

Eastern Michigan Real Estate Investment Association

Eastern Michigan Real Estate Investment Association

3 Questions to Spot Good Real Estate Deals the Voice

October 2011

Analysis paralysis: one of the biggest blocks of successful investing. That's when you stumble into a good deal, then stop dead in your tracks. You worry about the decision but never do anything.

In my first six months of investing, I looked at hundreds of great deals and froze. How did I know it was a good deal? How did I know I could make money? If I made an offer, I was scared I might have gotten the deal...and then what?

To overcome analysis paralysis, (1) get lots of information and (2) make sure you have a really good deal (because even if it's not as good as you think, you still have a margin of error to work with). If I told you the exact cards that will come out on the blackjack table, without a doubt, you would play them because you have information about what will happen. When you gather lots of meaningful information, this also can be true in real estate investing.

Information Gathering

Ask the following questions first. They will help you decide if you should make an offer.

What is the property worth today?

What repairs are needed and how much will they cost?

What can you get it for?

1. What is the property worth today?

To develop a successful real estate investing career, your job is to find deals and put them together. Your job is not to become an appraiser or a closing attorney or a management expert or a repair-person. Use professionals! How do realtors, appraisers, and banks determine what a property is worth? They look at comparable sales, usually three to five sales of similar property close by. Realize that the properties have to be similar for a true comparison.

Next, get a list of comparable sales and see the sales price of every property bought or sold (and when it sold) for the street you want information about. Also ask active professionals what the market is like. Whenever possible, get information in writing via fax, email, or letter. Put comparable sale lists and information in a folder for future reference.

2. What repairs does the property need?

You can find the cost of the repairs from two

different sources: from the owner or the seller (most are truthful; a few are not) and from a good contractor who is licensed, bonded, and referred to you.

Make sure that person is "referred" and that you get bids from more than one contractor, all recommended by respected realtors or other investors.

3. What can you get it for?

When sellers are motivated to move a property worth \$100,000 and it does not need any repairs, they may say, "We'll let you have it for \$70,000." (This is about 30 percent below market value. Rule of thumb: A good deal should be at least 20 percent below market.) Would that be a good deal? Yes. Now you can negotiate an even better deal and get a signed contract. That's where you make money in real estate. By not negotiating, you may have potentially left a lot of money on the table.

Every property's value is in the eyes of its beholder. If you own a lot of real estate and you are being sued, you might make a case that your property is not worth much and needs repairs. On the other hand, if you go to the bank to borrow money against the property, you'll want it appraised as high as possible using the highest comparable sales. And when the tax assessor calls to figure out your new taxes for next year, you'll say the rents are low, the buildings need work, and so on. Since property has different value depending on who is looking at it, make sure you talk to professionals active in the market who will tell you honestly what people are paying for properties today. You can also determine market value by attracting an offer through a newspaper ad that includes details of the property. If the phone rings, people want what you offer. Likewise, if you want to see how much rent should be, run a "For Rent" ad and see if anybody calls. If no one calls, you don't have much of a market.

Now Do Your Analysis

You have negotiated a good price and put it under contract with a contingency clause. Now do your analysis. (Beginners tend to analyze for six weeks but by the time they find out the age of the water heater, the condition of the roof shingles, and the options of neighbors, there opportunity may have disappeared.) Instead, do a quick survey to see if it is a good deal, document everything, put your offer in with a contingency, then do your complete analysis.

If you experience analysis paralysis, you'll lose a lot of deals. That's why it's important to gather your information well and act boldly.

Inside this issue:

President's Invitation 2

New Federal Court Decision on Seizure.... 3

Landlords must be quick to respond to illegal drug... 4

Raising Tenant Debt.... 5

Claimable Deductions...And Other Useful Info 6

For their sake and yours.... 7

Reduce those water bills 8

Cost effective ways to attract 8

Unauthorized Occupants 9

FFCR 9

Landlords must comply with Federal Fair Credit Reporting Act 10

Cosigners? Good Idea or Not Worth the Hassel? 10

NEW FEDERAL COURT DECISION ON SEIZURE OF PROPERTY AFTER EVICTION

by David Oppliger

On September 2, 2011, a federal court ruled that it is a violation of a tenant's constitutional right to dispossess the tenant of his personal property pursuant to an order of eviction.

The case was decided by the United States Court of Appeals for the Sixth Circuit, which includes Michigan. The tenant was evicted from his home and deputy sheriffs executed the Order of Eviction by not only removing the tenant's personal property, but then selling it with the proceeds being turned over to the landlord in part satisfaction of the judgment for back rent.

The tenant sued the landlord and the deputy sheriffs under a Federal statute and United States Constitution alleging violations of his constitutional rights.

The court held that the deputy sheriffs not only carried items out of the house, but also helped landlords load the property onto a pickup truck. The court found that these affirmative acts by the deputies place them squarely within the Supreme Court's reaffirmation that a physical seizure of the property constitutes a Fourth Amendment violation.

In addition, the court noted that the deputies allegedly threatened to arrest the tenant if he interfered with the landlords' actions. The court said that the deputies' actions went beyond the constitutionally permissible keeping of the peace functions and crossed over into a "meaningful interference" with Cochrane's property.

Based on the decision, the duty of a deputy sheriff in eviction proceedings is to serve the eviction notice, keep the peace and avoid active participation in the seizure of personal property.

If you have further questions about this issue or any other issue related to landlord/tenant matters, please do not hesitate to contact David E. Oppliger at 810-966-1881 or oppliger@sbcglobal.net

President's Invitation

Please join us at the Quarterly Meeting of the

Eastern Thumb Association of Realtors®,

co-hosted with the Eastern Michigan Real Estate Investment Association

WHEN: Friday, October 14, 2011, 12 Noon

WHERE: Thomas Edison Inn, Port Huron.

Lunch with warm chicken salad and cheesecake will be served, \$15 per person

Guest speaker will be Bruce Brown, City Manager, Port Huron, who will discuss current city projects, rental housing, blight control and other issues which affect all of us in the business community.

*We will also recognize our Eastern Thumb Realtor® of the year,
Helen Ruffing, Home Towne Realty!*

Many thanks to our sponsors of this event:

The Title Agency of Michigan and First Preferred Mortgage,
*who would like to treat the first 60 registered Realtors and Landlords to lunch.
Please identify yourself as an ETAR Realtor or EMA Landlord with your RSVP.*

All others are welcome and encouraged to attend!

*Make your reservation early! Call Wanda at 982-6889 or email at etar@comcast.net,
by October 10th.*

Please Note: *Eastern Thumb members, we will be conducting association business and your attendance is important!*

One of the cases in this Landlord Tenant Law Bulletin involved a residential landlord attempting to evict a tenant who admitted to illegal drug involvement. Suspicion and rumor of illegal drug activity involving tenants will raise the eyebrows and concern of residential landlords. Drug activity on premises you own may not only put your other tenants at risk but it may also decrease your property value and make it difficult for you to fill vacancies. Moreover, as the landlord, you may have a legal duty to: protect the neighborhood from your tenants' illegal activities; report the crime and/or evict the tenant.

Duty to protect others from tenants illegal activities. Generally, a landlord has a duty to take ordinary care to protect tenants and their invitees from foreseeable harm.

Depending on the jurisdiction, a harm from illegal drug activity may be "foreseeable" if it was imminent in that the landlord knew or should have known that illegal drug activity was imminent based on case-specific circumstances. Harm related to illegal drug activity may include things such as gun-related violence or chemical exposure, such as with a methamphetamine lab.

A landlord's duty to exercise "ordinary care" or take "reasonable" measures to protect tenants from foreseeable harm usually requires the landlord to take on a burden that is relative to the threat level. Moreover, a landlord will only have a duty to take measures within his or her control.

Statutory duties. In addition to this general duty to exercise ordinary care to protect tenants from foreseeable harm, a landlord may have a statutory duty to: (such as under Ohio law) evict tenants when the landlord has information from a law enforcement officer, based on a legal search, that the tenant, tenant's guests, or a member of the tenant's household is involved in drug activity in connection with the premises.

Dependent on the jurisdiction, a landlord may also be required by law to file a police report regarding illegal drug activity.

Landlord liability related to tenant illegal drug involvement. A landlord may be liable to a neighboring resident who is injured or otherwise impacted by the criminal act of a tenant on the grounds that the rental property constitutes a public nuisance that threatens the public safety and morals.

A landlord may also face fines stemming from various federal, state, or municipal laws that are designed to prevent landlords from having criminal activity take place in their rental properties. A landlord could face criminal liability if he or she "knowingly allowed" illegal drug activities on the rental property. Under such circumstances, a landlord could face: fines; other criminal penalties; or, in extreme cases, risk having the property confiscated by the government.

Landlord action to limit illegal drug activity on rental premises and to limit landlord liability. There are many actions that landlords can take to protect themselves from liability related to tenant illegal drug activities:

- * Immediately respond to tenant concerns and complaints about suspicious activity, including strange odors or a high amount of traffic.
- * Screen the civil and criminal backgrounds of new tenant applicants before entering into a lease.
- * Include an explicit clause in the lease that prohibits drug dealing and other illegal drug activity by the tenant and expressly allows for evictions for such criminal activities.
- * Engage the help of security experts. The federal Bureau of Justice Assistance developed a "Landlord Training Program" to help keep illegal activity out of rental property. More than 80 jurisdictions in 20 states have adopted elements of this program. In these jurisdictions, the program has adopted various names, such as "Crime Free Multi-Housing Program" and "Resident Shield," among others. Under such programs, landlords are taught: how to prevent illegal activity on rental property through environmental design; how to screen applicants; how to word rental agreements so as to empower landlords to evict tenants involved in drug and other illegal activity; how to manage property in a way that discourages illegal behavior; how to strengthen the sense of community in multifamily housing or educate residents in small-unit housing about neighborhood watch programs; warning signs of drug activity; crisis resolution where illegal activity is apparent; and what to expect when working with the police.
- * As allowed by law, evict problem tenants who engage in illegal drug activity. Many states and municipalities have nuisance laws that specifically allow for evictions for criminal activities. Some states such as Washington, have laws that specifically prohibit tenants from: engaging in drug-related activity at the rental premises, or allowing a subtenant, sub lessee, resident, or anyone else to engage in drug-related activity at the rental premises with the knowledge or consent of the tenant.

Some states, such as Ohio, require landlords to evict tenants whom the landlord has actual knowledge or reasonable cause to believe have engaged in illegal drug activity.

A United States Supreme Court decision found that local public housing agencies could, under the Anti-Drug Abuse Act of 1988 (42 U.S.C.A. § 1437d(1)(6)), evict tenants for drug related activity of non-tenant relatives or guests regardless of whether the tenant knew, or should have known, about the activity. *Department of Housing and Urban Development v. Rucker*, 535 U.S. 125, 122 S. Ct. 1230, 152 L. Ed. 2d258 (2002).

Of course, as the case in this bulletin highlights, the landlord will need to provide evidence of illegal drug activity on the rental premises before he or she can evict on these grounds.

Our country's current economy has had a severe impact on the real estate and housing market. The nightly news covers the blight of communities impacted by a high number of foreclosures and the emotional stories of people who are facing such a crisis. Unemployment, lack of medical insurance, and the credit crunch caused by sub-prime mortgages add to the crisis, making the current real estate market grim. As a result, the downturn of the economy has also significantly affected landlords and property managers, presenting them with an unprecedented number of challenges. As "The Landlord Doctor," I've reviewed over 70,000 cases of tenant debt, encompassing more than \$200 million dollars. Every day I witness the negative impact of our economy on landlords and property managers across the country who seek my advice and instruction in reducing or collecting tenant debt. As I sit on boards of professional associations and talk to the people who attend my conferences, I'm astounded by the increased spark of questions and concerns raised by landlords because of the economy.



As more people are displaced from their homes, those questions and concerns will continue to rise. The need for extensive tenant screening will increase as people become victims of the economy, and the need will be a pressing issue for landlords. There has already been a tremendous increase in landlords seeking my assistance in these areas, which is why I thought I'd share two common questions which have been posed in the past few months.

"My tenant is three months behind on the rent. He's always been a good tenant, but has lost his job. What should I do?"

First, like you, I sympathize with your tenant's situation. However, three months is a long time to receive free housing. Remember, while you're trying to be a nice guy, being a landlord is still a business. My experience shows that once a tenant is allowed to become two months in arrears on their rent, the odds are slim that they will become and stay current. In fact, these tenants usually owe much more than two months rent when they leave. When you first become aware of a change in their financial situation, make it clear that while you empathize with their dilemma, you cannot afford to allow the rent to go unpaid. Be straightforward from the onset, notifying the tenant that carrying a

balance due on rent is not an option. Additionally, a good attorney will advise that **past case law has indicated that routinely allowing tenants to pay late sets a precedence which could force you to continue accepting late rent payments.** Even worse, allowing one tenant to pay late, while refusing other tenants the same latitude, may cause a Fair Housing lawsuit, as all tenants must be treated equally.

"My tenant skipped out on their lease and damaged my rental. How can I collect what they owe?"

This situation can be more complex. While it's certainly something no landlord wants to encounter, it happens.

Though this situation is more common during tough times, efficient property managers have learned to minimize it by applying good business practices from the time the prospect walks through the door, until he or she moves out of your rental.

If it happens, I recommend that you take pictures and document all damages. Follow your state law regarding proper notification to the tenant about the application of their deposit. Insofar as collecting the debt, you have three options: 1) sue the debtor

in small claims court; 2) hire a collection agency (only an agency that specializes in tenant debt), or report the debt to all three credit bureaus and attempt to collect it yourself.

While I know that each of those situations has its own unique set of circumstances, a common theme prevails—an increasing number of landlords and property managers are experiencing a rise in cases of tenant debt. These new challenges should make us more aware of the need for prevention, education and remedies in screening and the collection of tenant debt.

Use this difficult time to hone your skills as a property manager and your focus on the details. Improve your business practices by making small changes and improvements. As a result, you'll decrease incidences of tenant debt and increase your profits. These critical areas landlords must address to survive in any economy.

Do you have a new Email address? If so, please email it to me at:
jgalbraith@innovativehousing.org.
That way you will be included when a mass email goes out.

CLAIMABLE DEDUCTIONS FOR RENTAL PROPERTY BY Marlene Affeld

An unstable economy and a decline in the cost of homes has created an opportunity for wise investors to purchase income-producing properties. Landlords are in a position to receive a positive cash flow and return on their investments. Many enterprising entrepreneurs are becoming landlords for the first time. To maximize income potential, it is important to maintain accurate records of all property expenditures that may be tax-deductible:

Advertising/Interest: Advertisements for renting a property are tax-deductible. Also, the cost of mortgage interest is often a landlord's largest tax deduction. Interest on a loan to purchase, improve or maintain the property is tax-deductible, as is interest on credit-card debt on those items directly related to property maintenance.

Landscaping: Presenting an attractive landscape or green belt around rental property is integral to attracting and maintaining happy tenants. Mowing the grass, trimming and maintaining flower beds, and general yard upkeep is tax-deductible and a normal cost of doing business. Properties with swimming pools, fountains or water features can deduct the cost of maintenance and equipment operation and repairs, and trash removal is deductible.

Utilities: Utilities (including electric, sewer, gas and water) are deductible items. Maintain and keep verifiable records of all utility usage and expense attached to the rental property.

Insurance: In order to protect your investment, fire, theft, vandalism and flood insurance are required. A liability policy to protect the owner in case of injury or damage to a tenant or the public is also a cost of doing business and is tax-deductible.

Taxes and Depreciation: Property taxes on rental properties are tax-deductible. Consult a tax advisor to maximize your deductions. The structure itself can be depreciated over time, however, you cannot depreciate the land. Rental properties located in vacation destinations may be subject to transient accommodations taxes. These taxes are deductible as well.

Professional Services: Legal fees for examining title and preparing contracts are deductible, as are fees for bookkeeping or accounting services. If you enlist the services of a property management company, those fees are also tax-deductible.

Maintenance and Repairs: A deadbeat client may move out leaving the property in disrepair, requiring cleaning, painting and trash removal. All of these expenses are deductible. Painting, plumbing, carpet shampooing and fumigation may be required. Cost of labor and supplies can be deducted from your tax liability.

Other Useful Information

YOU MUST POST, ADD TO LEASE, OR HAND OUT THESE ADDENDUMS

Landlords are now required to advise tenants of their rights in domestic violence or elderly/disabled transition to nursing facilities situations.

The law regarding posting the domestic violence advisory is in accordance with MCL554.301b, paragraph 1 (Landlord and Tenant Relationships Act 349 of 1972). The letting an elderly/incapacitated renter out of the lease is in accordance with MCL554.601a.

Landlords must post these paragraphs in their rental management office, incorporate them into the lease, or hand them out as a special addendum page at the time the tenant signs the lease. You may find the following paragraphs helpful in your compliance:

"A tenant who has occupied the premises for more than thirteen (13) months may terminate this lease upon sixty (60) days written notice to the landlord if: (i) Tenant has become eligible during the term to take possession of a subsidized rental unit in senior citizen housing and provides the landlord with written proof thereof; or (ii) Tenant has become incapable during the term of living independently, as certified by a physician's notarized statement."

"A tenant who has a reasonable apprehension of present danger to him/her or his/her child from domestic violence, sexual assault, or stalking may have special statutory rights to seek a release of rental obligation under MCL554.601b".

DIG OUT YOUR MONEY JUDGEMENTS AND GARNISH STATE INCOME TAX

Now is the time to start thinking about garnishing your ex-tenants/current tenants who owe you money by garnishing their State of Michigan income tax.

It's a very good idea to find those money judgments now, before the end of the year in order to garnish their state income tax.

You should file them as early as possible (November) before the ex-tenant/tenant has a chance to claim it.

A case in this bulletin has once again highlighted landlord risk of liability for injuries caused by criminal activity at the rental premises. Landlords are not responsible for all injuries to tenants resulting from criminal activities. Still, pursuant to statutes, ordinances, building codes, and court decisions, both residential and commercial landlords do have certain legal duties to protect their tenants from foreseeable crime and to protect the neighborhood from their tenants' illegal activities. If a landlord breaches such duties, he or she may face both civil and criminal liability for injuries associated with that breach.

Duty to Protect Tenants

Generally, a landlord has a duty to take ordinary care or minimal precautions to protect tenants and their invitees from "foreseeable harm." The security measures required of a landlord usually must be of a level that equates to the level of threat. A lower threat required a landlord to engage in less security measures than would a higher threat. Moreover, a landlord will only have a security duty related to property elements within his or her control (as opposed to those under the tenant's control).

In addition to this general duty to exercise ordinary care to protect tenants from foreseeable harm, a landlord may have express duties under the lease, such as to: repair security devices, including lights, windows and doors; or to protect tenants against third-party criminal activities. Landlords may also have duties imposed by statutes, ordinances, and building codes-such as those that require certain locks be installed.

Liability for Injuries Related to Criminal Activity

Civil liability. If a tenant or tenant's invitee (which in the commercial setting includes the tenant's customers and employees) is injured by a foreseeable crime, a landlord could be liable for those injuries if: (1) the landlord failed to exercise ordinary care to protect the tenant or tenant's invitee from the foreseeable crime; AND (2) that failure was a proximate cause of the tenant/invitee's injuries (i.e., the landlord's negligent conduct was the initial act or omission which set off the chain of events that led to the injury (e.g., an intruder gained access through a negligently maintained entrance).

Landlords may be liable for damages related to both physical and quantifiable psychological injuries to tenants. Examples of quantifiable psychological injuries include: the inability to work or a "loss of enjoyment of life" related to sexual assaults or post-traumatic stress disorders.

A landlord may also be liable to a neighboring resident who is injured by the criminal act of a tenant on the grounds that the rental property constitutes a public nuisance that threatens the public safety and morals.

Criminal liability. A landlord may also face criminal liability and punishment if he/she has knowledge of drug dealing or other illegal activities on the rental property. A landlord with such knowledge could face: fines; other criminal penalties; or, in extreme cases, risk having the property confiscated by the government.

Other liability. Criminal activity on a rental property also may result in property damage, decreased property values, and difficulty filling vacancies.

Landlords Can Limit Liability Related to Criminal Activity

- * *Learn the law.* A landlord should ensure his/her rental property is in compliance with the local housing code, which may require items such as window screens and door locks. A landlord should meet or exceed all federal, state, and local security laws that apply to the rental property.
- * *Inspect the property.* Landlords should assess the crime situation around the rental property and provide an adequate security system for individual units and common areas. Landlords should also inspect the rental property to ensure that all security measures are maintained.
- * *Respond to complaints.* Landlords should immediately respond to tenant concerns and complaints about suspicious activity or broken security devices.
- * *Lease terms.* Landlords should consider specifying in the lease who will be responsible for the maintenance of security-related items such as broken locks and flood lights. Landlords might also include a lease provision that allows the landlord to enact any security measures necessary to protect the building. Such a provision may be particularly helpful to commercial landlords when a tenant objects to security measures that the landlord determines are necessary, such as metal detectors. Landlords should also include a provision in the lease that prohibits drug dealing and other illegal activity by the tenant and expressly allows for eviction of tenants that violate that provision.
- * *Screen tenants and property managers.* Landlords should, to the extent allowed by law, screen the civil and criminal backgrounds of new tenant applicants. They should also screen the background of any property manager, as this person interacts with tenants and has access to master keys.
- * *Evict problem tenants.* As allowed by law, landlords should evict tenants engaging in criminal activities as soon as possible. Many states have laws that specifically allow for evictions for criminal activities.

High water bills have constantly been a concern for some landlords. It seems toilets tend to be a big culprit. Consider the following money saving ideas to help reduce your bills.

Water meters come with a low flow indicator. When all the water in the house is shut off (washer, dishwasher, faucets, outdoor faucets, etc) the low flow indicator should be standing still. If it is turning then you have a leak.

Did you know toilets can amount for up to 40% of your water bill each month. The first this to do is check if the tank is leaking. Remove the top on the tank and squirt some dark food coloring into the water. (No need to buy expensive dye tablets.) Do not flush. Wait 15 to 30 minutes. If the food coloring ends up in the toilet bowl, your tank water is continually running into the bowl, which means the water in the tank must continually be replenishing, and is being wasted.

If you have no leak and your toilet is not low-flow (most older models aren't), you can save water by adding a device to the tank that will take up space. You could add a brick or some pebbles. There are also products with cutesy alliterative names like, Toilet Tummy or Toilet Tank Bank.

You may also want to try the Frugal Flush Flapper and similar products. You see the flapper in the tank? It covers the opening after the bowl has filled. Apparently these newfangled flappers flap down sooner, and can turn a 3.5 gallon (or more) flush into a 1.6 gallon (low-flow) flush.

All these adapters should be available at your local hardware or plumbing shop.

Showers—flow restrictors may be used in higher flow showerheads and faucets to limit the flow to a maximum of 2.5 GPM. Most kits contain two stainless steel flow restrictors and printed instructions. For your sinks try a standard faucet aerator in a 1.0 GPM flow rate which is best suited for bathrooms. They are great for any application including both the kitchen and bathroom sinks.

More expensive ideas include gray water recycling for toilets. These systems capture water from the sink and filters and disinfects it to be reused for toilet flushing. Tucked inside the vanity below the sink, the reservoir works in conjunction with standard lavatory pipes and holds up to 5.5 gallons of water that is reused from the sink. A single hose connects the reservoir inside the vanity to the toilet, eliminating the unnecessary use of fresh water.

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

Before you put up that FOR RENT sign, recognize that in this challenging economy, your next tenant is like "today's home buyer". They shop the market intensively, looking for the best value and they want to get a "steal" in the home they choose. With little savvy, you can parlay this hunt for value to attract and keep the best tenants.

The media has put the word out that it's a buyers market. This idea pervades our rental markets, too. As co-owner and manager of 12 rental properties (eight single family houses, three townhomes and one duplex) and as a residential real estate broker, I am in the trenches of both markets every day. In 28 years of being landlords, we have been blessed mostly with great tenants who take care of our properties and pay their rent on time. We get continuous occupancy, low turnover and when asking for a rent increase, rarely lose a tenant because of it.

The success we enjoy is not due to luck. Tenants and homebuyers both want "more house for the money" when they rent or buy. We meet that demand with well maintained, quality property that offer some nice details and upgrades, but at reasonable cost to us.

By incorporating deliberate Marketing, Management and Maintenance strategies over time, your properties will stand out from the rest. Couple these with reliable tenant screening and you will begin to attract and retain better tenants.

Here are some ways to offer good value at reasonable cost:

Differentiate Your Property

Just as staging a vacant home will make it sell faster and often at a higher price than unstaged homes; the more competitive and desirable your property, the more potential you have to rent it quicker and get a higher rent. In general, better properties attract better tenants through pride of ownership. They will pay more to live in a quality property.

First Impressions Are Critical

Make your property shine. This is the psychology behind staging and curb appeal, so adapt it to your rental listings. Take great photos between tenants, when the unit is move-in ready and post them on the Internet sites where your tenants shop. Fresh paint, clean landscaping and a planter with some color at the entry gets your pickiest tenant in the door.

Little Upgrades Inside Make a Big Difference

When repairs are needed, look for opportunities to upgrade at a reasonable cost:

- * FRESH PAINT IN NEUTRAL COLORS. Let your tenant know they can customize the colors, within reason. We offer to provide the paint and let them paint at their expense (or refer them to a painter or handyman we trust).
- * Convert on/off light switches to dimmer switches for ambience and add contemporary lighting fixtures in the kitchen and baths.
- * Nice extras, such as a curved shower rod to enlarge the tub/shower space, or a 23" TV mounted on a bracket in the kitchen. We offer a 42" plasma TV over the fireplace with full range-of-motion brackets for directional viewing.
- * Little conveniences that make life easier such as a sliding platform for under-sink trash cans.
- * Overhead storage racks in the garage.

Rent Increases Are Easier to Get When You Are Responsive and Provide Upgrades

Your tenants want to feel that they are getting more for their money by renting from you. Rent increases are easier to get when you have responded consistently to their needs, provided improvements that benefit them and when you communicate clearly the reason for the increase.

In a down economy, the tendency is the penny-pinch. Don't fall prey to deferred maintenance that will cost you more over time or think you can't afford these amenities or small improvements. In reality, these will allow you to keep good tenants and command a higher rent.

What do I do if my tenant has unauthorized occupants

LJC NL, KS

Have you ever gone to your rental property only to have a stranger you don't recognize answer the door and ask you who you are, as if you don't belong there? Well it happens to lots of landlords. It kind of goes something like this:

The landlord rings the doorbell: Unauthorized tenant in smelly dirty T-shirt with a beer in his hand opens the door and says :Yeah, what do you want?"

Landlord: "I just dropped by to talk to Mrs. Jones (tenant).

Unauthorized tenant: "She's not here. Who are you?"

Landlord: "I'm the landlord. Who are you?"

Unauthorized tenant: "I live here. Call back later. She'll be home then."

How do you feel knowing you have someone in your rental property that you didn't even agree to let live there? It is not as uncommon as one might think, and it may not always be noticeable, but you must be on the lookout for unauthorized occupants. Many leases provide a clause to prohibit the tenant from allowing unauthorized residents, the way mine does:

"Occupancy by guests staying over seven (7) days will be a violation of this provision. In the event any other people occupy and live in this rental, in any capacity, without Owner's written consent, it will constitute a breach of this lease and it is agreed that the rent will be increased \$500 per person/per month, and the Owner, at his/her sole option may terminate this lease." (Please be aware that not all states in the union are under the same law statutes, so please check into your own state's laws!)

The lease isn't always enough to deter it from happening. But, it can help give you the means to solve the problem, because with the clause protecting you in the lease, you have the legal right to enforce it.

You can enforce the lease in three ways:

1. You can allow the unauthorized occupant to become an authorized resident if he/she is cooperative, and you can do this by:
 - a. Giving him/her a rental application so you can screen them like any other tenant.
 - b. If you approve him/her, have them sign the lease that the original tenants signed, making them all 100% responsible for the agreement.
2. Lease Violation Notice: You can notify the tenant(s) of their lease violation, giving them the required notice period to cure their default. I make sure I remind the tenants of the penalty fee for unauthorized occupants that they agree to in the lease agreement. That alone gives you some bargaining power. I also include a Tenant's Notice of Intention to Vacate Form along with the Violation Notice, just to show the tenants that I'm not afraid to lose them.
3. In the event your lease does not provide for an unauthorized tenant situation, you may want to use a lease update/addendum/change of terms notice to modify your lease agreement.

It is important to be able to take a tough written stance in these situations. The tenant has to believe you will stop at nothing to rectify the problem by legal eviction, or to make them conform to the rules. Never tell the tenant or hint to the tenant that you are afraid or don't want to go to court. If they suspect you are afraid, they will take the upper hand and use it to their advantage. Pretend you love to go to court and that you love to watch your attorney in action. It doesn't happen very often, but there are times when we must take fast decisive action. In many cases, tenants who bring in unauthorized tenants are the type of people who don't always go by the rules. That is why you should always be prepared to begin an eviction at any time.

"The best way to avoid tenant problems is to avoid problem tenants."

ESCROW YOUR EXPENSES

LJC NL, KS

Setting up a rental escrow account is one of the most important things a smart landlord will do to make sure money is available to pay bills against the property as they come due. As you are probably already aware, bills will come due on a monthly, quarterly, and yearly basis. For instance, a utility company might not send a water bill to a customer on a monthly basis; instead, the company will send it quarterly. This means that, in a given month, you could receive a bill that reflects water usage for three months.

You need to be sure that money is available, or was put aside and made available to pay the bill. The idea of rent escrowing is really quite simple. You must first identify the bills associated with operating your property, deduct the estimated amounts due from the rent received every month, and either pay the monthly bill or place the money in a separate account where it will be safely until it's time to pay future bills. Whatever is left over from the rent received after monthly bills and escrow have been satisfied is your profit, but if you take your share of the profit first, you risk not having money available for paying bills. This can lead to some big headaches.

To correctly escrow, first determine what the expenses are and approximately how much each bill will cost. If a bill is scheduled to come on a quarterly basis, you need to divide the bill by three to reach a monthly number that will indicate how much money should be escrowed each month to satisfy that bill. This procedure should be followed with every bill. You then deduct the proper amount of money from the rent received every month and deposit it into a separate account each and every month.

You should earmark each amount in a separate ledger so you can keep a record of how much is available for each bill. We like to call the escrow account the BST stands for blood, sweat, and tears because it is not easy to save for long-term expenses, and when doing so, the amount of money you would like to take from the property is reduced. However, having the money available to pay bills sure beats having to reach into your own pocket to pay bills when the time comes. Remember that you started this account procedure by guessing the amounts you expected to pay every month. These numbers could be slightly off, could vary with time, or could change dramatically depending on the bill. The water bill we mentioned before might be \$50 a month during the winter and \$75 or more a month during the summer. Other types of bills will fluctuate during different times of the year. When you pay a bill against the property, you will have to make adjustments as necessary to either compensate or reduce the monthly amounts being escrowed for certain expenses. In the event that there isn't enough rent money collected to meet your monthly escrow amounts, you will need to personally subsidize the account with your own funds. If you realize that there is an abundance of money available in the account after the bills have been paid, it will be your decision to either keep it in the account or move it to your profit. If the cost of the bill fluctuates monthly, such as a heating fuel bill in an area where the climate changes are frequent, the formula for escrow can get a little tricky. As you start a system of escrowing your expenses you may have to subsidize the account, unless you already had set aside an emergency account for your properties. Remember that the escrowing system is not a perfect science, but it's a necessary one for your peace of mind while you own your properties.

Landlords must comply with Federal Fair Credit Reporting Act the Voice

Section 604(F) of the Federal Fair Credit Reporting Act (FCRA) prohibits any person from obtaining a consumer report from a Consumer Reporting Agency (CRA) unless the person has certified to the CRA the permissible purpose for which the report is being obtained and certifies that the report will not be used for any other purpose.

With the unfortunate increases in today's criminal activity of individual's private information, credit fraud and identity theft, it has lifted everyone's awareness to do everything possible to protect ourselves against these crimes. The following are some of the requirements that you should be following:

1. You must have written permission from each individual to run a credit report.
2. The reports will be used for the permissible purposes to review or extend credit. Our permission purpose is for real estate related purposes only - tenant screening.
3. You are to hold information as confidential and not to disclose or resell to any third parties including the subject of the report.
4. The ability to obtain consumer reports should be restricted to a few key personnel.
5. Hard copies and electronic files of consumer reports are to be secured within your facility and protected against release or disclosure to authorized persons. Applications, credit reports and other consumer data must be kept in locked or secured storage.
6. Hard copies of consumer reports are to be shredded, destroyed or otherwise rendered unreadable when no longer needed and when it is permitted to do so by applicable regulations.

Failure to comply with the FCRA can result in state or federal enforcement actions, as well as private lawsuits. Section 616, 617 and 621. In addition, any person who knowingly and willfully obtains a consumer report under false pretenses may face criminal prosecution. Section 616—Federal Fair Credit Reporting Act (15 USC 1681q).

Be sure that you are following the rules and regulations regarding credit report and any other personal information you may obtain on your tenants. **Keep all information (including applications, leases, credit reports, etc.) safe and under lock and key!** When it is time for disposal of this information, shred it. You don't want to be held liable for someone's identity theft. They are constantly updating the laws and regulations regarding this issue.

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

Cosigners? Good Idea or Not Worth the Hassle? the Voice

Maintaining lease agreements with just one person can be tricky enough, but adding a cosigner can add complexity. But if you find a promising tenant who lacks an extensive credit history-or has a spotty credit history-a cosigner can provide you with financial peace of mind. A cosigner on a lease functions much like the cosigner on a loan; he or she agrees to pay the rent if the tenant is unable to pay. There are many instances where a tenant may require a cosigner on their lease agreement. If you tenant is young and has not had a chance to establish their credit, they may need one of their parents or friends to cosign on their lease.

Another common reason for needing a cosigner can develop if you require that your tenants' rent amount be less than a certain percentage of their entire income. Some landlords do this to ensure that their tenants are living within their means and will be able to make their rent payments each month. If an otherwise-perfect tenant's income is too low to satisfy your maximum percentage requirement, you can ask that he or she add a cosigner to ensure that the rent continues to be paid throughout the lease term.

Here are some things to consider before you institute a cosigner policy:

Analyze the financial status of the cosigner. You need to determine that the cosigner will be able to live up to his or her guarantee obligations.

You must be able to get in touch with the cosigner. In the event that your tenant cannot meet their rental obligations, you will need to have a way to get in touch with their cosigner to collect the money that is owed you. Discuss your options and procedures with the cosigner before the actual lease agreement has been signed.

The cosigner must be aware of all of the implications of signing the agreement. It is especially important that the cosigner know the term of the lease. Not all cosigners will be willing to take on this responsibility. Discuss the agreement with both the tenant and the cosigner so that everyone is clear on what will be expected of them. In some instance, you may be able to work out an agreement where the cosigner will only be liable for a part of the term of the lease, until the tenant proves that he or she is trustworthy and can afford your unit. Will you allow more than one cosigner? In some cases, your tenant may wish to have more than one cosigner. This lessens your risk and spreads the obligation for the duration of the lease out over more people. This option may be best for a young tenant that does not have established credit.

But, a cosigner is not the only way to protect yourself against unpaid rent. You may be able to work out an agreement with the applicant for a specific amount of rent in advance or a larger security deposit. This lessens your liability and gives the applicant a way to prove that they can handle the rental payments. Allowing cosigners is a serious consideration and one that should not be taken lightly. You will need to carefully weigh these points before deciding on your financial options. Before you institute any new lease policy, discuss the implications with your attorney to make sure that you are on solid legal ground.

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

1979 Holland Ave. (810) 984-3829
 Port Huron, MI 48060 FAX (810) 984-8943

**Stewart,
 Beauvais
 & Whipple P.C.**



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**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

**GRESLEY - MACKAY
 INC.**



**PLUMBING, HEATING
 & COOLING**

188 14th Street
 Marysville, Michigan 48040
 (810) 364-5211
 FAX (810) 364-3020

**RESIDENTIAL - COMMERCIAL
 INDUSTRIAL**

Lou Gordon
 lougordon@sbcglobal.net

*Estate Planning & Elder Law
 Business Planning & Real Estate*



Matthew M. Wallace, C.P.A., J.D.
 Attorney & Counsellor at Law

Matthew M. Wallace, P.C.
 709 Huron Avenue
 Port Huron, MI 48060
 Fax: 810.985.4108
 Website: www.wallaceplaw.com

Phone: 810.985.4320 Email: matt@wallaceplaw.com

**JoAnn Wine
 & ASSOCIATES**

DIANNA MAXWELL
 Associate Broker Since 1980

Office: (810) 985-5080 Ext. 103
 Cell: (586) 801-6068
 Fax: (810) 985-9840
 Online: www.diannamaxwell.com
 Email: diannare@aol.com



Representing Buyers and Sellers GRI, CRS, RRC, RAM, LTG, ABR

**HURON
 TITLE COMPANY**

**330 MICHIGAN STREET
 PORT HURON, MI 48060**
 810 • 987 • 2141
 1 • 800 • 878 • 4853
 FAX (810) • 987 • 1317
 E-Mail: patty@hurontitle.com

Advertising Price Rates in our Newsletter and on our website:

1/8 page: \$125/yr \$14/mo	1/2 page: \$200/yr \$22/mo
1/4 page: \$165/yr \$18/mo	Full page: \$400/yr \$44/mo
1/3 page: \$185/yr \$20/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