs. Usually an attorney costs more.
2. You lose rental income until the tenant is removed by the sheriff, (usually about 30 days from the start of the action).
3. If the tenant files an “answer” to the unlawful detainer action it will cost you another 30 days for you to go to court and finish the eviction. There is even a chance that you could lose in court if you did something wrong in filing the paper work. (Example: Having the wrong amount of rent owed on the 3 day notice or improper service)
4. After taking possession, you will continue to lose rent while you repair and clean the unit. Very few tenants that are evicted leave the unit in good condition and sometimes they even take our revenge on the unit. This can cost thousands of dollars.
5. Next you will lose more money while you market and find a new tenant.

The tenant deposit doesn't even come close to paying for the losses incurred by the owner. I have had cases where my costs were well over \$5000.

You will get a judgment from the court for lost rent and court costs, but not for damages to the unit, or loss of rent during the down and marketing time.

The only way to try to recoup these losses is to take the tenant to small claims and sue for the money. In most cases, it will be hard for you to even find the person and even if you get a judgment you have to collect it along with the judgment from the eviction.

I have 3 things to suggest that you can do to try to reduce or even eliminate that loss.

1. I have mentioned this one before. If the tenant does not have a secure job, poor rental history, or questionable credit, require a co-signor who does have good credit and something attachable. Every time you give a tenant a 3-day notice, you should contact the co-signor and inform them. If the rent is not paid, call the co-signor again and tell them you are going to start the eviction and at the same time file a small claim action against the co-signor unless you collect the rent or the tenant vacates the unit immediately. Tell them that you want the unit

“broom clean”, meaning the occupant has removed all personal property from the interior and exterior of the property, including any trash and debris.

2. If you don't have a co-signor, and you feel the tenant is going to be uncooperative and leave damages, go down to the small claims window and file the paper work for an action against the tenant. You do not have to have an exact amount at the time you file. I use to file for anywhere from \$2000 to \$5000. Then have the small claim papers served to the tenant while the eviction is going on and they are still in the property. I do this for a couple of reasons:
 - a. It shows the tenant that you are serious about collecting your money and the sooner he moves out and the least amount of damages he does, the smaller the judgment will be on the small claims action.
 - b. You won't have to look for the tenant after they have vacated the unit to try and serve him

When you go to court, you should have an exact amount owed along with all your receipts.

3. I will to go into this in more detail.

CASH FOR KEYS

I have all ready explained how you costs for evicting a tenant can run into thousands of dollars. They don't have any money to pay the rent and they figure that their deposit will be applied to rent and damages and they will never get anything back. They really don't have anything to lose but their credit which in most cases is not that important compared to money.

Here is another process that may work. When you meet with the tenant try to get a feel for the situation. Some will feel guilty and regretful about the situation. Some are going to stay until the sheriff comes no matter what. Try to make an offer to them to give them an incentive to move in the next few days. Here is some ideas:

In the tenant will move by the weekend and leave the unit “broom clean,” you will:

- Not start the eviction which will result in a judgment and the eviction showing up on their credit report.
- Upon surrender of the property and keys, you will give them their tenant deposit in cash and waive any rent or fees owed.
- If they are still reluctant, offer them some additional cash and an incentive, say \$200 or \$500.

Have them sign an occupancy termination agreement:

OCCUPANCY TERMINATION AGREEMENT

This agreement is entered into on _____ (Date)

Between _____ (Landlord) and

_____ (Tenant(s))

Tenants agree to vacate the premises known as:

_____ (Address)

Tenant(s) agree to vacate the premises on or before _____ taking all personal property and all other materials, leaving the property in "broom clean" condition, free of any interior or exterior debris and free from any damage or destruction except for reasonable wear and tear. Tenant(s) agree to allow the Landlord to inspect all areas of the premises.

Tenant(s) are to surrender all keys and, if applicable, garage door remote controls to Landlord.

If the tenant(s) do not vacate the premises on or before the above date the tenant(s) will not be entitled to receive any payment. In addition, the Landlord will take legal action to obtain prompt possession of the premises and occupant will be responsible for costs incurred in such a legal action including attorney's fees.

In consideration of the tenant(s) compliance with the above conditions, the Landlord agrees to forgive any money owed to landlord as of this time and to pay tenant(s) the sum of \$_____ as its only obligation under this agreement.

Date _____

Date _____

Landlord

Tenant

Tenant

Tenant

WHAT HAPPENS IF THE TENANT PAYS THEIR RENT BUT BREAKS OTHER RULES OF THE RENTAL AGREEMENT

Every once in a while, you will rent to a tenant that pays their rent of time but doesn't believe that they have to obey the rest of the covenants (rules) outlined in the rental agreement. They may get a pet, move more people into the unit, have wild parties, not keep the property clean, or dozens of other behaviors that violate the rental agreement.

The first way to attack this problem is by trying to be nice and explaining that the behavior is not acceptable. If that doesn't work, then I recommend the next step you do is give the tenant written warnings. Make sure you place copies of all your correspondence in the tenant's file. (You will want to have them in case you have to go to court)

If the tenant still does not comply, California allows you to give the tenant a **3-Day Notice to Perform Covenant or Quit** notice. This has the same ramifications as the **3-Day Notice to Pay Rent or Quit** notice. If after 3 days, the tenant still has not cured the problem, you can start an eviction (unlawful detainer) action against the tenant.

Make sure that you properly serve the notice!

3-DAY NOTICE TO PERFORM COVENANT OR QUIT

To Tenants: _____

Address: _____

This notice is to the above-named Tenants(s) and any other occupants of the above reference Premises.

WITHIN THREE DAYS from service of this Notice, you are required to:

- 1. Perform the following covenant or cure the following breach of your rental agreement:**

OR

- 2. Vacate the premises and surrender possession.**

If you do not perform, cure the breach, or give up possession by the requested time, the Landlord may institute legal proceeding to obtain possession. Such proceedings could result in a judgment against you, which may include attorneys' fees and court costs as allowed by law, and an additional punitive award of six hundred dollars (\$600) in accordance with California law (California Code of Civil Procedure §1174). If you fail to fulfill the terms of your credit obligations, a negative credit report may be submitted to a credit reporting agency. Landlord declares the forfeiture of your Rental/Lease Agreement if: (i) you do no perform as specified in paragraph 1: or (ii) the breach of your Rental/Lease Agreement is not cured and you continue to occupy the Premises.

This Notice was served by:

1. Personal service. A copy of the Notice was personally delivered to the above named Tenant(s).
2. Substituted service. A copy of the Notice was left with a person of suitable age and discretion at the residence of the Tenant(s) or usual place of business and a copy was mailed to the Tenant(s) at the residence of the Tenant(s).
3. Post and mail. A copy of the Notice was affixed to a conspicuous place on the Premises and a copy was mailed to the Tenant(s) at the Premises.

Date: _____ Landlord/Landlord's Agent: _____

REMEMBER TO MAKE COPIES OF ALL NOTICES AND LETTERS THAT YOU GIVE TO THE TENANTS AND KEEP THEM IN THE TENANT'S FILE SO THAT YOU HAVE EASY ACCESS IF YOU NEED THEM FOR COURT ACTIONS.

OH-OH! I MADE A MISTAKE AND RENTED MY UNIT TO THE TENANT FROM HELL. WHAT CAN I DO?

Once you give the keys for the unit to the tenant, they have legal possession and certain rights under the law. You cannot turn off their utilities. You cannot open their front door and throw all of their belonging in the street. You can't hire a guy named Guido to go over and threaten to break their arms or legs. Unfortunately, if you go into a convenience store and steal a package of Twinkies or deliberately break something, you can be arrested and placed in jail.

Once the tenant has possession to the unit, he can refuse to pay rent (steal money from you), tear the apartment up and leave it trashed and it is not considered a criminal action. You have to use another area of the legal system, the Civil Court.

There are two main activities that you will be involved in:

- 1) Evicting the tenant (In California, this is called an Unlawful Detainer Action.)
- 2) Suing the tenant for lost rent or damages (Small Claims Action.)

The Unlawful Detainer Action

If a tenant does not pay their rent, violates some other clause in the rental agreement, or does not move after receiving a 30-Day Notice or 60-Day Notice to Move, you will have to follow certain steps.

STEP #1

- 1) **Pay Rent or Perform Notice:** Notify the tenant of the violation. This involves serving a **3-Day Notice to Pay Rent or Quit**, or a **3-Day Notice to Perform Covenant and Quit**. **Both of these notices must be filled out correctly**, served legally, and you need to wait the 3 days to see what happens. The tenant can either perform or not perform. If the tenant does not perform you go on to Step #2.
- 2) **30-Day Notice or 60-Day Notice:** If these notices were filled out properly and served legally, and the tenant has not vacated, you can go directly to Step #2.

STEP #2

Next, I recommend that you try the Cash-For Keys process and try to bribe them out.

STEP #3

I strongly recommend that you hire an attorney or a paralegal that works specifically in the eviction area. They should be a part of your mastermind group. You can look in the yellow pages or call management companies and see who they recommend to handle this complex and time consuming activity.

What happens next is there are some special documents that are filled out for the court house and you include a copy of the Notice you served the tenant along with a copy of the rental agreement. The court house then fills out some papers and the papers have to be served by an independent person other than the owner or landlord. Next one of two things can happen:

- 1) **The tenant will do nothing.** The sheriff's department will then post the unit with a notice that in a few days, they will return to the property and take possession for the owner. The sheriff will meet you at the property, you hand them a key and they open the door. If the tenants are still there, they will escort them outside of the unit and tell them they cannot reenter without your permission. If the tenants are gone, you are given possession and the sheriff will post a notice that you have possession and the tenants are not to enter the property.
- 2) **The tenants file an "answer" disputing your right to possession.** The tenants have a certain number of days that they can respond (file an answer) which stops the eviction until there is a court hearing. The tenant has to give a reason for filing the answer (which is usually un-inhabitability unless you put the wrong amount of rent owed) Unfortunately, there a lot of free services that will assist the tenant with the answer and a lot of times their reason is a lie just to delay the eviction. A court date is set for you and the tenant to meet before the judge and tell your side of the story. In about 75% of the cases the tenant will not appear at the hearing and you will be given the right to finish the eviction. If the tenant does show up, you want to make sure you have all your paper work and the dates that different things happened. Some of the most important paper work for you to have is:
 - a) the Move In/Move Out Check List which shows the condition of the unit when the tenant moved in.
 - b) a list of all maintenance calls and invoices for the work done for the tenant
 - c) a copy of a pest control bill (in case they bring in a dead cockroach)
 - d) any documents that you have served to the tenant such as previous 3-Day Notices, Warning Notices, etc.

If you have all the documents and can refute any reasons the tenant may give, you will be given the right to continue with the eviction and the sheriff's department will take over.

As part of the unlawful detain action, you will receive a judgment for the rent lost and costs. This will allow you to take different legal procedures to collect the money owed such as attaching their salary, bank accounts, other assets owned.

HINT: When the tenant files an answer, it delays the eviction about another 3 weeks to a month. Of course during this time you are losing money. I can be vindictive at times and I have been known to run down to the small claims court and file a small claims action for a few thousand dollars and have the tenant served for loss of rent and damages to the property even though I am not sure exactly how much it will actually be. In this way, I am showing the tenant that I am serious and will not have to track him down after he vacates the unit.

SMALL CLAIMS

If a tenant vacates the unit without having to do an unlawful detainer action and his rent owed and damages to the unit is greater than his deposit, you may want to file a small claims action against him. This involves getting some paper work from the court house, filing it out and bringing it back where they fill out some more information, such as the date and time of the court action, and stamp it. It must then be served by a neutral party and returned to the court house with a proof of service certificate. You then show up and court and present your case.

The Unlawful Detainer Action is held in Civil Court and attorneys are allowed to represent owners and tenants. Small claims actions are held in Small Claims Courts and attorneys are not allowed to represent individual. The court house will have material that explains both these actions to help you through the process.

I recommend that before you go to court on your own case, go down and watch some other cases so you get an idea of how the process works. They are open to the public. In that way you will not be surprised.

A GOOD IDEA

While you are waiting for the tenant to be evicted, it is a good idea to check with neighbors and other tenants at the property to see if the tenant is still occupying the property. Also check with the utility company every few days to make sure that the power is on. This is a good idea for several reasons.

1) If the tenant vacates, he usually has the power turned off and this might indicate that you can take possession early.

2) In Bakersfield, if a dwelling does not have power it is considered uninhabitable and illegal to live in. I would call the Health Department and they would go out and post the unit with a Health Notice of that the unit could not be occupied. This sometimes would force the tenant to move sooner.

FINDING EX-TENANTS THAT OWE YOU MONEY

I would like to share a few ideas that I use to locate ex-tenants in order to serve them with paper work to take them to small claims. In order to have proper service, you need to know where they live or work. I will tell you in advance that some of the methods I use are on the devious side. I felt that if a tenant ripped me off for money, I had the right to be a little devious.

The first method is very simple. Take an envelope with your return address in the upper left corner and address the envelope to your old tenant at the address that he rented from you in the past. On the envelope write "**Please do NOT forward! Address Correction Requested.**" If the tenant gave the post office a forwarding address, you should receive your envelope back with their new home address.

The second method is to contact the ex-tenants employer and verify if he still works there. If he does, you can have him served at work.

Another method that I have qualms about are companies that advertise on the internet to find people for a fee. You might give it a try, but I haven't had a lot of luck with them.

The next method is based on the tenant moving and either keeping his same phone number or you having his cell number. Here is what I would do. I would call the number and say something like this.

"Hi is this Joe Tenant? (Yes). My name is Mike Rogers and I am the manager of the Red Lobster Restaurant on Rosedale Highway. The reason I am calling is we are having a special promotion and we are giving two free dinners to a few special people that we contact. Would you like a gift certificate for two free meals from our restaurant? (Yes). Great, just give me your mailing address and we will get those certificates out to you immediately. (My address is _____)"

The last method has to do when you do not have the phone number for the ex-tenant. Here is where it was important to check the references and "in cash of emergency" people on the rental application. Let's say that the ex-tenant no longer works at Ajax Construction. This is an example of what I would say to these people.

"Hello, is this Tenant's Friend? (Yes) My name is Bill Armstrong and I am the manager of Ajax Construction. We had an employee by the name of (ex-tenant) who no longer works here who gave you as a reference (person to contact in case of an emergency.) We are trying to get a hold of him to see if he wants to come back to work for us. Do you know his phone number or where he works now? (Yes or No) By the way, we had his address as 123 A Street but we sent a letter to him there and it was returned. Do you have his current address?"

If the ex-tenant was on government assistance or self-employed, we would use similar language instead stating that we had sent the person a check and it was returned or we were trying to find someone with the self-employed persons skills.

WHO SHOULD YOUR HANDY MAN BE?

When I first started investing, I was still teaching high school. I remember trying to make the repairs and improvements to my properties and to honest, I sucked. My father was very handy and could do just about anything. I was too busy playing sports to pay any attention. I did learn how to mow lawns. I tried to get my wife at the time to come with me and do the cleaning but after one dirty apartment, she told me to “**forget it.**” Later, in my management seminars I told my attendees that the only tool I wanted to own is a “toe nail clipper.”

I have had investors that were handy and enjoyed doing the work on their units. The advantage to this philosophy is that your maintenance costs are a lot lower and your cash flow becomes higher. I can't argue with this attitude but you must remember that your time is worth something and you need to figure if you are getting paid a good salary for your efforts. Another problem with doing the work yourself is that you cannot write off your time on your tax returns.

My philosophy was to have all of my maintenance done by people who were more skilled than me and would do the job right. When I paid them for the job, their time was tax-deductible.

Ex: If I paid a handyman \$20 per hour for 5 hours, it would cost me \$100. I could then put this down as an expense against my income for the property. This gave me less taxable income of \$100 and if I was in the 35% tax bracket, I would save \$35 in taxes, which is equivalent to paying him \$65 or \$13 per hour. I also learned a long time ago a rule that “**YOU SHOULD NEVER DO A JOB THAT YOU CAN PAY SOMEONE ELSE TO DO THAT EARNS LESS PER HOUR THAT YOU DO!**” When I started selling real estate, I was worth a lot more per hour than my maintenance people.

BE ORGANIZED WHEN YOU DO MAINTENANCE

It is a good idea to keep track of all work requests from tenants for several reasons. First you want to make sure that the work is assigned and completed. Second, if down the line, you have to sue or evict a tenant, you want to have evidence of all the times you were contacted by the tenant for repairs and that the work was completed. It is even a good idea to contact a tenant after the work was completed to make sure it was done satisfactorily.

SUNSHINE MANAGEMENT WORK REQUEST ORDER

Date _____

Property _____

Requested by who _____

Tenant phone number _____

Work order taken by _____

Work to be done _____

**Permission to enter approved by who _____

Work assigned to _____

Date _____

Request _____

Bill Received – Invoice # _____

Confirm work with tenant _____

Date Paid _____ Check # _____

By _____

Most tenants will allow the handy man to enter their unit with a key if they are not home. If a tenant refuses to give permission, then you will need to make an appointment for the vendor with the tenant. If the tenant is not home at the time of the appointment, then the tenant will have to pay a trip charge. Tenants are your customers. They are expected to pay their rent on time or they will be penalized. Your responsibility is to provide a safe, well maintained property where everything that is suppose to work, works.

MAINTENANCE REQUEST GOAL TO HANDLE WITHIN 48-HOURS

- 1. Tenant calls in/ find out exactly what work needs to be done.**
- 2. Fill out work order form.**
- 3. Call vendor. If possible get more than one quote.**
- 4. Follow up with tenant to make sure work was done satisfactorily.**
- 5. Make copy of completed work order.**
- 6. Put one in tenant's folder and another one in maintenance binder under property address.**

VICE PRESIDENT – FINANCE - CFO

SETTING UP THE BUSINESS

We have already discussed getting a **FICTIOUS BUSINESS NAME**, renting a **P.O. BOX** and opening a management **CHECKING ACCOUNT**

BOOKKEEPING SYSTEM

ACCOUNTS RECEIVABLE

ACCOUNTS PAYABLE

BOOKEEPING

MONTHLY

YEARLY

BUDGET

REVIEW BUDGET

\$ TO SAVINGS

\$ TO DEBT REDUCTION

YEAR END PLANNING

PREPARE INCOME/EXPENSE STATEMENT FOR TAXES

INTEREST PAID VS MORTGAGE PAID

1099'S FOR VENDORS

BOOK KEEPING SYSTEM

Another reason for a separate checking account is to help you keep your book keeping organized. You can keep track of income and expenses many ways. I first started manually with lined paper where I would hand write everything. When computers first came out I purchased a sophisticated rental management system with lots of bells and whistles. Today it is very easy to use a generic program such as Microsoft Office Accounting, Microsoft Excel, or Quicken.

What ever you do, you want to be able to look at your income and expenses every month and at the end of the year to see how your business is doing. Continually look for things that do not make sense like the water bills are too high or a maintenance cost can be reduced by doing some improvements.

Constantly ask yourself: "How is my business doing?" and "What can I do that makes sense that will make my bottom line better?"

ACCOUNTS RECEIVABLE

We have already talked about rent collection in the Operations Section of our eBook. It is extremely important to keep accurate records of the rents that you collect and deposit them promptly into your checking account. Have a rent ledger or individual tenant ledgers and record those each month. At 5:00 P.M. on the fifth you will know who is delinquent and take care of your 3-day notices. We have already discussed bounced checks. Keep following up on rents that come in late.

Another idea I want to share with you is if the tenant pays with a check, either write down the bank account information or better yet, make a copy of the check. This becomes important if you have to collect money from the person later. One of your options will be to attach their checking or savings account.

ACCOUNTS RECEIVABLE CHECK LIST

COLLECT RENTS FROM POST OFFICE BOX.

RECORD RENTS ON TENANT LEDGERS

RECORD RENTS ON DEPOSIT SLIPS

ENDORSE CHECKS

MAKE DEPOSIT AT BANK

RECORD DEPOSIT IN CHECK BOOK

DETERMINE NON-PAYS AND LATES

SERVE 3-DAY NOTICE

FOLLOUP UP AS RENTS COME IN

CONSIDER EVICTIONS

ACCOUNTS PAYABLE

All of your bills should have been sent to your P.O. Box. We had two folders for each property in our files. **One was for bills to be paid and one for bills that were already paid.** We never wanted to be in a position that we had to spend more time in the management business than we needed to. We certainly didn't want to get out the check book every day and pay bills. We decided that bills would be paid twice a month, on the 7th and 20th. All mortgages would be paid on the 7th along with any other invoices that we had received. Then any other bills that came in before the 20th would be paid. Our handymen and other vendors knew upfront when they would be paid.

After you pay the bills, mark down the date and check number on the bill and place it in the "invoices paid" folder for the property.

ACCOUNTS PAYABLE CHECKLIST

- **PUT BILLS IN "PAYABLE" FOLDER FOR EACH PROERTY AS THEY COME IN**
- **ON BILL PAYING DAYS, TAKE OUT THE "PAYABLE FOLDER" FOR EACH PROPERTY**
- **PAY MORTGAGES**
- **PAY ALL OTHER BILLS**
- **PUT CHECK NUMBER AND DATE PAID ON EACH BILL**
- **PUT THE BILLS PAID IN THE "PAID BILLS" FOLDERS FOR EACH PROPERTY**

REVIEW OF YOUR BUSINESS

I strongly recommend that you review the finances of you business every month. Ask yourself questions like:

- How is my business doing?
- Am I doing a good job of marketing?
- Am I collecting the maximum income from my properties?
- What can I do to increase my income?
- Are my tenants following the rental agreement?
- Are my expenses reasonable?
- What can I do to reduce them?
- Am I happy with my cash flow?
- Am I happy with my yield?"

RESERVES

One of the biggest challenges that the average property owner will have has to do with big ticket items that will have to be replaced. Things like roofs, air conditioning and heating, stoves, and carpet all will need money for replacement. If you do not have the money to pay for these items, your business will be in big trouble. In the last month one of my properties, a fiveplex, had to have the fence replaced, \$3300 and a new heating/air conditioning unit replaced for \$2350. Those items are more than the net yearly cash flow for the property. Could you come out of your pocket to make these types of repairs to your property? Make sure you have extra money available to handle these events because they will happen and you must be prepared.

INCOME TAX PREPARATION

There are two philosophies for income tax preparation. 1) You do it yourself or (2) you have a professional accountant do it. I feel it should be based on the value of your time and amount of your knowledge. I personally always picked number 2.

My accountant has done my taxes for over 30 years. He is familiar with the new tax laws. He knows how to set up the depreciation schedules for the properties and for equipment for the management business such as computers and automobiles. He knows how to fill out Schedule E, the income and expenses for each rental property and what to do when I add a new property to my portfolio, or sell or exchange a property.

A few things you should remember when doing your taxes:

- You make monthly mortgage payments that include interest and principal. Only the interest is deductible. If your payment includes taxes and insurance, separate them out and list them separately.
- If you are making payments to private individuals, make sure they send you a statement of interest paid for the year.
- If you have individual people doing some of your maintenance or resident managers, you are required to give each of them 1099s at the end of the year if you paid them more than \$600. Make sure you learn more about this

**AT THE BEGINNING OF THE SEMINAR, I MENTIONED THE
THREE AREAS I WOULD COVER IN THIS SEMINAR –
MARKETING, OPERATIONS, AND FINANCE. I ASKED YOU
WHAT AREA YOU THOUGHT WOULD BE THE MOST
IMPORTANT. DO YOU HAVE AN ANSWER?
MY ANSWER IS MARKETING!**

RECOMMENDED BOOKS AND WEBSITES

Landlording: A Handy Manual for Scrupulous Landlords and Landladies Who Do It Themselves – Leigh Robinson

Landlording as a Second Income – Lawrence London

The Landlord's Survival Guide: How to Successfully Manage Rental Property as a New or Part-Time Real Estate Investor – Jeffrey Taylor

Every Landlord's Property Protection Guide: 10 Ways to Cut Your Risk Now – Ron Leshnow

The Landlord's Troubleshooter – Robert Irwin

Every Landlord's Legal Guide – Marcia Stewart, Ralph Warner, Janet Portman

The Landlord's Law Book – Volume 1: Rights and Responsibilities - Brown and Warner

Every Landlord's Tax Deduction Guide – Stephen Fishman

Secrets to a Successful Eviction for Landlords and Rental Property Managers – Carolyn Gibson

Mr. Landlord

<http://mrlandlord.com>

The Landlord Protection Agency

<http://www.thelpa.com>

California Apartment Association

<https://www.caanet.org>

National Apartment Association

<http://www.naahq.org>

All Property Management

<http://www.allpropertymanagement.com/>

I hope the contents of this eBook help you increase your yield and reduce your headaches as you manage your income properties.

To your continued success,



Bob Ritchey