

# Eastern Michigan Real Estate Investment Association

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### Are you an organized landlord? by Bill Grey

#### An Organized Landlord Has Less Tenant Debt And Profit

An organized landlord is a more profitable landlord. I have reviewed many thousands of tenant debtor files, and one thing is certain; by looking at a tenant file after the tenant moves out, I can usually tell you fairly accurately how the property is being managed. A well organized landlord who documents everything has less tenant debt, and, as a result enjoys more profit.

Organize your files logically and consistently. At least half of the files I review are little more than a pile of unorganized papers thrown into a file folder; and often very important documents are missing altogether.

What does an unorganized file like this tell you about how the landlord manages his or her property? File your documents and paperwork logically and neatly in a file folder with brackets on each side of the folder. Two-hole punch the top of each document and file them in a way that works for you. Some landlords put all "pre-move in" documents on one side, and all other documents on the other. It makes no difference how you organize the material, as long as you or a co-worker can put their hands on a specific document quickly and efficiently.

What should be included in the file? Remember, my view of the industry is from that of a tenant debt perspective. I am sure there are documents, such as marketing results, welcome letters, etc., that you will want to include, in addition to what I suggest. Here are the documents I am looking for when reviewing a landlord file that has a balance owed by a previous tenant:

#### Signed Rental Application

The best landlords require the prospective tenant to fill out the application completely and legibly. Don't let your eagerness to rent the unit get in the way of requiring a complete, legible and signed application. The signature is required to authorize

you to view the applicant's credit. The application should be completed in black ink. Colored ink does not copy well. Also, do not use colored paper or ink colors other than black to print the blank application. They do not copy well either.

#### Court Ordered Money Judgment

This is not required in order to attempt to collect the debt. But, if you have sued the previous tenant and won, this document is needed.

#### Copies of Driver's Licenses

For all adults who sign the lease - this picture ID may be needed for various reasons, but for my purposes I may need it to verify or debunk later claims of identity fraud by the now previous tenant who owes you money.

#### Complete Executed Lease and Addendums

All adults who live in the unit must sign the lease.

#### Move-Out Statement/Security Deposit Refund Letter

This document is called by different names in various states. It is a document that gives all the tenant information on one page. It is not the ledger. This page should include the move in and move out dates, the unit address, the names of all adult occupants and a breakdown of all charges after the tenant moves out, such as unpaid rent, damages, etc. It should also show how any deposits were refunded or were applied to the amount due upon move out.

#### Move In/Move Out Inspection

A common mistake for landlords is failing to inspect the rental unit with the tenant before they move in. This mistake alone costs landlords a great deal of profit. It is very important that both the landlord and tenant sign the move in checklist. At the

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**From the Prez....be aware of what our legislators are talking about.  
This affects all of us.**

## INDUSTRY NEWS

### The Year Ahead:

#### Legislative and Regulatory Outlook for 2010

by Ken Trepeta

**F**rom the threat of government shutdowns to eleventh-hour negotiations on the deficit reduction to a slew of new proposed rules and regulations, it is not surprising that many of the issues that should have been worked on during 2011 are still pending. While progress has been made, we will still find ourselves starting 2012 with a host of issues both on the legislative and regulatory front that will have to be addressed.

#### Dodd-Frank Wall Street Reform and Consumer Protection Act

Intended to guard against the Wall Street excesses that led to the economic crisis, Dodd-Frank appears to be making more of a mark on the housing industry. Certain provisions in this bill will be decided in 2012, including the risk retention/qualified residential mortgage (QRM) proposed rule and the ability to repay/qualified residential mortgage (QM) proposed rule. Both of these rules could impact the ability of consumers to purchase homes by requiring a 20% down payment (QRM) or that the buyer meets certain criteria repay their loan (QM).

Additionally, the bill includes anti-predatory lending provisions that discriminate against mortgage firms with affiliates involved in real estate sales transactions by forcing them to count affiliate charges when calculating fees and points to meet safe harbor provisions. NAR submitted comments on this proposed rule to remove this discriminatory element and will continue to work in 2012 to advance legislation.

#### Home Warranty

After three years of effort to get the Department of Housing and Urban Development to withdraw an informal letter calling the sale of home warranty contracts by real estate agents and brokers a likely Real Estate Settlement Procedures Act (RESPA) violation, NAR, working with

industry partners, secured a hearing on the issue in the House Financial Services Committee in July 2011. Legislation to address the problem, H.R. 2446, has been put forth and NAR will continue to work throughout 2012 to secure passage of the House bill as well as secure support for a similar measure in the Senate.

#### Tax Reform

Throughout 2012, the tax-writing committees have held hearings about broad issues that must be considered as part of tax reform. While no hearings have been held on any real estate-specific issues or on specific components of individual taxation, the intense revenue pressures created by the present economic crisis and looming long-term budget challenges could leave many real estate tax benefits up for grabs.

#### Reform of the Secondary Mortgage Market

Until recently, the discussion regarding the fate of the GSEs (Fannie Mae and Freddie Mac) was relatively quiet. In 2011, two comprehensive bills that include some level of government participation in the secondary mortgage market were introduced. These new bills show the debate has, in part, shifted away from one focused on full privatization to a more careful conversation on the need for continued government involvement. However, there are still stalwarts against government participation beyond FHA who will be pushing their views. As the debate over the secondary mortgage market begins in 2012, NAR will continue to advocate for an ongoing reasonable level of government participation in any efforts to enact comprehensive secondary mortgage market reform.

With Congress and the Administration focusing on re-election the closer we get to November, and with planned recesses throughout the year, there will be a limited amount of time left to debate and resolve issues. It is critical that we come out of the gate swinging in 2012 to ensure those issues that matter to homeownership and the real estate industry are front and center. **RE**

Ken Trepeta is the director of Real Estate Services for the National Association of REALTORS®.

**From the Prez....be aware of what our legislators are talking about.  
This affects all of us.**

**U.S. HOME FORECLOSURES JUMP MORE THAN 21 PERCENT IN THIRD QUARTER**



- New foreclosures jumped by 21 percent from 2nd quarter to 3rd quarter
- New foreclosures fell 11.8 percent from 3rd quarter 2010
- Increase is due to banks picking up actions after pause-OCC

by Dave Clarke

December 21 (Reuters) - The number of new U.S. home foreclosures jumped by more than 21 percent in the third quarter from the previous quarter as banks moved more aggressively after a pause that began late last year, according to a report released by a bank regulator on Wednesday.

In the final months of 2010 some big lenders, including Bank of America Corp, suspended foreclosure proceedings as they reviewed their methods for dealing with troubled borrowers.

With those reviews completed, the pace of foreclosures is picking up.

The report, by the Office of the Comptroller of the Currency, said that large increase in new foreclosures also occurred because banks have "exhausted alternatives to foreclosure for the large inventory of seriously delinquent mortgages working through" the system.

While the number of new foreclosures in the third quarter was much higher than in the previous quarter, it was 11.8 percent less than a year ago.

Other data released this week shows the depressed housing sector is starting to show signs of strength heading into 2012, with the strongest evidence coming from new housing starts for November.

An unexpected 9.3 percent gain to a 685,000 annual rate was the highest level of new-home construction in 19 months. Building permits issued for new houses and apartments climbed 5.7 percent to a more than one-year high.

Sales of previously owned U.S. homes increased 4 percent in November, to an annual rate of 4.42 million units, although downward revisions of data for the last four years showed the housing market recession was deeper than previously thought, according to data released on Wednesday by the National Association of Realtors.

Wednesday's OCC report showed that the number of borrowers making mortgage payments on time in the third quarter remained almost unchanged from the previous quarter.

The OCC said that of the 32.4 million loans covered by the report, 88 percent were considered current and performing.

The OCC Mortgage Metrics Report provides performance data on first-lien residential mortgages serviced by national banks and federally regulated thrifts. The mortgages in this portfolio make up 62 percent of all mortgages outstanding in the United States.

I was just reading parts of Attorney Tom Moorhead's excellent book, *Owner's Manual for Landlords and Property Managers* when I came across this great point. "With all the valuable information that you will be receiving on your rental application, why would you ever not give someone a rental application?"

Many landlords dismiss applicants out of hand because the landlords have a "fifth sense" about the quality of applicants due to these landlords' lengthy experience in the business. It's a fifth sense because it doesn't quite make the grade of a sixth sense and is wrong at least one out of six times.

Attorney Moorhead points out that many landlords decide on the spot, for example, that someone is "too young," that is under 18, and thus unable to enter into a contract, so never offer an application. That is in spite of the fact that someone being under age would become immediately apparent in the screening process such as when the landlord looks at the picture ID of the applicant.

Here's my point. We can't tell by looking, only by screening. Bad tenants are past masters at appearing to be outstanding, upstanding citizens because they rely on landlords assuming that appearance is everything and are masters of finding new places to live since they have to do it so often. But we can cut their evil plans off at the knees; the best way to get rid of a bad tenant is to hand him or her a rental application that contains the language "We carefully screen all applicants."

Landlords may dismiss some truly outstanding applicants out of hand simply because they don't meet some preconceived landlord prejudice. Suppose, for example, that a construction worker is on his way home from work and sees a for rent sign, drives by the property, notices the landlord is there and knocks on the door. This man doesn't do too well dealing with the public, but is great at construction work. He doesn't even talk a good line and stammers when he says why he stopped, Mr. "I know instantly the quality of an applicant" landlord takes one look at the applicant in his dirty, work clothes and outside of his work truck that could use some washing and immediately acts if this prospective tenant is imposing on him.

This prospective tenant has worked for the same company for five years, was just promoted to supervisor, earns in excess of \$50,000 a year and drives a late-model paid for Toyota Camry on the weekends. In addition, he has lived in his current home for seven years and has never been late with the rent. But the landlord "could just tell" by looking that his prospective tenant was unqualified. He never offers an application.

Later that same day, another prospective tenant is driving down the same street on his way back from some nefarious activity and sees the same for rent sign. The man is well-dressed and is driving a new Lexus that is about to be repossessed by the finance company because he hasn't made a payment for three months. He has to park several block away from his current home so the tow truck driver can't find the car. He also has to sneak into his apartment because he hasn't paid any rent lately. He has been too busy trying to impress people with his free drinks and meals while he tries to suck them into his latest scheme.

He strides into the property full of self-confidence, wearing his \$1,000 suit and Hugo Boss shoes, smiles, introduces himself and compliments the landlord on a "beautiful property." He adds that "he would really feel at home in a place like this that is maintained so well" since he wouldn't live in just any rental home. After all, his home has to be one that fits his carefully public facade.

With his fifth sense, "Mr. I know instantly the quality of an applicant" landlord takes one look at the prospective tenant and knows that this would be a wonderful person to have living in his property. He thinks about offering an application but decides against it for fear of driving off a potential, platinum quality tenant by doubting his quality. In fact, he asks this applicant, "When can you move in?"

As I pointed out above, the best way to get rid of a bad tenant and to entice a good tenant is to offer an applicant with the words "we screen applicants carefully" somewhere toward the top. The most successful landlords screen every applicant no matter how good or bad they first appear and offer each person who looks at his property an application.

## TIPS ON MANAGEMENT: 7 STEPS TO TAKE WHEN YOU INHERIT RESIDENTS

BY Jeffrey Taylor

If you're purchasing a property that already has residents, here are the seven action steps you should take:

1. Before purchasing rental property with inherited residents, always ask for a copy of each resident's current rental agreement, original rental application, property condition checklist, and records regarding security deposit, payment history, or rental violations. Any information that the previous owner can provide could help you.

2. Prepare a letter that introduces you as a "management company," your role as manager, and your main win-win policies. When inheriting residents, any lease in effect with the former owners transfers to you. If residents were on fixed-length leases, you can't change major terms until their current lease expires. With month-to-month agreements, you still have to give the resident proper notice (in most states, 30 days) before changing any major terms of the agreement.

3. In your first communication with residents, come across in a businesslike manner. Communicate that you want to maintain a mutually beneficial, win-win relationship. Always see things from the residents' perspective. Don't make your communication one-sided. Mail a letter and mention in the letter that you will be stopping by to introduce yourself.

4. Within the first seven to ten days of taking over ownership of a property, if at all possible, plan a personal visit. If, for any reason, residents indicate that there are some things they need fixed or things they would like to see improved on the property, respond by saying:

"Our company will see what we can do and will be comparing notes with the original move-in condition checklist. We appreciate that you, as the resident, are concerned about the maintenance of the property and that I am as well, which is why we will be doing periodic inspections of the property. We're looking forward to see that you're handling routine upkeep and maintenance. I'll make sure we take care of any property concerns that are the company's responsibility."

This type of response not only deals with the customer's most pressing concerns, but also starts to establish how maintenance matters will be handled.

5. Take care of major matters in a priority manner; not necessarily every little concern, and take care of things in a systematic way based on priority and your schedule. At the same time, expect the resident to handle routine upkeep and maintenance.

6. Let residents know the time frame in which you'll

take care of their biggest concern (ex: within the next 72 hours, three to five days or two to four weeks), and also have them fill out a resident information sheet so you have updated records on all residents (especially those who need work done on their property). This information sheet need not be anything more than a rental application. Simply remove the word application from the top of the page and substitute the words resident information. Do you see how I'm setting the tone for how the relationship will work? That is, a resident requests something of you, and you in turn request something of the resident.

Residents soon learn that if they're looking to you for something, that you focus first on most important concerns, and that matters are handled based on priority and your schedule (not the resident's whims), and that you also look to them for cooperation and assistance. Starting the relationship in this way helps significantly reduce (if not eliminate) frivolous or spontaneous requests during the rental term.

7. Do what's necessary to address the resident's most important concern within the promised time frame (the sooner the better). As implied earlier, don't try to deal with every matter residents may mention. Have them focus on their biggest concerns; and NEVER ask for a "list" of all the problems they may have. If you do, that sets up the relationship for disappointment, because if you don't complete everything on the list, many residents remain unsatisfied for weeks, months, perhaps the entire term of the tenancy. They will feel you are not doing your job. However, by always having residents focus on one issue at a time, it's easier to address that one concern and they'll see you as the HERO when you are able to take care of that one concern. Starting off the relationship in this way makes it easier to take over as manager of a new house or building with residents you've inherited.

### Raise the Rent Now or Later?

The question often comes up, when inheriting new residents, about whether to raise rents as soon as legally permissible—especially if rent amounts are below market rates. I suggest that if they need to be raised (and the residents are on a month-to-month agreement), ask the "seller" of the property to send out a rent increase letter even before you close on the property and take over ownership. The rent increase letter states that the new rental amount will take place in the next 60 days. In this way, let the seller be seen as the bad guy, not you. Instead, you come in as the hero ready to promptly take care of the one big concern the resident may have.

SIX METHODS OF UNLAWFUL EVICTIONS TO  
AVOID JALA

Under Michigan law, any tenant who prevails in court after being ejected or put out of any lands in a forcible and unlawful manner, or held and kept out by force, is entitled to recover possession of the premises and three times the amount of his or her actual damages, or \$200.00, whichever is greater. (MCL 600.2918(1)) This serves as additional motivation for landlords to steer clear of this type of eviction practice and follow the proper steps to evict a tenant. The use of treble damages in these types of cases is the Legislature's way of punishing the landlord for his or her willful conduct. Furthermore, any tenant in possession of the premises, whose possessory interest has been unlawfully interfered with by the owner, lessor, licensor, or their agents, shall be entitled to recover for each occurrence, and where possession has been lost, to recover possession. (MCL 600.2918 (2))

The six types of unlawful evictions are as follows:

- 1) Use of force or threat. This might involve breaking, tearing down, or removing the door, accompanied by some force for actual or threatened force.
- 2) Removal, retention or destruction of personal property of the possessor.
- 3) A change, alteration or addition to the locks or other security devices on the property, without first providing keys or other unlocking devices to the tenant, amounts to unlawful interference.
- 4) Boarding up of the premises, or any other obstruction, which serves to prevent or deter the tenant's entry of the premises. (MCL 600.2918 (2) (d))
- 5) The fifth form of unlawful interference is causing, by action or omission, the termination or interruption of a service procured by the tenant or which the landlord is under an existing duty to furnish. (MCL 600.2918 (2) (f)) This includes services like heat, running water, hot water, electric, or gas services-services that are so essential that their termination or interruption would constitute a constructive eviction. Terminating services like these may result in a deprivation of the tenant's use and enjoyment of the property, or a constructive eviction.
- 6) The sixth and final type of unlawful interference is the introduction of noise, odor, or other nuisance to the premises. Landlords should refrain from introducing nuisances to the premises in an effort to encourage the tenant to move out.

As a caveat to the preceding forms of unlawful interference, it is important to note that there are certain situations in which none of them apply. This is when the owner, lessor, licensor, or their agents can establish: action pursuant to a court order; interference with possession temporarily as necessary to make needed repairs or inspections provided by law; or believed in good faith after diligent inquiry that the tenant had abandoned the premises or does not intend to return, and the current rent is not paid. (MCL 600.2918 (3))

REVISED JUDICATURE ACT OF 1961 (EXCERPT)  
ACT 236 PF 1961

600.5809 Action to enforce non-contractual money obligations; limitations.

(3) Except as provided in subsection (4), the period of limitations is ten (10) years for an action founded upon a judgment or decree rendered in a court of record of this state, or in a court of record of the United States or of another state of the United States, from the time of the rendition of the judgment or decree. The period of limitations is six (6) years for an action founded upon a judgment or decree rendered in a court not of record of this state, or of another state, from the time of the rendition of the judgment or decree. A judgment entered in the district court of this state before May 25, 1973, is a judgment of a court not of record. A judgment entered in the district court of this state on or after May 25, 1973, except a judgment entered in the small claims division of the district court, is a judgment of a court of record. Within the applicable period of limitations prescribed by the subsection, an action may be brought upon the judgment or decree for a new judgment or decree. The new judgment or decree is subject to this subsection.

Power of Attorney is different for Landlords

Are you managing properties for an elderly parent, or someone who is disabled? Or, are you a landlord who would like to have a relative or friend to take over the hassle of filing papers and appearing in court?

There are two ways to accomplish this; the first and the easiest is to quit claim the property to the friend or relative. Though if this person, for whatever reason, does not wish to assume or be added to the deed as owner, there is an alternative.

This alternative is to have a lawyer prepare a power of attorney (POA) for this relative or friend. In this POA, you must list each address of the properties that you want this person to manage. Then you must inform the tenants that as of such and such a date, the affairs will be handled by someone other than you.

A regular power of attorney that allows a person to make financial and/or medical decisions will not be accepted by the landlord-tenant court.

## LEGISLATIVE UPDATE

In addition to HB 5052 regarding property managers and LLC owners representing their clients/properties in court, we have also suggested a revision to HB 4998 which is currently in the Judiciary Committee; add the following in Sec 5739: (#) **A CLAIM FOR LATE FEES WILL NOT BE DENIED BY THE COURT AS LONG AS THE LATE FEE IS CLEARLY DESCRIBED IN THE LEASE OR CONTRACT, THAT THE AMOUNT IS A FIXED DOLLAR AMOUNT AND THE COURT DETERMINES THAT THE FEE IS REASONABLE.** This proposed change is to address the way some district court judges interpret our including late fees in our contracts as not binding and subject to interpretation. We agree that some landlords have abused the late fee requirement by requiring a \$25 fee plus \$2 per day or \$5 per day, or some other such absurd amount. The judges intervene and rightly so, because at contract signing the tenant is at a disadvantage when it comes to relative power of the participants. A tenant in need of housing is likely to sign most anything to be able to move-in and the judge needs to exercise some control to prevent abuse. However, that does not mean that late fees should be disallowed, and that is the intention of this proposal.

In another area, we have proposed a statewide implementation of the expedited summary proceedings process whereby a tenant who fails to respond to a summons/complaint within the five day window is automatically defaulted. This change (which the 12th District Court adopted as a local rule years ago and has since been adopted by many district courts here in Michigan), has saved many, many hours of court time, plaintiff time and attorney costs by not requiring an appearance to receive a default judgment. We have also requested that several local courts adopt these changes in their court rules in areas where we have associate members. We have also been contacted by rental property owners in other areas who would like their courts to adopt these rules. Unfortunately there is resistance in some areas to this cost-saving change. We sent a request for the SCAO to revise the rules to be applicable statewide and they responded that this must follow changes to legislation. As a result, we have requested the following changes be made; **600.5735 Summons; hearing:** (1) The court in which a summary proceeding is commenced shall issue a summons, which may be served on the defendant to appear for trial in accordance with the provisions of subsection (2) *{strike this section-unless by local court rule the provisions of subsection (4) have been made applicable.}*

*(b) Within 10 days after service of the summons upon the defendant in proceedings under section 5726.}*

*(c) Within 5 days after service of the summons upon the defendant in all other proceedings.* This would effectively remove the local court rule regarding this issue and provide for the statewide rule applicable to all courts. At a time when the state is in the process of reducing the number of judges in various courts throughout the state as a cost saving measure, reducing the number of landlord/tenant cases that are actually docketed will certainly help this effort.

## THE IMPORTANCE OF USING CORRECT FORMS

Use of the correct forms in dealing with tenants is a key factor in resolving disputes regarding the lease contract, as well as compliance with Michigan statutes.

Recently, one of our members was denied a claim for physical damage in a rental unit even though the landlord had extensive pictures of the damages. The small claims court found that the list of damages was not an "inventory checklist" as required by various statutes. The statutory requirement is as follows:

...commencement inventory checklist, which form shall be identical to the form used for the termination inventory checklist. The checklist shall include all items in the rental unit owned by the landlord including, but not limited to, carpeting, draperies, appliances, windows, furniture, walls, closets, shelves, paint, doors, plumbing fixtures and electrical fixtures."

This is a prime example of legislation written by folks who know nothing of which they speak. Who are the legislators to define in a statute that I must include closets and shelves on my checklist? Neither the short inventory checklist sold by Target Forms in Lansing and certified as complying with Michigan statutes, nor the long inventory checklist address "shelves". Does this make them invalid? Perhaps the legislators who wrote these statutes were, in fact, knowingly placing escape hatches through which tenants could avoid responsibility for their actions. Enough politics!

We make every attempt to assure our members are equipped with the latest applicable forms which comply with Michigan statutes. Inventory checklists are available for sale in the office.

I use the long form, which is both a move-in and move-out checklist and shows move-in condition as agreed to by tenant's initials along with photos. The move-out inventory checklist copy is sent to the tenant after move-out, as required by statute.

One of the more naïve parts of the statute states: **"You are also entitled to request and receive a copy of the last termination inventory checklist which shows what claims were chargeable to the last prior tenants."** Most, if not all of us, clean and repair the units before re-renting so the condition at move-out of the last tenant is meaningless and could be used by the tenant to negate your claims of damage done by the current tenant.

It is highly recommended that you do the move-in inventory checklist with the tenant and have them initial off on each section as you do a walk through. Giving the tenant the checklist to go over themselves and later return to you (Which they rarely return) is an invitation for them to cover-up damage they do when moving-in. It also gives them an opportunity to deny that you ever gave them a list to fill out when they are in court over damages.

What can you do about old, worn out and unattractive bathrooms without spending a whole lot of money? Until you have seen it done, it's hard to believe how much of a transformation is now possible without replacing any major fixtures or removing old tile, saving thousands on a bathroom makeover.

A lot of investors did full kitchen and bathroom remodels in apartment buildings back when money was easy and property prices were soaring. Now that the climate has changed, the more frugal solution of repairing and recycling old surfaces is more practical than ever and converts to a better return on the money spent too due to the much lower cost.

Apartment owners first discovered in the 1990s that bathtubs, showers, sinks and tile as well as counter tops, could be refinished using new specialized durable coatings. They were drawn to it because it was not only durable but it could be done without having to incur the expense, time and effort of replacing old fixtures. Then, in the 2000s designers caught on and started using bathroom surface refinishing as a way to change the color of otherwise functional surfaces and create more modern color schemes with little more than paint, specialized coatings, and some modern finishing touches such as light fixtures, towel racks and mirror, all inexpensive and easily installed by a handyman or maintenance person.

#### Great Return on Investment

The transformation that is possible this way, with a well executed change of color scheme and a few updated fittings, is remarkable. **In terms of increased rents and the corresponding increase in property value, it is an option that gives an investor great bang for the buck.**

Replacing an old or damaged bathtub or shower, is an expensive proposition, not because apartment grade bathroom fixtures are particularly costly, but because of the labor involved in removing the old and replacing with the new. Tubs, for example, are often set in a corner or nook, and held secure by a drain, overflow and faucet plumbing, and may be surrounded by tile or painted walls that will need to be repaired. Most of the expense in this kind of situation comes from the plumber, tile setters and painters needed to put the room back together. It can also be next to impossible to find matching tile to fit around the new fixture which leads one to consider replacing the entire wall tile. Refinishing avoids all of that labor expense.

Apartment owners, in particular, enjoy the practical benefits of bathroom refinishing which is not only easy and improves return on the investment, but environmentally minded individuals also appreciate the fact that old fixtures are effectively recycled right in place saving a share of the Earth's resources. This is far more meaningful to renters today and when pointed out, improves tenant appreciation of clean recycled surfaces.

#### Not Just Bathtubs and Sinks

In addition to showers and bathtubs, counters and wall tile can be refinished. What this means is that almost every surface of a bathroom can be *resurfaced*. Floor tile should probably not be refinished due to foot traffic and wear and tear.

Refinishing countertops is a surprisingly practical solution. There are a variety of finishes including speckled, stone-like finishes that do well to hide mild wear while adding a richer decorative element to a

kitchen or bathroom. Damaged, old laminate counters can be refinished. The beauty for the apartment owner is that refinishing is a lot cheaper than replacing a counter surface, and is a reasonable enough cost to deduct from a renter's deposit if the surface was mistreated such as leaving knife or burn marks on the surface. Replacing a laminate counter out of a renter's deposit is unlikely to fly, whereas the moderate cost of refinishing one is reasonably deductible. A clause in your rental agreement that specifies proper care and maintenance of refinished surfaces can help ensure they look after the surfaces as well as eliminate possible argument if you do choose to cover the cost of repair from a renter's deposit.

When refinishing wall or counter tile, make sure grout lines are repaired by the refinishing technician to ensure a clean brand new look, and any chipped tiles should also be replaced or repaired before refinishing. The problem of missing or broken tiles is solved by either filling in with a filler or replacing with tiles that don't have to be a perfect color match since the new coating will cover the variation. If faucet fixtures are going to be updated, have these removed ahead of time by the plumber or handyman first. This ensures no unfinished areas will show due to a variation in the footprint of the new fixture. The refinishing process does not normally include removal of faucet fixtures which are instead masked off carefully avoiding the probable complications of disturbing old plumbing.

#### Choosing a Refinishing Contractor

The best advice in choosing a contractor is to act as you would when hiring any professional. Get recommendations from friends and neighbors when you can. Find out how long the company has been in business and check the status of their contractor's license! This step alone will eliminate a lot of trouble. *Unlicensed* contractors are also *uninsured* contractors, which puts all of the liability on the apartment owner and managers, so if the contractor were to start a fire or get injured on the job, you could be responsible for all losses including medical expenses.

It is particularly prudent for property owners to heed these warnings and ensure that anyone managing their property follow the advice also. As with any contractor you intend to use again on an occasional basis, ask to be added to their liability insurance as a certificate holder or additional insured. This will ensure you are notified if the status of the contractor's insurance changes. Any established and legitimate contractor will do so without hesitation.

These days there are a lot of "low grade" spin-offs from established companies which occur when employees are fired for poor performance or theft and other offences, who then ask to work independently in the industry. Not the kind of people one would knowingly choose to work with. We have even seen ex-employees pose as long established companies, so look for clues such as no license or a license that has only recently been established. They attempt to get work by offering cut-rate services using cheap materials, cutting corners, as well as holding no insurances. The chances of encountering contractors with poor standards and questionable ethics can be greatly reduced by simply looking for a license number in any ads you respond to. It is a legal requirement that all advertisements display a contractor's license number if the contractor has one and licensed contractors know this. And you can easily check the status and legitimacy of a license number by visiting the Contractors State Licensing Board website at: <http://www.contractorslicense.org>

## VENDORS AND OUR LIABILITY JALA

You are careful about your tenant selection. Every applicant gets a thorough screening including a credit check, criminal background search and verification of all the information on the application. In fact, you make sure the application is filled out completely when the applicant hands it to you, and if it isn't you hand it back and tell him to fill it out. As a result, you have almost no problems with bad tenants. They simply don't get by your careful attention. But what about your vendors? You know, the people you have come to work on your properties.

A bad vendor can cost you more in lost income and grief than a bad tenant. It turns out we are not helpless against the lying and criminal vendor, and we can easily check more than just the quality of work he or she does. I had never thought much about it until I received a call the other day from Terri Lee, the owner of Pro Compliance, Inc. When she explained the services her company provides, I immediately thought it was a great idea! I know that I have seen the results of crooked, sleazy and incompetent repair people. We screen for competence by calling references, looking at current projects and such. But, we can also screen for licenses and lots of other things. As the Pro Compliance website explains, "Vendor compliance is a procedure that ensures your current and future vendors comply with policies related to your company."

I have almost always checked to see if a repair or maintenance person is licensed, and I have checked the company's Better Business Bureau record. But, there is far more we can do. And that's the service that Pro Compliance offers so we don't have to. The company will "perform your vendors screening and verify that their business information is valid and ensure your vendor compliance."

I am sure there are repair people you have used for years. And if they do good work for you, there is no reason to change or run them through a check. However, if you are hiring a new vendor for something you have not had done before, there are some excellent reasons to screen them just as thoroughly as you would an applicant.

Here's what Pro Compliance says is important to check:

- Business Status and Identity
- Personal Identity of the Principal
- Liability insurance
- Professional business, trade license and bonds
- Workman's Compensation
- Criminal background and sex offender reports
- Bankruptcy, tax liens and judgments search or business credit reports
- Better Business Bureau search

Most important for liability are the liability insurance tracking, workman's compensation verification, and the criminal background and sex offender reports. Those are the items

that can empty our bank accounts quickly. We could probably do all of these things ourselves, but it would take time that might be better spent actually managing properties. Plus, we can require that our vendors actually get the report him or herself. I hadn't thought much about the liability we have when we allow a vendor to work on our property except for that of liability for shoddy or dangerous workmanship. Just think of what we could end up paying for contracting with or hiring a company that hired a sex offender to work on a property. We need to screen the people who will work on our properties, have access to our tenant's homes and access to tenant records even more carefully than we do the tenants we rent to. Visit Pro Compliance's website at: [www.procompliancesource.com](http://www.procompliancesource.com).

### Avoid Penalties and Money Damages nolo

Virtually every state that forbids "self-help" evictions also imposes penalties for landlords who break the law. When tenants sue after being locked out or frozen out, they can not only sue for their actual money losses (such as the cost of temporary housing, the value of food that spoiled when the refrigerator stopped running, or the cost of an electric heater when the gas was shut off), but they can also sue for penalties, such as several months' rent. In some states, the tenant can collect and still remain in the premises; in others, tenants are entitled to monetary compensation only.

Even in states that have not legislated against self-help evictions, landlords who throw tenants out on their own runs risk of serious practical and legal entanglements. The potential for nastiness and violence is great--picture the arrival of a patrol car while tenant and landlord wrestle over the sofa on the lawn.

Landlords who lock out their tenants often find themselves sued over the "disappearance" of their tenant's valuable possessions. The tenant will claim they were lost or taken when the landlord locked them up or removed them. Using a neutral law enforcement officer to enforce a judge's eviction order will avoid these unpleasanties.

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

## Are you an organized landlord? cont.

by Bill Grey

move out, always attempt to inspect the unit with the tenant. Hopefully they will be available to inspect the site with you and sign the move out portion of the form. Take pictures during both inspections. Some landlords also use a black light stick to identify pet urine in the carpet during both inspections.

### Co-Signer Agreement and Application

If the tenant had a co-signer, you should have a rental application and agreement signed by the co-signer on file. Why do some landlords not review the credit of a co-signer? This puzzles me. What good is a co-signer if they do not pay their bills.

### Roommate Release

Anyone who wishes to leave your rental unit before the lease expires must be released from the lease by all other signees, including the landlord. A copy of this release should be given to everyone involved.

### Communications Log

If you are not using a communications log, begin using one immediately; they are extremely important. Log any communication of any nature between you and your tenant. Also file all written communication from and to the tenant.

### Receipts

Keep copies of all receipts for carpet cleaning, trash removal, legal fees, etc.

### Copies of Rent Checks

Few landlords copy the checks tenants use to pay their rent. The check contains information such as the bank name, account number and cell phone numbers that may be helpful in recovering debt after move out. Of course, also keep copies of any returned checks.

### Certified Mail Receipts and Returned Mail

Many states require that the landlord mail the previous tenant a statement within a certain number of days after move out that shows how the landlord applied any deposits. Often these statements are returned as undeliverable or unaccepted. It is very important to keep all mail receipts and any returned mail in the tenant file. Many landlords staple the mail receipt to their copy of the move out statement.

You may have to prove that you followed the law in notifying the previous tenant of how you applied the deposit.

Being organized is simply a good business practice. Whether you manage one rental unit or a thousand, being organized and consistent will make you a better landlord and put more of the profit in your pocket.

## WRITTEN CRITERIA FOR TENANT SELECTION: A LANDLORD MUST SAG LL

Everything starts with the tenant you select, and the wrong choice can cost you dearly. In addition, if you are not consistent in your selection process (which can easily occur if you do not have written criteria), you can end up losing a fair housing lawsuit that may cost you way more than you think possible. Some property managers have been fired for turning down tenants for the wrong reasons.

**A written criteria means:** It is in writing, it is in your file, and it's dated and signed. The list of criteria should include everything you rely on to determine allowable tenants and a list of your objective and legally acceptable reasons for denial. These criteria **MUST** apply to everyone equally. Here are some acceptable reasons for refusing an applicant:

- Fails to complete and sign the application
- Fails to provide proper ID
- Falsifies information on the application
- No credit or rental history
- Bad credit, or bad rental history from current and prior landlords.
- Insufficient income to pay rent
- Employment stability
- Insufficient cash on-hand to pay the first month's rent and security deposit
- Has pets, and your lease prohibits them (except required by a doctor for health reasons, i.e. seeing eye dogs, etc.)

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](mailto:jgalbraith@innovativehousing.org)

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