

Eastern Michigan Real Estate Investment Association

Eastern Michigan Real Estate Investment Association

5 steps to renting out your home by Heather Levin of US News and World Report

September 2011

Riding out the market? Before your renter moves in, spruce up the place and make sure you've made other necessary changes.

In today's real-estate market, more homeowners are becoming landlords. After all, home prices are down 50% or more in some parts of the country. The thought of trying to sell in such a market can make even the most weathered homeowner's stomach clench. If you're thinking about turning your home into a rental property and becoming a landlord to ride things out, what must you do to make it happen? Here are five steps to get you started.

1. Start updating

Once you become a landlord, it's your responsibility to provide a safe and healthful home for your tenants. Your city will likely require a home inspection before you rent out your home for the first time. Make sure your home is up to code before inspectors show up.

In addition, an updated and clean home will not only increase your likelihood of finding a tenant, but it will also allow you to charge higher rent. How you do this will vary, depending on the condition of your home. Here are some tips to keep in mind:

- * Cleanliness is key. The cleaner your home is, the easier you can find a tenant.
- * Make sure all rooms are freshly painted.
- * Any valuable or unique light fixtures should be removed.
- * Make sure to fireproof your home.
- * Look at your plumbing; fix any leaks and toilet problems. If you're keeping the water bill in your name, install low-flow showerheads to cut down on water use.

2. Change your home's status

You must call your mortgage company to let it know that you're no longer living in the home. The company will have to grant permission for you to rent it, and a small fee may be involved. You also must change your home's status with your local municipality.

3. Change your homeowners insurance

Before your new tenants move in, you must have landlord property insurance specifically for a rental property. This is a different policy than your current homeowners insurance. Be prepared; insurance for a rental is probably going to cost more than your homeowners-insurance coverage.

4. Decide who will manage the property

Are you going to manage the property yourself or hire a property-management firm to do the work for you? It's a big decision.

Yes, you'll save money doing the work yourself. But you'll pay for this in time and stress. Property-management firms often charge 10% of the monthly rent for their services, but they handle everything from finding tenants to collecting rent to managing repairs. Many people find it's worth the cost to have these responsibilities off their plate.

5. Determine the rent

Knowing how much to charge for rent can be tricky. Charge too little and you lose money. Charge too much and your house sits empty.

If you hire a property-management firm, it likely will estimate how much you can reasonably ask for your rental property. If you decide to go it alone, search sites such as Craigslist to see what others are charging for the same-sized space in your area.

Then, just as you can sell your used car on Craigslist, you can easily put your property up for rent and avoid real-estate-agent fees. You can also use [Rentometer](#), a website that helps you determine if you're charging too much or too little for your rental.

Also, remember that most experts recommend putting aside 25% of your monthly rent income for future maintenance and repairs.

Renting out your home can be a smart move, especially in the current down market. But if you decide to go this route, make sure you're prepared for the stress and financial obligations that inevitably go along with being a landlord.

Inside this issue:

Seminar Registration Form 2

Seminar Agenda 3

10 Resolutions to improve your fair housing program 4

Resolutions to improve your fair housing program 5

10 Steps Toward Low-Risk Landlording 7

5 most common mistakes landlord's make in court 8

When Should a Landlord Hire a Lawyer? 9

How to protect your property from burglary and other crimes 10

NEW LOOK!

WWW.EMRHA.ORG

SEE FOR YOURSELF!

EMREIA 2011 SEMINAR REGISTRATION FORM

**FREE
EVENT**

**Eastern Michigan Real Estate
Investment Association**

Real Estate Investment Seminar

Date: Friday, September 23, 2011
Time: 8:00 a.m. - 2:30 p.m.
Place: M-TEC Building, SC4

**EVERYONE
WELCOME!!**



E.M.R.E.I.A.
3051 Commerce Dr, Ste 5
Fort Gratiot, MI 48059
Phone: (810)385-2332 / Fax: (810)385-8875
www.emrha.org

Seminar Registration Form

Name(s): _____

Address: _____

Phone: _____

E-mail: _____

Mail to: E.M.R.E.I.A.
3051 Commerce Dr, Ste 5
Fort Gratiot, MI 48059

Or email to:
jgalbraith@innovativehousing.org

Or call: (810)385-2332

**Registration required by
September 16, 2011**

*As seating is limited, please
register ASAP!*

EMREIA REAL ESTATE SEMINAR AGENDA

8:00 a.m. - 9:00 a.m. Registration and coffee

9:00 a.m. - 9:10 a.m. Welcome/Introduction - President of EMREIA - Dianna Maxwell

9:10 a.m. - 9:50 a.m. Financing Options - AnneMarie Rogers and Kyle Lesch

9:50 a.m. - 10:45 a.m. Repairs, improvements, supplies, permits, inspections - Mitch Kuffa

10 minute break

10:55 a.m. - 11:25 a.m. Insurance - Ben Knoester

11:25 a.m. - 11:50 a.m. Renovations, Repair & Painting (RRP) - Kevin McNeill

11:50 a.m. - 12:50 p.m. Lunch & Vendors - Lunch courtesy of EMREIA, sponsors & vendors

12:50 p.m. - 1:50 p.m. Panel Discussion: Local Economy & Real Estate Taxes -
Representatives of Fort Gratiot, Kimball Township, City of Port Huron,
Port Huron Twp, Marysville

1:50 p.m. - 2:30 p.m. Section 8 - Representatives from MSHDA
- Port Huron Housing Commission

2:30 p.m. Conclusion

10 Resolutions to improve your fair housing program by the Voice

Resolution #1: Keep Personal Biases Out of Your Community

First impressions may be hazardous to the health of your fair housing program. There's a common human tendency to form snap judgments based on first impressions about how someone looks, dresses, or speaks, but it's easy to forget that those attributes often are closely linked to race, color, religion, sex, national origin, familial status, or disability.

Even if you do not consciously intend to discriminate against anyone based on a protected characteristic, your community could be hit with a discrimination complaint if snap judgments or personal biases based on an individual's name, manner of speech, lifestyle, and other personal characteristics affect the way that a prospect, applicant, or resident is treated at your community. Even the appearance of unfavorable treatment based on how an applicant looks, speaks, or dresses could lead to a discrimination claim.

Fair housing experts have long warned against voice profiling—treating someone differently because of the way they speak on the telephone—because it could lead to accusations of discrimination based on race, national origin, or other protected characteristics.

Example. Fair housing testing performed last year uncovered voice profiling against African Americans in the Philadelphia rental housing market, according to the Fair Housing Council of Suburban Philadelphia. The council partnered with a linguistic expert to evaluate the level of racial profiling experienced by African Americans when they inquired about housing over the phone. The council reported that in 54 percent of tests, testers who sounded African American were treated less favorably than testers who sounded white. When compared to their white counterparts, African-American testers were asked to pay increased security deposits, were offered fewer units, and were less likely to be told about discounts. In 8 percent of the tests, testers who sounded African American didn't receive return calls, while white testers received return calls and information about available housing.

In the latest incarnation of unlawful profiling, one fair housing expert warns against email profiling—treating someone differently based on information gleaned from a prospect's email address. The name used in the email address could suggest the prospect's race, sex, or national origin, while the domain name from which the email was sent could indicate where the prospect works. If you get too busy to respond promptly to an email, you may be scolded by your marketing people for missing a rental opportunity, but you could also face a bigger problem because fair housing advocates can and often do—attribute your failure to respond to unlawful profiling.

Resolution #2: Beef Up Fair Housing Training

Don't be penny-wise and pound-foolish on fair housing training. Fair housing experts warn that you should never let any employee speak to prospects, applicants, or residents until they have completed at least one fair housing class and met with their supervisor to review your community's policies and procedures. It's not uncommon for fair housing problems to arise from stray comments by new employees who don't understand the basics of fair housing law.

But fair housing training means more than simply memorizing the protected characteristics and prohibited practices, according to a fair housing expert. It's essential to ensure that your staff understands how fair housing law applies in real-life situations.

Be sure to integrate basic customer service and communication training into fair housing training. With increased diversity among your prospects and residents, basic customer service skills should enable your staff to act in a professional manner and avoid gaffes that could be misconstrued as discrimination based on language or cultural differences.

Conducting fair housing training sessions on a regular basis also serves another important function: It fosters open lines of communication with your staff. Encourage employees to report anything they see or hear that even hints at a fair housing problem. Be sure to include all your employees, not just your leasing staff, because your maintenance workers, housekeepers, and landscaping crew can alert you to potential problems that you might not otherwise hear about.

Resolution #3: Keep Up with State and Local Fair Housing Laws

To avoid fair housing trouble, it's essential to know what the law is in your state and local area. Many state and local governments have expanded fair housing protection well beyond the seven federally protected characteristics. Examples include marital status, source of income, sexual orientation, gender identity, age, ancestry, creed, military service, political affiliation or belief, arrest or criminal history, physical appearance, and immigration status.

Although enforcement mechanisms differ from the federal system—and vary from place to place—communities risk administrative penalties and potential litigation for failure to comply with applicable state and local laws.

Example. Last year, Massachusetts Attorney General's Office announced that a real estate company settled allegations that it violated a state law banning discrimination against persons holding state or federal housing subsidies. The complaint alleged that an employee told the prospect that the community had too many Section 8 vouchers already and could not take anymore. The settlement required the company to help the prospect find a unit and to pay a portion of the rental cost in addition to other terms and conditions.

Fair housing experts say that the laws are changing so fast on the state and local level that it's necessary to review your fair housing policies to reflect any changes affecting your community. If your policy has been in place for some time, you could be vulnerable to a fair housing claim if additional protected classes have been added to your state or local law during the intervening years.

It's also important to monitor proposed changes in your state and local laws. Fair housing experts note increasing efforts to add protections for domestic violence survivors and to expand protections based on sexual orientation to cover gender identity. Meanwhile, with increasing numbers of returning veterans from the wars in Afghanistan and Iraq, some fair housing experts predict that many jurisdictions will add military status to the list of protected characteristics.

Resolution #4: Take a Fresh Look at Your Advertising

With the growing trend to use social media as a marketing tool, it's more important than ever to refresh your advertising policy. Community owners can get into big trouble by using certain words

10 Resolutions to improve your fair housing program by the Voice

or phrases that express a preference for or against prospects based on a characteristic protected under federal, state, or local law.

Although fair housing rules on advertising were designed when print media was the only option, they apply in full force to any form of advertising—print ads, marketing brochures, and Internet postings. And although there has been no official guidance regarding social media platforms, fan pages on Facebook and other forms of social media could be considered a form of advertising under fair housing law.

Fair housing experts warn that government officials and advocacy groups are closely monitoring Craigslist and other Web sites for discriminatory advertising. Based on a nationwide study conducted in 2009, the National Fair Housing Alliance (NFHA) reported that thousands of illegal housing advertisements appear on the Internet every day, which led to 1,000 discriminatory advertising complaints with HUD in that year alone. According to the NFHA, illegal online advertising is responsible for the uptick in discrimination against families with children.

State officials have taken notice. In recent years, Massachusetts officials have been conducting a statewide investigation into reports of widespread discriminatory Internet advertising. The investigation has resulted in lawsuits against community owners across the state based on discrimination against families with children and against recipients of housing subsidies, which is a protected characteristic under state law.

Resolution #5: Develop a Standard Policy on Showing Units

If you don't have one already, take the time to develop a written policy on showing units. Although not required under fair housing law, a standard policy will protect your community from any accusations that you treated any prospect differently because of a protected characteristic.

Tailor the policy to your community and make it as detailed as possible, according to fair housing experts. Sit down with your staff to decide what works for your community. Get a consensus of when they wouldn't be comfortable conducting a unit tour based on the time of day, current weather conditions, and other circumstances. If you don't want to show units after dark, for example, your policy could state that you will not start a tour within a half hour of sunset—which would obviously mean that your cut-off time will be much earlier in the winter than in the summer. By the same token, the policy should describe the specific weather conditions that would prevent your staff from conducting a tour, such as during a thunderstorm, a blizzard, or a tornado watch.

Make sure the policy covers whether—or when—you require prospects to provide identification prior to taking the tour. For example, your policy could state that prospects are not required to provide identification before taking a tour, although our fair housing experts advise against that policy. Other options would be to require one adult—or adults—taking the tour to provide identification. Check state law when determining who is considered an adult—it's usually 18, but it could be 17 or 16 in some states. And insist on a valid—that is, unexpired—government-issued ID. It doesn't have to be from the United States—it could be a valid driver's license from a foreign country.

Our fair housing experts warned against copying photo IDs before conducting a tour. In many cases, photocopies of pictures are poor quality, but more importantly, taking and keeping a photo-copy of a picture ID could open the door to potential fair housing problems. For example, a prospect could claim that his application was rejected because you could tell from his picture that he was African American.

With a written unit tour policy in place, make sure that your staff applies it consistently. And document that you did so—it will go a long way to dispel any accusations of discrimination in showing units.

Resolution #6: Handle Reasonable Accommodation Requests Properly

It's essential to have a thorough understanding of how to handle requests for accommodations and modifications, advise fair housing experts. More than half of all formal fair housing complaints are based on disability, many of which stem from a refusal to grant an accommodation request.

Train your staff on how to recognize accommodation requests—because they rarely present themselves as formal requests for reasonable accommodations. In fact, most residents don't even know that's what they are doing when they say they need or want something because of an impairment. If, for example, a resident tells a staff member that she needs to park closer to her unit because she has trouble walking to her assigned space, then that statement qualifies as a request, because it doesn't matter whether the resident talks to a manager or a maintenance worker; it's still considered a request for reasonable accommodations—and neglecting to do anything about it would amount to an unlawful denial of an accommodation request.

Have a standard procedure for handling accommodation requests, so every staff member knows how to respond. One fair housing expert recommended a scripted response—for example, telling the resident that you are happy to consider the request, asking her to fill out a request form, and assuring her that it will be considered as soon as possible—but making no promises that it will be granted.

When considering whether to grant an accommodation request, fair housing experts stress the importance of keeping an open mind, particularly if it involves a service animal. Increasingly, traditional service animals are trained to perform nontraditional tasks—for example, dogs trained to detect seizures or other maladies. On the other hand, requests may involve nontraditional service animals, such as miniature horses. You must consider each request based on the circumstances—and will face discrimination charges if you deny a request because you believe that all animals are simply pets.

Resolution #7: Ensure Policies Don't Discriminate Against Families with Children

Review your policies—ranging from occupancy standards to community rules—to ensure that your community does not violate fair housing protections based on familial status.

Occupancy standards can be a source of conflict because the law prohibits communities from excluding applicants or residents with children under the age of 18, unless the community qualifies under strict rules governing “housing for older persons.” It is a violation of fair housing law to set overly restrictive occupancy standards that have the effect of excluding families with children under 18. HUD has set a

10 Resolutions to improve your fair housing program by the Voice

general standard of two people per bedroom—without distinction as to age or gender—as a reasonable occupancy standard, but you should check state and local occupancy rules, which may be different.

Put your policy on the occupancy standards in writing and train your staff to apply them consistently. The policy should address situations when a child under 18 moves into a unit after the start of the lease. One fair housing expert recalls an owner saying he didn't want to rent to grandmothers, anticipating that they would soon start moving in their grandchildren.

Community rules governing resident conduct also can be a source of familial status claims. If your rules target children, you could be accused of discrimination unless you have reasonable objective reasons for the rule. For example, reasonable safety considerations and local laws would justify setting an age limit for children's use of the pool without an adult, but a rule banning children from playing outside without adult supervision could lead to a fair housing complaint.

Example: A Massachusetts condominium, association agreed to pay \$15,000 to settle allegations of discrimination based on familial status by imposing excessive fines against residents with children for violation of its rules. According to the Department of Justice, the condo association fined families with children more than \$500 when their children played in the complex's outdoor common area, yet fined other residents only \$10 for similar rules violations [U.S. v. Stonecleave Village Association, Ind., November 2010].

Resolution #8: Prevent Sexual Harassment and Other Forms of Sex Discrimination

Under the FHA's ban on discrimination based on sex, communities may not go out of their way to attract prospects of either gender, or to treat them differently because of their gender.

The FHA bans sexual harassment, which is considered a form of sex discrimination. The law applies to harassment against residents of either gender, though most cases involve the sexual harassment of women. Owners face potential liability for sexual harassment of female residents by property managers or other employees—even contractors—if they knew about it but failed to do anything to stop it.

Example: A jury recently found a Michigan owner and property manager liable to pay \$115,000 in damages for sexual harassment, according to the Department of Justice. The jury found that the property manager subjected six women to severe and pervasive sexual harassment after the government presented evidence ranging from unwelcome sexual comments and sexual advances, to requiring sexual favors in exchange for their tenancy. The jury found the owner liable for one woman testified that she complained to the owner about the manager's conduct, but the owner allowed the manager to continue to manage his properties for nearly two more years [U.S. v. Peterson, August 2010].

Although sexual orientation and gender identity are not protected under the FHA, HUD has promised to take a close look at such complaints and to pursue them if they also involve discrimination based on sex or disability. For example, HUD says that a refusal to rent a unit to a prospect who is transgender could be considered

sex discrimination if the housing denial is because of the prospective tenant's nonconformity with gender stereotypes.

Furthermore, many state and local laws ban discrimination based on sexual orientation or gender identity. Even when a formal complaint to HUD does not qualify under the FHA, HUD has adopted a policy to refer the matter for attention by the appropriate agency.

Resolution #9: Avoid Discrimination Claims Related to Residents', Guests, Friends, or Family

Review your guest policies to ensure fair treatment of residents' friends, family, and other associates. The FHA bans discrimination against residents—or against anyone who associates with them—based on race, color, or other protection characteristics.

Under those provisions, communities could be liable for discrimination against guests—such as a resident's friends, visitors, or aides—because of their race, color, or other protected characteristic. That means that if your policy allows guests to use your recreational facilities, you can't deny admittance to a guest for discriminatory reasons.

The law also bans discrimination against a resident because of his guests. That is, even if the resident is not a member of a protected class, he could file a fair housing claim if the community discriminates against him because he associates with members of a protected class.

Example: In October 2010, HUD charged a Mississippi owner and property manager with violating the FHA by refusing to renew the lease of a white resident because she associated with African Americans and has a biracial daughter. Among other things, HUD alleged that the property manager made discriminatory statements about renting to African Americans and tenants associating with African Americans [HUD v. Kelly, October 2010].

Resolution #10: Prevent Grievances from Getting Out of Hand

Do all you can to resolve grievances to avoid facing a formal fair housing complaint. Of course, you can't do anything to prevent or discourage a resident from filing a formal complaint—the FHA prohibits interference with anyone in the exercise of his rights under fair housing law. But you can—and should—be responsive to residents' informal grievances and try to work them out fairly and efficiently.

With a solid reporting policy and staff training program, you should learn about the problem at an early stage. Promptly contact the resident to assure him that you take the complaint seriously. Get his side of the story and conduct a full investigation, take appropriate action, and notify the resident of the results. Be sure to keep good records about all phases of the process—including the initial complaint, the investigation, the findings, and notice to the resident.

Take precautions against treating the resident differently because he has lodged a complaint. Although an allegation of discrimination does not give the resident a free pass for missing rent payments or other lease violations, you should contact your attorney for guidance on how to handle these types of situations to avoid a retaliation claim.

Learn how to protect your rental property from common mishaps and risky situations.

Most rental property owners worry about protecting their investment. From physical damage to the property to insurance claims to lawsuits brought by tenants, there are myriad ways that you can lose money. Fortunately, minimizing risks in a rental business doesn't require a ton of money or a staff of experts. All you need to do is learn where you're vulnerable and then take commonsense steps to minimize that vulnerability.

Here are ten steps you can take to protect yourself against liability as a landlord. By acting now, you'll enjoy a big payoff: reduced likelihood of lawsuits, harm to tenants and guests, damage to your property, and financial distress to your business.

Step #1: Get the Right Insurance for Your Property and Business

Don't wait until a loss occurs before you determine whether you have the right insurance for your business and property. Review your current policy with your agent or broker, then discuss coverage options that fit your needs.

Step #2: Make Your Property Physically Sound

Keep your property safe so that people don't get hurt. To do this, learn the basic legal requirements for repairing and maintaining your property, and then follow them.

Implied warranty of habitability. Virtually every landlord must comply with a legal rule known as the "implied warranty of habitability." This means you must make sure your rentals are in a "fit" and "habitable" condition when tenants move in, and you must maintain this condition throughout the tenancy. Get familiar with your state and local health, building, and safety codes, and strive to keep your property compliant.

Take steps to prevent injuries and losses. In addition, take other reasonable steps to prevent injuries and other losses. For example, take all tenants' repair requests seriously and fix problems promptly. Inspect your property yourself for hazards. If you can't address a hazardous situation immediately, warn tenants and visitors about the danger.

Step #3: Make Your Rental Property Accessible to Disabled Tenants

Make your property accessible to tenants with mobility impairments and other disabilities. Check whether structures on your property must follow the Fair Housing Act's "design and construction" requirements. (Generally, multifamily buildings that were designed and constructed for first occupancy after March 13, 1991 must comply.)

Regardless of when your buildings were constructed, seriously consider all requests from a disabled prospect or tenant to modify your building in order to meet that person's needs. Review each request on a case-by-case basis and grant it if it's reasonable. For example, a prospect's request to install grab bars in the bathroom or lower kitchen cabinets is probably a reasonable modification

request.

Step #4: Remove Environmental Hazards from Your Property.

Removing environmental hazards is often trickier than removing other physical hazards. Environmental hazards often can't be seen, and they may not become apparent until they cause injury or property damage. For example, a landlord might not learn of lead paint dust on her property until a family gets their child's blood test results showing elevated levels of lead. What's more, in some cases environmental hazards remain invisible even once they've caused damage, as in the case of carbon monoxide or radon.

Do your best to address environmental hazards before they cause serious damage. Here are some ways to do so:

Require tenants to report all leaks and flooding to you promptly so that you can take quick action to prevent mold.

Maintain your heating systems and appliances, and install carbon monoxide detectors in order to prevent carbon monoxide build-up.

Comply with federal testing requirements when employees or contractors work on asbestos-containing building materials, such as sprayed-on ceilings. These tests will reveal to workers what's in your building, and you can use this knowledge to protect your tenants, too.

Step #5: Prepare for and Handle Disasters and Emergencies

Back up your computer files and keep important documents (such as a mortgage, note and management contract) in a secure and fire-proof off-site storage facility.

Report suspicious objects, activities, and mail to the police, and take bomb threats seriously.

Document the location of utility shut-off valves, a step that can save lives and minimize damage if a fire or other disaster occurs.

Create an emergency procedures manual with an evacuation plan that's tailored to your property.

Step #6: Lower the Risk of Crime at Your Property

In recent years, courts have increasingly found landlords partially responsible for crimes on their properties because they didn't provide adequate security.

To prevent problems and keep your property and tenants safe, comply with state and local laws concerning security measures on rental properties. Screen your applicants and employees carefully—don't just look for experience and know-how when it comes to filling a position on your staff. Adopt a smart key policy so that keys don't fall into the wrong hands, and make sure your intercom system doesn't link tenants to their apartment numbers. Answer prospects' questions about security candidly, and deliver on any promises you make to increase security.

Step #7: Avoid Fair Housing Complaints When Choosing Tenants

If a prospective tenant believes you violated their civil rights, they may take legal action against you. Even if you win, defending yourself takes time, money, and energy.

To avoid problems, learn the basics of fair housing laws. The key to compliance is treating everyone the same. Some ways to do this include:

Putting your screening criteria into a written tenant selection plan and giving a copy to applicants

Rejecting applicants for legitimate business reasons, such as poor credit or negative references from prior landlords, and letting applicants know your reasons for rejecting them, and

keeping an updated log of apartment availability, and granting prospects' requests for reasonable accommodations. For example, if you have a "no pets" policy and a prospect needs a guide dog to accommodate his disability, let him keep the dog as an accommodation.

Step #8: Adopt Careful and Consistent Business Practices

Many landlords create risks just by the way they go about their business. Be a careful and consistent landlord by using a written lease or rental agreement with tenants and by enforcing lease clauses consistently. Create house rules for tenants to follow (for example, regarding pets or children's health and safety) and enforce them. Don't let a friendship with a tenant interfere with your professional relationship. Also, to prevent identity theft, don't use tenants' Social Security numbers any more than needed.

Step #9: Avoid Problems When Hiring Help

Hiring help brings the promise of efficiency, savings, peace of mind, and profitability to your business – but it also brings risk. To lower the risk, determine whether you must classify a helper as an employee or an independent contractor.

For employees, be sure to withhold the appropriate payroll taxes and create a zero-tolerance policy against sexual harassment.

When using contractors, make sure they have insurance and sign a written contract with you.

If you're considering hiring a management company or need to hire a lawyer, ask questions until you're satisfied you're choosing the right one.

Step #10: Taxes: Stay on Good Terms with Uncle Sam

Take steps to avoid a tax audit and to maximize your deductions. For example,

Establish a recordkeeping system for your business so that you keep track of every document that will substantiate your claimed income and expenses.

Understand how your choice of business structure and tax year affect your taxes.

Finally, hire the right type of tax pro for your business, and review your past returns for evidence of trends or problems.

The first mistake that a landlord can make is to show up in court without a written rental agreement. The most common excuses for no lease are that they were renting to friends or family, or to those in a crisis situation who needed immediate housing. There is no excuse for lack of a written document.

The second error is not understanding the procedures governing the collection, management, and return of the security deposit. The tenant has the right to the security deposit when he/she moves from the rental unit if the tenant: does not owe the landlord any rent; does not owe for utilities; leaves the rental unit in the same condition, excluding normal wear and tear, as when the tenant moves in.

Security deposits are considered the tenants' property until the landlord establishes a claim on that money through court action or through mutual agreement with the tenant. (Landlords: NEVER forget to send that security deposit notice within thirty days of the tenant moving out.)

Failure to do an inventory checklist at the beginning of occupancy and at the end of occupancy. Without this, you have no written and signed proof of the condition of the unit. How can you ask for damages that you cannot prove were done by the tenant?

Not knowing that correct complaint form to use when filing a court action on a 7 day or 30 day. Make sure that you use a "Complaint-Nonpayment of Rent" for a 7 day, and a "Complaint-Termination of Tenancy" for a 30 day. The Summons form is the same for both of these actions.

Not knowing how much to ask for a money judgment. The possession amount of rent is rent due to the end of the month. The money judgment is rent that is due on the day of court. To figure this out multiply the month's rent by 12 to get the yearly amount, divide by 365 to get the daily amount due, and the daily amount times how many days you are into the month. (ex. rent is \$500 per month x 12 = \$6,000 per year. Divide this by 365, which equals \$16.43 per day. Your court date is on the ninth. Multiply this daily rate of \$16.43 by nine (days). This equals \$147.87, which is the amount of rent owed on the court date. Have your figures ready.

FYI: to get a money judgment you must: have the person served in person, ask for a money judgment when filing the court papers, and mark money judgment on the complaint form.

**We have a new look online. View
our updated website at
www.emrha.org**

In some situations, property owners can benefit from a lawyer's help. Learn when to consult an attorney.

If, like many landlords, you own or manage only a few rental properties, you are unlikely to have a lawyer on staff or even "on retainer" (where you pay a lawyer in advance to handle routine questions and issues). Fortunately, you shouldn't need to constantly consult a lawyer or even keep one in the wings, "just in case." You *do* have to be able to recognize those situations when expert help is needed—even if it's just for some advice and coaching.

Landlords are fundamentally no different than any other type of business owner—they aim to make their business profitable while steering clear of liability. In certain situations, hiring (or consulting with) a lawyer to help you achieve these goals is a smart move. Here are some of the most common scenarios that will benefit from a professional's review or help.

Evicting a Tenant

In most states, an eviction lawsuit takes much less time than regular civil cases. But in exchange for expedited treatment, landlords must follow highly detailed rules, from notifying the tenant of the lawsuit to filing the right papers and forms. In addition, because it's the tenant's home that's at stake, many judges will set the bar very high when it comes to ruling in the landlord's favor. Winning an eviction lawsuit, even one that you'd think is a slam-dunk, isn't so easy.

Still, many landlords try to evict a tenant themselves, often with success. But you may be better off hiring a lawyer if:

This if your first eviction

The tenant is fighting the eviction and has a lawyer

The tenant is an employee whom you're firing

The tenant is filing for bankruptcy, or

You must comply with rent control or housing program rules for eviction.

Being Investigated or Sued for Illegal Discrimination

You don't need a lawyer every time a prospect or tenant accuses you of illegal discrimination. In fact, landlords who diligently comply with fair housing laws can still get these accusations from prospects they reject or tenants they evict for legitimate business reasons. But if a prospect or tenant sues you for discrimination, or if HUD or a fair housing agency agrees to investigate the claim, you'll probably want to consult a lawyer.

HUD administrative law judges can award a civil penalty of \$11,000 per violation for first-time offenders, in addition to actual damages, attorneys' fees, and other relief. Your liability can be much higher if your case goes to court or you settle. Also, if you become the subject of a discrimination lawsuit or investigation, it can make the press and harm your business' reputation. A lawyer can help you resolve the dispute and end the investigation or lawsuit as soon as possible.

Sued for Injury or Illness

If a tenant or guest sues you and claims that she got hurt or sick because of your carelessness, you'll almost certainly want to hire a lawyer to defend you. Personal injury cases are typically high stakes, and personal injury lawyers know their way through these cases much better than you do. Also, you may find it difficult to confront a tenant who has suffered a serious loss, even though you believe you should not be held responsible.

Any lawyer you hire will be emotionally detached from the case and experienced in effectively negotiating these types of situations. Fortunately, if you have liability insurance and pay your premiums, your insurer should provide you with a lawyer to defend you against personal injury claims.

In situations like this, your liability policy would also kick in. When the claim is high you may decide to refer the matter to your insurance company and take advantage of its obligation to provide a lawyer. When the claim is low, especially if it's brought in small claims court, you'll probably want to handle it yourself, but could still benefit from a coaching session of an hour or so.

Audited by the IRS or the State

If you learn that the IRS or your state tax agency will be auditing your return, you don't always have to hire a lawyer. For example, an audit in which an additional few thousand dollars of taxes is at issue probably isn't enough to justify the expense of a lawyer. But you'll probably want to hire a lawyer (or another tax professional) to help you with an audit when there's a lot of money at stake.

If you made a serious mistake on your taxes that the government hasn't yet noticed—for example, you didn't report certain income or you took deductions for which you're not entitled—hiring a lawyer before the auditors uncover the mistake can help you avoid a potentially damaging and embarrassing situation.

Anytime You're Going to Court

Aside from evictions, personal injury, and discrimination lawsuits, you may need to go to court for one of a number of other reasons, either as plaintiff or defendant. For example, a former tenant may take you to housing or small claims court, claiming you wrongfully withheld the full amount of his security deposit. Or you may decide to bring a civil action against a contractor to get compensated for shoddy or incomplete work.

If you're going to court, or if you're entangled in a legal dispute that may lead there, at the very least consider consulting a lawyer, even if it's just to get some coaching. Whether to hire a lawyer should depend on: the complexity of the situation, how much is at stake, your budget, your confidence in handling the matter (or part of it) yourself, and your experience (if any) with a similar matter in the past.

Changing Your Business Structure

You may decide your business would be better served as a limited liability company instead of as the S-corporation you've been running for years. Or, after operating as a sole proprietorship, you may want to get a partner involved. It's wise to consult a lawyer to discuss your options and what each one entails.

When Should a Landlord Hire a Lawyer? (conclusion)

Nolo

Depending on your choice of business structure, you may need to file certain documents with your state on a one-time or annual basis (which you can often handle yourself). Any decision regarding your business structure will have important tax and legal ramifications, which your lawyer can explain.

Buying or Selling Property

Buying or selling property may be common, but it's filled with more complexities and legal risks than many people are aware of, especially if that property also has a business (such as a building full of tenants) that goes along with it.

A lawyer know the steps and can walk you around common pitfalls, from negotiation to closing. For example, a lawyer can help resolve environmental or structural issues that come to light in an inspection report, and can commit the seller to removing liens, mortgages, judgments and tax levies to ensure you get "clean title"—that is, ownership that's free of claims.

Dealing With Problem Employees — or Employment Problems

Employment issues can arise whether you manage a large staff or have just one person helping you with your business. If you need to fire an employee for a valid reason but are afraid the employee may sue you for discrimination, or if tenants complain that an employee is harassing them, even a quick consultation with a lawyer may help steer you away from legal trouble.

Defending Your Reputation

If a serious crime or accident occurs on your property, or if one of your employees makes headlines for an unflattering reason, your business could suffer from negative publicity (on top of any lawsuit that may take place).

Especially if you're not used to dealing with public relations, you should consider talking with a lawyer about how to handle the press. The lawyer can advise you on what you should—and shouldn't—say, or speak for you, and perhaps recommend action you can take to draw positive attention to your property and business.

Protecting Your Intellectual Property Rights

When surfing the Web, did you happen to find a company logo that's strikingly similar to the one you paid a graphic designer to create for you several years ago? Did you spot language on another landlord's website or marketing materials that looks eerily familiar? These types of issues relate to your business' intellectual property rights. If you try to enforce them on your own—for example, by contacting the alleged offender about the apparent violation—and get nowhere, consult a lawyer who's an expert on copyright and trademark issues.

EMREIA is now set up to do TRAK-1 full tenant screens. \$30 per screen.

How to protect your property from burglary and other crimes

the Voice

Although there are many suggestions for residential areas, the issues remain clear—take care of what you have so that others will feel your sense of ownership and commit their crime elsewhere.

Getting to Know Your Neighbors

The more eyes watching your neighborhood, the better! Once you know your neighbors, you learn their routines and visa versa. People who don't belong in the area will stand out and be noticed.

Lighting

Your entire property (walkways, porches, doorways, garages, car ports, trash enclosures, etc.) should be well lit with a continuous white-colored light. Motion detectors are not recommended because people become desensitized to them. White lights such as metal halide or fluorescent, allow people to see colors and distinguish features. Use a combination of overhead lighting, spot lighting and ground lighting to eliminate shadows and dark areas.

Landscaping

Thorny landscaping (holly, bougainvillea, roses) should be placed under all first story windows. Landscaping should not be allowed to block lighting fixtures, windows, or pathways. Maintenance is extremely important. Shrubs, hedges, and bushes should not be allowed to grow above 18" and canopies of trees should not be allowed to grow below seven feet. Trees should be pruned so that light can pass through the foliage to increase visibility.

Strategically locate hedges to define property lines so that people who are misusing the space are easily observed. Choose lacey-style trees and plantings rather than dense varieties to improve visibility. Plant vines along barren walls to prevent graffiti and other vandalism.

Fences

Fencing properties with wrought iron style fencing, picket fencing or landscaping helps define property boundaries and eliminates potential offenders from loitering and other illegitimate behaviors. Fence posts should have decorative elements and finials to eliminate opportunities to climb, lurk, and loiter.

Mailboxes

Common or shared mailboxes should be placed in high-traffic, supervised areas.

Houses with separate mailboxes should have mail drops that fall directly into the home or a lock box.

Windows

Windows along all of the sides of the house are strongly encouraged. It increases visibility and awareness. Open your doors and windows to keep a clear view of the streets around your house.

If anyone has a topic they would like to see in the newsletter or an article that you think other members would be interested in, please contact Jodi at

810-385-2332 or by email at jgalbraith@innovativehousing.org

HURON

TITLE COMPANY

**330 Michigan Street
Port Huron, MI 48060**
810 / 987 - 2141
1 / 800 - 878 - 4853
Fax 810 / 987 - 1317

PLUMBING & HEATING AIR CONDITIONING

188 14th Street
Marysville, Michigan
48040

(810) 364-5211
Fax (810) 364-3020

Lou Gordon



MATTHEW M. WALLACE, P.C.

ESTATE PLANNING, BUSINESS PLANNING & REAL ESTATE

MATTHEW M. WALLACE, C.P.A., J.D.

ATTORNEY & COUNSELLOR AT LAW
701 HURON AVENUE, SUITE 102
PORT HURON, MICHIGAN 48060

www.wallacepclaw.com
matt@wallacepclaw.com

(810) 985-4320
FAX (810) 985-4108

The
OPPLIGER
LAW FIRM

DAVID E. OPPLIGER
ATTORNEY AND COUNSELOR

1111 PINE GROVE AVENUE
PORT HURON MI 48060
(810) 966-1881 • FAX: (810) 966-1893
OPPLIGER@SBCGLOBAL.NET

Stewart,
Beauvais
& Whipple P.C.



CERTIFIED PUBLIC ACCOUNTANTS

Providing Valued Services Since 1945

- Tax Preparation & Consulting • Business Consulting
- Estate Planning • Audits & Financial Statement Preparation
- Business Valuation • General Ledger/Payroll Services
- Personal Financial Planning

Larry J. Allen, CPA Paul L. Bailey, CPA
Michael T. Turnbull, CPA Stephen R. Zimmer, CPA

1979 Holland Ave., Port Huron, MI 48060
(810) 984-3829 • SBWCPA.COM

Advertising Price Rates

1/8 page: \$125/yr \$14/mo

1/4 page: \$165/yr \$18/mo

1/3 page: \$185/yr \$20/mo

1/2 page: \$200/yr \$22/mo

Full page: \$400/yr \$44/mo

*based on 9 issues per year

**Eastern Michigan Real Estate
Investment Association**

3051 Commerce Dr, Ste 5
Fort Gratiot, MI 48059

Phone: (810)385-2332
Fax: (810)385-8875

Email: jgalbraith@innovativehousing.org



«First» «Last»
««Company»
«Address»
«City» «State» «Zip»

E.M.R.I.E.A. ADVISOR

Our office is located at:

3051 Commerce Dr, Ste 5
Fort Gratiot, MI 48059

Phone: (810)385-2332
Fax: (810)385-8875

www.emrha.org

Office Hours:

Monday - Thursday
8:30 a.m. - 5:00 p.m.

Friday
8:30 a.m. - 4:00 p.m.

Board of Directors

President	Dianna Maxwell	586-801-6068
Vice President	Judy Harris	810-385-3284
Secretary	Ken Montgomery	810-385-3150
Treasurer	Edward Schultz	810-385-2332
	David Oppliger	810-966-1881
	Renae Kiehler	810-385-2332
	Kathy Swantek	810-388-1200
	Matt Wallace	810-985-4320
	Virginia Irland	810-982-6239