

Eastern Michigan Real Estate Investment Association

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FHFA Seeks to Bolster Affordability REALTOR Mag

The Federal Housing Finance Agency has ordered Fannie Mae and Freddie Mac to allocate millions of dollars a year to allow states and other government agencies to build low-income rental housing, or to rehab existing housing, in an effort to increase housing affordability.

FHFA is the regulator of the two mortgage companies, while the two funds are administered by the Department of Housing and Urban Development and the Treasury Department.

FHFA Director Mel Watt is lifting a 2008 suspension of payments toward the funds. The payments were suspended when Fannie and Freddie Mac were facing their own money woes and needing government bailout money to stay afloat. Fannie Mae and Freddie Mac have since stabilized and began posting record profits last year.

“Circumstances have changed [since the suspension was implemented] and the temporary suspension is no longer justified,” Watt wrote in the letters to the government-sponsored enterprises.

“We are thrilled,” says Sheila Crowley, president of the National Low Income Housing Coalition. “This is the first new money for housing production for extremely low income people” in years. The coalition estimates that there were more than 10 million renter households in 2012 with income mostly below 30 percent of the area’s median.

However, critics are concerned that the extra allocations to the affordable funds by Fannie Mae and Freddie Mac could make them vulnerable again if another housing downturn ever occurred. On the other hand, others are applauding the GSEs’ move to once again pay into the affordable funds as well as its recent move to offer 3 percent down payment mortgages to the public—that they say will help lower housing costs.

Fannie and Freddie won’t make the first payment to the affordable funds until early 2016. Then, every year, the GSEs will make payments to the affordable funds of 0.042 percent of the unpaid principal balance of their new mortgage purchases in the previous year. That means if the suspension hadn’t been in place the GSEs would have paid about \$500 million in 2014, based on its 2013 volume.

Source: “Fannie, Freddie to Begin Payments to Affordable Housing Funds,” *The Wall Street Journal*

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How to Address the Top 10 Tenant Complaints by Michigan Landlord

A group of tenant advocates recently compiled a list of the top 10 complaints tenants have with their landlords. Their list may surprise you.

Below are the complaints and some suggested strategies for addressing them. Because this list came from the experiences of low-income tenants, you may need to take some of these with a grain of salt. However, there is still value in understanding how we are perceived and in considering how to change those perceptions.

1. POOR COMMUNICATION

I find it fascinating that of all the complaints that could have been number one, a nebulous complaint like “poor communication” was the biggest. However, few complaints are as easy to deal with as this one. The biggest part of this complaint seemed to be lack of understanding of the rules and expectations. Tenants don’t think landlords do a good enough job explaining our expectations. A couple of suggestions to help you communicate better are:

- Read through the lease with them at the beginning and address the terms and conditions they are renting under.
- Consider sending them letters at least seasonally with reminders of expectations such as yard work, spring and fall “FYI’s”, etc.
- Don’t assume they understand basic things like how a garbage disposal works, how to plunge a toilet or that they are responsible to maintain things like furnace filters and smoke detectors. [You must be sure to maintain working order of smoke detectors and should check the filters yourself.] Politely explain their responsibilities and coach them to be successful.
- Do regular (quarterly) inspections and talk about what they are doing right and wrong. Inspections are a great opportunity to have two-way communication because you can ask them what issues they are having and can explain to them anything they need to improve.

Doing some or all of these things will go a long way to closing the communication gap and helping tenants better understand the expectations.

2. BARRIERS TO ENTRY AND ANXIETY DURING THE APPLICATION PROCESS

The second highest tenant complaint is the costs and steps involved in the application process and the anxiety associated with finding a new place. Many tenants live very close to the edge and complain about the costs of applying. A couple of tips are:

- Explain the purpose of fees and deposits in a way that explains the benefits to them - not to you. For instance, the application fee helps run criminal checks so they can be protected from having criminals as neighbors. Or the deposit shows they are serious and locks the place in for them so you don’t look at anyone else while you are checking them out.
- Give an answer to all applicants within 24 hours.
- Sign a lease quickly and explain what else they need to have

done on move-in day.

These things will help lessen the anxiety of tenants and increase their trust in you

3. DEPOSIT’S NOT BEING RETURNED

This is an easy complaint to fix. Send the deposit and explanation of charges to the last known address (their apartment) or forwarding address within thirty [30] days* of the tenant giving you possession. NO EXCEPTIONS. If you haven’t finished the work, send an estimate. If you are deduction for charges, be clear about them and break down the work. For instance, instead of saying \$200 for patching and painting walls, say \$15 for patch over fireplace, \$10 each for five patches in the hallway, \$75 for paint and painting the hallway and \$60 for paint and supplies for painting the wall above the fireplace. The more specifics you put, the less likely they will be disputed. Also, use pictures to illustrate the damage. If you had to clean red spots from the carpet, show photos of before and after.

4. LANDLORDS NOT ENFORCING RULES WITH OTHER TENANTS

It bothers tenants when their neighbors seem to be able to get away with almost anything or when the landlord has their “favorite tenant” they treat preferentially. This is tricky because sometimes it’s hard to be in the middle of tenants who are bugging each other or to know what’s really happening. Also, it’s hard not to have favorites, especially with long-term customers who are great tenants. But a few guidelines include:

- Try to the best of your ability to be fair between tenants.
- Enforce rules and don’t make overt exceptions for certain tenants and not others.
- Deal with every complaint fairly and ask offending parties to comply with your rules and be respectful of each other.

5. INTERIOR MAINTENANCE

A quarterly inspection is a great tool here. Not only will you find the regular items that are wearing out and you will have to fix anyway, but you will also find damages by tenants that you can fix immediately and charge to tenants.

Inspections are also a great way to re-clarify expectations and strengthen your relationship with the tenant. They will realize that you care about the property and them as a customer and appreciate it.

6. EXTERIOR MAINTENANCE

Often, tenants don’t understand who is responsible for the yard and blame the landlord if it looks bad or the sprinklers aren’t working (even when they haven’t told you there was a problem). Help them understand their role in exterior maintenance. When you do drive-by inspections, look for problems that are your responsibility such as paint, siding and roofs. If you aren’t going to do something about an issue immediately, explain your plan. For instance, it’s not in the budget this year, but next year you are planning on painting the soffit and fascia, etc.

7. UNFAIR RENT INCREASES

You run a business, so charging the maximum you can seems only

How to Address the Top 10 Tenant Complaints conclusion

logical. But raising rents drastically without explaining why to the tenant can cost you money when they move out and the unit sits empty. A couple of rent-increase tips:

- Try to tie increases in rent to improvements and increases in value. For instance, explain that since you are replacing all the windows this spring and this will lead to lower heating and cooling bills, the \$50 rent increase is fair because the windows cost \$3,000 and besides, their utilities will go down.
- Consider not increasing rent on good tenants if they lock in long-term leases. Explain you could charge more but you like them and will keep their rent as it is if they will commit to you for a longer period of time.
- Whenever you do raise rent, spend time making sure you explain to them that you wish you could keep it lower, but everyone's rents are going up and if they move, they will likely pay even more somewhere else.

8. EXCESSIVE RESTRICTIONS

Some landlords expect too much. They micro-manage everything. A tenant has to make sure they maintain the property and don't upset the neighborhood. You should have reasonable rules and enforce them, but consider a "live and let live" philosophy on most things that your tenants do. A couple suggestions include:

- On inspections-don't do it more than quarterly. Be in and out and not invasive.
- On cleaning-don't panic too much about basic clutter like dishes in the sink and clothes on the floor. Only worry about things that cause long-term damage to the property like changing motorcycle oil on the living room carpet or using the countertop as a cutting board.

9. LACK OF LANDLORD FLEXIBILITY

Part of the reason for this is fair housing. We have to be consistent. When a tenant has a special request, it is okay to listen and see if there is some way to work with that specific tenant in a way you would work with any tenant. You can be flexible, just be consistent in the things you are flexible with.

The issue tenants think landlords are most inflexible on is working with them on "late" rent. We know that if we let a tenant pay late without a penalty, next month they will pay "later." But often, you can salvage a customer and compensate yourself for the inconvenience by working out payment terms and charging a late fee. Treat everyone equally and don't let them get more than two weeks behind, but sometimes working with them saves you the trouble and cost of a vacancy and earns you significantly more than late fees for being flexible.

10. POOR CUSTOMER SERVICE

Return all calls quickly. Address all maintenance issues promptly. Talk nicely to them (not down to them). Regularly thank them for choosing to do business with you.

If you accept tenants' feedback on these 10 problem areas and try to address them, not only will you have happier tenants, you will have less cost and fewer problems.

How do I determine if a tenant has abandoned their rental property?

Have you ever had a tenant leave in the middle of the night or the middle of an eviction? Did you ever wonder what to do?

Michigan does not have a law specifically regarding abandoned rental units. However, the courts have held that if certain conditions apply, a landlord does not need to file an eviction or wait for the sheriff. The courts will generally agree that a tenant has abandoned their unit and have given up possession if most of the following apply:

- ◆ The utilities have been shut off.
- ◆ The rent has not been paid.
- ◆ If all the tenant's personal effects are gone, e.g. toiletries, clothes, jewelry, etc.
- ◆ All the furniture has been removed (not including items that appear to be in disrepair and left as "trash")
- ◆ There appears to be no food at the premises or the food in the refrigerator is spoiled.
- ◆ If all the food preparation equipment has been removed, e.g. pans, pots, toaster, etc.
- ◆ Pets appear to have been abandoned, i.e. dead, starving, seriously ill, feces within the premises, etc.

Other things you can check for:

- ◆ Did the neighbors see them move?
- ◆ Did the tenant have their address changed at the post office?

Also, if a tenant has returned the keys to the landlord and relinquished possession, the landlord can take possession without further action.

However, if you are not certain whether the tenant has abandoned the property, you should not change the locks or otherwise remove the tenant's personal property.

In some cases, the tenant may have been arrested or may be in the hospital, which would explain why they haven't been around. Or, maybe the tenant has moved but left behind some furniture to pick up later on. Even if the tenant is not sleeping at the unit, they are still "in possession" if they have their personal belongings in the unit and have not shown intent to abandon these items.

If a landlord cannot affirmatively determine that a tenant has abandoned their unit and their personal belongings, an eviction will be necessary. A Demand for Possession for Non-Payment of Rent should be used to start the eviction process. (If rent is paid, a tenant is still in possession, whether or not the unit appears to be vacated.)

If the rent is paid but emergency conditions arise such as abandoned pets, the landlord should take action according to their emergency policy as explained in their lease and/or pet agreement.

What's Lurking Behind Those Walls? By Melissa Dittmann Tracey

Illegal drug activity in a home, even from years ago, can come back to taint the real estate transaction.

When sales associate Suzette Bailey of Real Estate Central in Cross Lanes, W. Va., tours a home with buyers, she knows that if it reeks of cat urine and has groupings of everyday household products like stripped-out batteries, lighter fluid, salt, and empty two-liter plastic soda bottles, the home's problems are likely to stretch well beyond aesthetics. Such signs are potential red flags of a highly toxic substance lingering in the home-methamphetamine.

So-called "meth houses", homes used in the manufacture of the drug, represent a small percentage of the overall inventory. Still, Bailey recently noticed an uptick, particularly among bank-owned homes, prompting her to contact the local police department to learn the signs so that she could warn buyers. On her website's home page, she points clients to the state's registry, which reveals the addresses of nearly 1,000 properties with clandestine-drug pasts.

Warning Signs of Meth Contamination

- ◆ Eyes or throat burning when entering the property
- ◆ Chemical stains on toilets and bathtubs
- ◆ Large number of lithium batteries, particularly ones that have been stripped
- ◆ Propane tanks with fittings that have turned blue
- ◆ Strong smell of urine or unusual chemical smells like either, ammonia or acetone
- ◆ Trash filled with a large amount of products like paint thinner, lighter fluid, drain cleaners, and cold tablet containers.

The Duty to Disclose

Growing media attention over the lingering effects of homes contaminated with clandestine drugs, particularly from meth and marijuana production, has prompted more public attention to the issues surrounding these properties.

Sometimes, drugs can seep into a home's surfaces, insulation, and even drywall, and cause a host of health problems for unsuspecting home owners, from respiratory illnesses to neurological problems, according to the Drug Enforcement Administration. Homes where marijuana was produced may be more prone to mold, which poses similar health problems to meth. In addition, shoddy electrical rewiring is common in these homes, which can pose a fire danger. To remediate homes can cost \$5,000 to \$10,000 or more,

depending on the level of contamination and size of the home, according to Meth Lab Cleanup LLC, a national company that does clandestine-drug remediation and conducts nationwide training.

Property disclosure laws pertaining to potentially hazardous substances, such as asbestos, radon, and meth, are largely a state matter, though the presence of lead-based paint is one area addressed by federal law. About half of the states—including Illinois, California and Texas—required home owners and agents to disclose known meth exposure in homes for sale. Among those with no such disclosure requirements are Florida, Tennessee, Michigan, and Georgia. (A complete list of state laws and regulations is available at methlabcleanup.com.)

Regardless of which state you live in, "real estate agents have a general duty to disclose any material fact they know," says Lesley Walker, an associate counsel with the National Association of REALTORS®. "If they are aware that a property has been used as a meth lab or that marijuana has been grown in the house, that would be considered a material fact and they would need to disclose." Even in Colorado and Washington, which recently legalized recreational marijuana, real estate professionals must still disclose if they are aware of the drug being grown on the property. Marijuana is still considered an illegal substance under federal law, Walker says.

A Growing Problem

A home's past is not always apparent. Standard home inspections often don't turn up drug contamination, says Joseph Mazzuca, CEO of operations at Meth Lab Cleanup, though meth testing kits are available for about \$50. The Drug Enforcement Agency maintains the National Clandestine Laboratory Register, a searchable database of addresses that include properties where meth labs have been identified.

Some counties and states also have databases to track such homes. "But if the property isn't on there, that doesn't mean it doesn't have a problem," Mazzuca says. "Millions of properties—potentially—are contaminated." The number of meth labs skyrocketed in the mid-2000s and reached more than 15,000 at the end of 2010—more than double the number reported in 2007, according to a 2013 report from the U.S. Government Accountability Office. Reported meth lab incidents dipped to 12,694 in 2012 but remain elevated in some areas, particularly in southern and Midwestern states, according to DEA data.

Help Buyers Sniff Out a Home's Past

- ◆ Check the Drug Enforcement Agency's National Clandestine Laboratory Register. Some states and counties

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also maintain their own registries of homes where authorities have discovered illegal drug use.

- ◆ Talk to local police about signs to look for and information about homes where there may have been previous drug-related arrests.
- ◆ Talk to neighbors. About 70 percent of the cases Meth Lab Cleanup handles come from tip-offs from neighbors about the home's past.
- ◆ If you have suspicions, get a house tested. Meth testing kits, available for about \$50, provide lab-verified results on the presence of meth. If it's present, a professional should conduct further tests (typical cost: \$500 to \$700) to determine the level of contamination.

Source: Meth Lab Cleanup

The increase in foreclosures over the past few years has heightened the problem, Mazzuca says. Properties may sit vacant in foreclosure limbo for years, and the home's tainted history may get lost. "Many homes are falling through the cracks," Mazzuca says. "They haven't been decontaminated, and they're later put on the market [to unsuspecting buyers]." About 75 percent of the roughly 2,000 remediation jobs his company handles nationally are bank-owned homes, with the highest incidences of meth contamination found in Tennessee, West Virginia, Kentucky, Indiana, and Missouri.

The drug-related stigma can linger well past remediation and even hamper property values of neighboring homes. A 2011 study conducted by researcher Joshua Congdon-Hohman, assistant professor of economics at the College of the Holy Cross, found that the stigma caused by a meth lab can affect sales as far as half a mile away, with nearby home prices falling potentially from 10 to 19 percent up to a year after a meth-contaminated home was wound in the community.

Bailey says she now enters foreclosures with more suspicion than in the past, since the homes are usually sold as-is and no one may be aware of the home's past. "It used to be thought that only towns outside the city were the big concern, but huge meth labs and clandestine labs are creeping into other areas nearby. Some are nice homes that you never would have thought," Bailey says. "It can be a financial disaster for home owners. They could face thousands of dollars to decontaminate the home. It'll hurt their chances to ever sell the property, even if it's remediated, and it'll greatly affect the value of the home. I would never want that to happen to one of my buyers."

Profile Info May Violate Fair Housing

by Mariwyn Evans

Sites requiring potentially discriminating information from users could violate fair housing laws.

A Web site that connects potential roommates is not entitled to immunity under the Communications Decency Act because a profile form created by the company requires users to provide personal information that might be used to discriminate, a federal appeal court has ruled.

The site, Roommates.com, offers a free roommate locator service that allows participants to post notices about housing to share and to review profiles of registered users and e-mail them. The profile form asks for information such as gender, race, and familial status and allows visitors to search by those criteria.

The site requires all users to complete this form and share this potentially discriminatory information. As a result, the appeals court decided that the Web site was a developer of this information and so could not claim immunity from the Fair Housing Act under the CDA. This law contains a provision that shields online publishers from liability for content posted on their sites by third parties. Because Roommates.com participated in the development of the site's content by creating the form and requiring users to complete it, it cannot claim immunity for those postings.

However, in the same ruling, the appeals court did decide that the site was entitled to CDA immunity for any discriminatory remarks made in the comments field of the form because the site does not require users to complete this section and publishes any comments made as written.

This CDA exemption was also the basis for the decision by another federal circuit court in favor of Craigslist.org, the classified advertising Web site. In this 2008 reaffirmation of an earlier trial court ruling, a 7th Circuit federal appeals court found that Craigslist could claim CDA immunity because it simply listed information provided by others without editing the information, the same process used in the comments field in the Roommates case.

Both courts also noted that the Web sites could still perform minor editing controls of their content, such as screening for offensive language, without losing their CDA immunity.

The rulings in both cases affirm the notion that this CDA immunity might also apply to the comments section in a property listing in an MLS. However, no case has specifically addressed this application.

How do I collect a debt owed to me using garnishment? From Realtor Mag

Getting a money judgment against a previous tenant or someone else that owes you money is relatively easy compared to actually collecting the money. Money judgments can be sought through landlord-tenant court or small claims court. Money judgments are often sought for past due rent, unpaid damages to a rental unit, or unpaid utility bills.

Various legal tools are made available to help with the collection process after receiving a money judgment. These tools are known as garnishments. Garnishment is a means of collecting a monetary judgment against a defendant (the previous tenant) by ordering a third party (the garnishee-typically the employer) to pay money out of a previous tenant's/defendant's pay check, bank account, etc., directly to the plaintiff. A garnishee might be the previous tenant's employer, their bank, or the State Treasury.

A landlord/plaintiff who receives a money judgment from the court as a result of an eviction or small claims case may, after 21 days, garnish the tenant's/defendant's wages, bank checking/savings account, Michigan state income tax refund, or other personal items of value (e.g. car, boats, motorcycle, etc.). Why the 21 day waiting period? The waiting period gives the defendant time to pay on the money judgment.

There are several types of garnishments:

Periodic Garnishment - Typically used to garnish a defendant's wages through their employer.

Non-Periodic Garnishment - Typically used to garnish a defendant's bank account or other asset.

State Income Tax Refund/Credit Garnishment - Used specifically to garnish a defendant's income tax return or tax credit.

Periodic Garnishment

To effect a periodic garnishment, several forms must be completed:

- Request and Writ for Garnishment (Periodic)
- Garnishee Disclosure
- Final Statement of Garnishment of Periodic Payments

These forms must be filled out and filed with the court that issued the money judgment. This garnishment must be filed again in 182 days if the total amount of judgment has not been received. The complete name and address of the tenant's employer must be provided on the three garnishment documents, as well as the tenant's social security number. Samples of how to fill in the forms as well as the interest rates are available at the RPOA office or online at the State Court Administrators website, www.courts.michigan.gov. or they may be purchased at the RPOA office for a small fee.

Income Tax Refund/Credit Garnishment

To effect an income tax refund/credit garnishment, the following form must be completed:

- Request and Writ for Garnishment Income Tax Refund/Credit

This form may be filed between November 1 and December 31 of the tax year following the tax year for which this writ was filed. When the defendant/tenant files their State Income Tax return, if a refund is forthcoming, the plaintiff/landlord that filed the garnishment will receive written notification from the State of the amount the plaintiff/landlord will receive. The last known address of the tenant must be on the document as well as the tenant's social security number. This type of garnishment may be filed each year until the judgment has been paid in full. Keep in mind, garnishments of this type are paid in the order the garnishments are received by the State. If others have filed garnishments prior to your filing, they will be paid first. Samples of how to fill in the forms as well as the interest rates are available at the RPOA office or online at the State Court Administrators website, www.courts.michigan.gov. Fill-able forms are available online at www.courts.michigan.gov or they may be purchased at the RPOA office for a small fee.

A fee will need to be paid at the time of filing. Fees vary from court to court. Call the applicable court to find out the latest fees. Here is a web address to find a telephone number or address of your local court: <http://rpoaonline.org/legal-and-technical/district-courts.cfm>

If you still need help with garnishments, the RPOA staff will be happy to provide you with personal assistance. From time to time, the RPOA also offers an education course on the process of collection and garnishment. Check the schedule of events for up and coming classes at: <http://rpoaonline.org/rental-events/events-view.cfm>



A Taxing Agenda in 2015

by Poonkulali Thangavelu

Tax reform, housing finance overhaul and immigration action are top industry issues.

As various housing groups ponder their legislative agendas for 2015, there are some common issues that come up. For instance, even though the various housing groups represent different interests, tax reform and housing finance reform are major issues, alongside of immigration reform.

Movement on legislation items in 2015 will be against the backdrop of a Democratic president trying to get things done in the face of a Republican-controlled Congress. While the National Leased Housing Association (NLHA) is concerned about any fallout on affordable housing program funding as a result of any push for deficit reduction, the Institute of Real Estate Management (IREM) feels more positive about the outlook on matters such as carried interest taxation.

Jim Tobin, National Association of Home Builders' (NAHB) senior vice president of government affairs, expects more of a balanced approach from the nation's representatives. He says, "Our issues cut across party lines. Housing is really a bipartisan policy objective. Whether it is Republican or Democratic control, it isn't that much of a factor." He expects that it will take the Republicans some time to set their committee agendas, with the staff changeover, while the Democrats' agenda will just basically roll over into 2015.

Taxing issues

On the tax front, one priority that housing groups are focused on is getting an extension on the 9 percent and 4 percent credit rates on the Low Income Housing Tax Credit program. The NLHA, National Multifamily Housing Council (NMHC) and the NAHB all see this as an important issue. This is a part of the tax extenders bill to extend some tax provisions and could even have been taken care of by the end of 2014. However, it could continue to be an issue in 2015,

For IREM, maintaining preferential tax treatment on carried interest is a major priority. Beth Wanless, IREM's senior manager of government affairs, says, "It's one of those bread and butter issues for our organization. Real estate investment [entails] risk-not everybody benefits from it. It's a tangible asset, and you can't pick up your multifamily property and move it to another country for a more favorable tax treatment." Thus, according to her, carried interest is an issue that impacts real estate partnerships no less than hedge fund managers, and preferential tax treatment should be maintained.

Another tax issue IREM is working on is the 179D tax deduction, a federal tax deduction for owners and lessees of commercial and multifamily properties with four or more stories.

And the MNHC is also working on maintaining depreciation benefits for multifamily buildings and also maintaining current benefits for the so-called 1031 exchange or like-kind exchange property sales.

The GSE debate

Housing finance reform is another important item on the 2015 legislative agenda for housing groups. The NMHC is focused on making sure that representatives understand how the multifamily sector is different from the single-family as they consider reforming the government-sponsored entities. The multifamily industry group has worked with both sides in the last Congress to craft multifamily-related proposals included in the Johnson-Crapo bill for GSE reform, according to Cindy Chetti, NMHC's senior vice president for government affairs.

Chetti says, "I'm not sure whether or not Congress will focus on housing finance reform in the next Congress. I think the Republicans may have items other than GSE reform at the top of their agenda. But that doesn't mean that we won't be focusing on it."

One thing that could renew Republican interest in GSE reform is some of the actions their regulator, the Federal Housing Finance Agency, might be considering, according to Chetti.

And NAHB's Tobin notes, "We're still waiting to see capital flow into the housing sector, the way it did prior to the downturn. So for us the lead factor is, what will they do with Fannie Mae and Freddie Mac?" Tobin aims to continue to take forward the Johnson-Crapo GSE reform proposal in 2015. A new leader for the Senate Banking Committee is another change for 2015 that could impact the GSE reform situation.

Immigration reform

Considering that as much as 25 percent of the construction industry labor force is foreign born, according to Tobin, immigration reform is another major 2015 issue that the NAHB is watching. Tobin says that multifamily builders complain about a lack of available labor to work on their projects. This means that NAHB sees an immigration bill that "allows people to come into the country and work in construction" as important for the long-term stability of the housing construction industry.

Immigration reform is also a priority for the NMHC, which reports that, besides providing a construction labor force, immigrants are a big source of demand for rental housing, heading one out of every five households that rent members' apartment homes. Thus, the NMHC would like a better

e-verify system for employers to verify employee legal status, and also visa programs to address labor shortages in the construction industry.

Other priorities

Deviating a bit from the priorities of other housing groups, the NLHA's priorities for 2015 include ensuring adequate financing for assisted housing rental programs. Denise Muha, NLHA's executive director, says, "Housing programs have been cut every year for many years, but particularly in the last couple of years, with sequestration and so forth. And the problem is that Section 8 assistance particularly is benefitting the tenants directly."

The NLHA is also laying an emphasis on extending and expanding the Rental Assistance Demonstration, or RAD program. As well, this group that represents owners and managers of federally assisted rental housing, as well as housing authorities that administer the Section 8 voucher program, is prioritizing a voucher reform bill that would make the program easier to operate, both for the housing agencies and landlords. Muha says, "It simplifies some of the roles. The administrative burdens of running a housing voucher program are pretty significant. And it also clarifies things for landlords to help promote landlord participation in a program."

Also on the agenda

There are also some other legislative issues the housing groups are working on. Getting a long-term extension on the Terrorism Risk Insurance Act (TRIA), for instance, is one item that the NMHC, IREM and NAHB are all interested in. Proposals for U.S. Postal System reform calling for a centralized cluster system, rather than door-to-door mail delivery, are also on the watchlist, along with environmental regulation in the form of the waters of the U.S.A. rule that, by expanding the definition of navigable waters, could impact the cost and time for building a housing property. And the legalization of marijuana use by a number of states has created some issues for property manager that IREM is also working on.

Lame duck end to 2014

At the end of November, the housing groups were expecting some forward movement during the lame duck session on important matters such as an extension of the TRIA and LIHTC credits and getting long-term funding for government through all of 2015.

They are hoping that the two parties will cooperate to prevent the possibility of another government shutdown. Tobin says, "I think the Republicans got very lucky after they shut the government down in 2013. They received the gift of the bad rollout of the Affordable Care Act website. That gave them a way out of being blamed. There are certainly members of the Republican Party that would have the government shut down, but I don't think the leaders of the party would allow that to happen."

Since January 2014, the Dodd-Frank Act and SAFE Act have thrown a wrench into the common use of land contracts. Land contracts have often been used as an unconventional financing mechanism for buyers that cannot get financing through conventional means, i.e. banks.

How did Dodd-Frank and SAFE Act change that?

The Acts, in a nutshell, make three huge changes related to land contracts. The Michigan Department of Financial and Insurance Services is responsible for how the Act is applied in Michigan:

1. Due to the changes required within the Act, the Michigan Department of Financial and Insurance Services invoked a new requirement that certain individuals offering mortgages/land contracts and/or qualifying buyers for mortgages/land contracts must be licensed mortgage loan originators-if they execute more than three (3) land contracts per year for residential/owner-occupied housing. So, if you're using land contracts as the mechanism to sell your real estate, you're very limited on how many deals you can do each year without becoming a licensed mortgage loan originator.
2. Due to the Act, the Department also stipulated new rules for qualifying buyers. Basically, the new rules make it impossible for a seller to sell a land contract to someone that doesn't already qualify for conventional bank financing. This significantly limits the pool of potential buyers. And, frankly is bad news for those that can't qualify for conventional financing.
3. The Department also ruled that balloon payments could not be less than six (6) years. Under many land contracts in the past, a three or five year balloon payment was put in place so that the buyers could pay off the contract sooner and become conventional home buyers. This also enabled the investor to do more deals. The move to six or more years makes land contracts less desirable for many investors.

Even though the Act doesn't specifically say that land contracts are included, HUD, the regulating agency for the Act, says that land contract deals are included-even though they aren't mortgages. (But, wait a minute; I thought a land contract wasn't a mortgage? HUD decided-after the Act passed and the rules were promulgated-that they meant to include land contracts. Unfortunately, it's going to take a legislative change or court ruling to counter HUD's opinion. Organizations across the country, including the RPOA, are trying to get the law changed! If you get a chance, contact your Congressman.)

What if you don't comply? Under Dodd-Frank, the buyer can cancel the transaction and has the option to get his or her money back.

NOTE: The new laws do not apply to land contracts or other seller financing sales to other investors.

Top 8 Most Effective Rental Incentives

By Lucas Hall

I'm a firm believer that landlords should treat their rental units like a business.

As any business owner knows, sometimes you have to provide incentives to acquire and keep customers.

The same principle applies to landlords. There is a rental property on every block, and though your unit is special, it's not *that* special.

To find and keep great renters, landlords will often have to provide incentives.

Understanding the Mind of a Renter

There are four factors that all renters consider before signing or renewing a lease: location, price, condition and you.

Since you can't change the location but (obviously) still want to command a higher price, you have to provide incentives that improve the condition, convenience or level of customer service.

If the location and property condition are not ideal, and you're not willing to do anything about it, you'll then have to provide financial incentives to spark interest. Realistically, most people would live anywhere, and in less-than-favorable conditions, if the rent is low enough.

Types of Incentives

Whether you are trying to convince an applicant to sign a lease or encourage a great renter to renew, incentives act as the carrot at the end of the proverbial stick. With that said, I believe that no one should get a prize for doing the bare minimum or fulfilling what is expected of them in the lease.

Early payment discount - A landlord should never discount the rent if a renter pays it on time, which usually means the absolutely last possible day. However, a small discount might be in order if the renter pays rent 10 or even 15 days early.

Rent decrease-Rent decreases are a great way to convince excellent renters to sign another long-term lease. For this to be profitable, you really need to run the numbers. A \$50 discount for 12 months would cost \$600 per year. Considering vacancy and upkeep, you must ask yourself "Will keeping these renters for another year save me \$600?"

Property upgrades-Benefiting both the landlord and renter, anything that is a permanent change to the dwelling would be considered an upgrade. Renters who view the property as their "home" will often ask for an upgrade.

If an appliance is near the end of its life, I'll usually entertain the request, especially if it gets the renter to renew.

Other simple upgrades can include painting, new carpet, additional parking or even a bathroom or kitchen remodel.

Flexible lease terms-The ability to break a lease with 30 days notice, or the approval to have pets might be valuable to a renter. Again, you have to weigh the risk versus reward. Sometimes it's worth it. Further, allowing other flexible terms, such as the ability to sublet, will entice a new renter or keep a current one. Student renters often travel home for the summer and want the ability to sublet their room.

Online rent payments-For many people, their rent payment is the only check they write all month. They would jump at the opportunity to pay their rent online and finally ditch their checkbook. This added convenience can make a huge difference when marketing to new renters and instantly makes your property more appealing.

First month free-Larger apartment complexes have the additional cash flow to cushion a free month of rent. However, oftentimes, rent during the 11 other months is increased by 1/11th to make up for it. Without realizing it, this incentive allows renters to spread the first month's payment over the term of the lease, but gives the impression that they are getting something for free. For better or worse, this incentive appeals to renters with little or no cash liquidity.

Zero or partial security deposit-Waiving the deposit requirement is popular with large apartment complexes as a means to reduce vacancies, but it's not feasible for an independent landlord. A landlord needs the deposit as security against unpaid rent and physical damages to the unit. Without it, the landlord has no leverage or protection. Alternatively, spreading the deposit payments over the first three months will lighten the financial blow to the renter who often cannot afford to pay for first month's rent and the deposit at the same time. However, it might not be wise to rent to someone who can't pay the deposit in full.

Anything they want [within reason]-Last but not least, perhaps it's best to let the renters request the incentive. You just never know what they are thinking. For example, if they don't have transportation, perhaps you could let them borrow your bike for the year. Or maybe providing a partially furnished unit or an early move-in date would convince them to sign a lease.

At the end of the day, every landlord needs to market creatively to attract the best possible renters, to keep the ones who care for the property and pay rent on time.

Many times, it's the incentives that provide the extra push needed to seal the deal.

Procedure for Collecting Fees on Returned or Bounced Checks

Michigan law provides a special procedure for collecting bounced checks plus some penalties and costs.

If you received a rubber check, the law permits you to send the below notice to the drafter by first class mail.

If the drafter makes good on the check within seven (7) days from date of mailing, then they have to add a \$25.00 fee, payable to you. If it is made good within thirty (30) days, the fee is \$35.00. If the drafter or maker of the check does neither, then they are responsible for civil damages of up to twice the amount of the check, or \$100, whichever is greater, plus costs of \$250.

Collection action can be started in the small claims court to get to judgment, including the above fees and costs.

Sample Letter:

DEMAND FOR PAYMENT

TO: (Tenant's Name and Address)

PLEASE BE ADVISED that a check, draft or order for payment of money drawn by you for \$_____ was returned to [NAME OF LANDLORD/COMPANY] dishonored for:

Insufficient funds

No account

Pursuant to MCL 600.2952, this notice is a formal demand for payment of the full amount of the dishonored check, draft or order plus a processing fee of \$25.00 for a total amount of \$_____. If you pay this total amount within seven (7) days, excluding weekends and holidays, after the date this notice was mailed, no further civil action will be taken against you.

If you do not pay the \$_____ as requested above, but within thirty (30) days after the date this notice was mailed you pay the amount of the dishonored check, draft, or order plus a \$35.00 processing fee, for a total amount of \$_____, no further civil action will be taken against you.

If you fail to pay either amount indicated above, we will be authorized by state law to bring civil action against you to determine your legal responsibility for payment of the check, draft or order and civil damages and costs allowed by law. A maker who fails to make payment and who is found responsible for payment in a civil action is liable to the payee for payment of all of the following:

- (a) The full amount of the check, draft or order;
- (b) Civil damages of 2 times the amount of the dishonored check, draft or order or \$100.00, whichever is greater; and
- (c) Costs of \$250.00

If you dispute the dishonoring of this check, draft or order, you should also contact your bank or financial institution immediately

Dated: _____, _____

[NAME OF LANDLORD/COMPANY]

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