

You Can Do It: Be a Landlord For Rent By Owner (FRBO)

A Landlord's How-To Guide

ajchomefinder.com



Achieving maximum profit from your rental investment involves setting appropriate rent rates, savvy marketing of your property and communicating well with your tenants.

Determining Monthly Rent

The biggest step in setting a rent amount is to check out how much other area homes, condos or townhomes with similar square footage, interior features and amenities are renting for, experts say.

One tip: Look at classified advertisements on sites (such as www.ajchomefinder.com) for properties in the same neighborhood as your rental.

“It’s not an exact science, but actually you can get a pretty good idea quickly, given the neighborhood and amenities of your property, what the market rate is,” says Janet Portman, author of “Every Landlord’s Guide to Finding Great Tenants” (Nolo, 2006). “You might want to pitch it a little bit below market rate to get a bigger pool of applicants.”

Another smart move is to find out what apartments are renting for in the area, because many apartment firms update their comparable data weekly to stay on top of the market, says Deborah Westphal, a member of the Georgia chapter of the Institute of Real Estate Management who has 20 years of property management experience. “As in most real estate, rents are not fixed; they are definitely a moving target,” she says.

Have in mind a range of rents that you will accept. Westphal adds that if three prospects, for example, are not interested due to price, consider quoting a lower rental rate in case the perceived value was a little high.

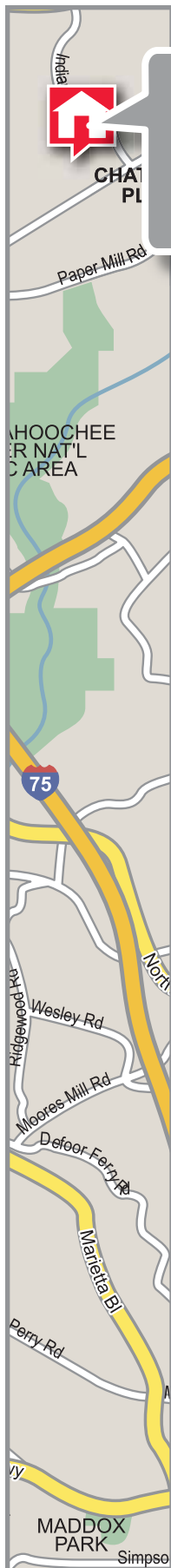
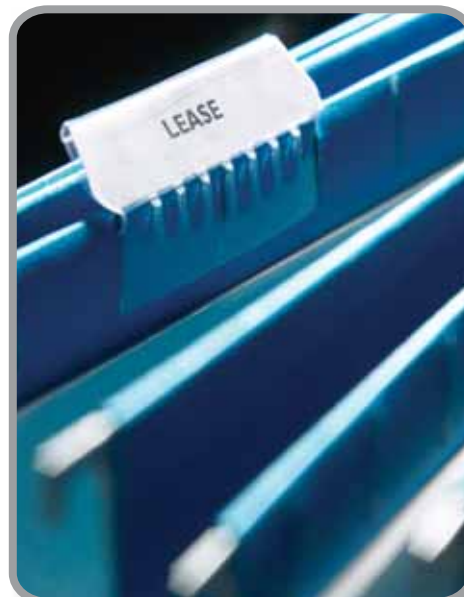
The condition of the property is going to be part of the analysis as well. If it hasn’t been renovated in 25 years, it’s not going to command the same rental rate as a newer property with the same number of bedrooms and baths, Portman advises. Make sure your rental rate covers any recent updates as well as your insurance and mortgage payment.

Another factor is how many properties are available in your area of town. Talk to others in the neighborhood who rent properties, agents who handle residential rents and/or a local landlord’s or apartment owners association to get a sense of the vacancy rate, Portman says.

Also think about the type of renters you’re likely to get by considering the neighborhood. In her book, she recommends asking these questions:

- What’s the current mix of residents?
- Are there large employers or colleges nearby?
- Is the rental in an outstanding school district?
- Is there a major medical or military facility close by?
- Is the rental conveniently close to good interurban public transportation?
- Is there a well-rounded array of shops, movies and restaurants nearby?
- How safe is the neighborhood?

Don’t pressure yourself to rent too quickly. Portman says trying to find a tenant in a short period of time often leads some landlords to cut corners when screening tenants. If that’s your situation, you’re likely to “end up with huge problems that scuttle your whole bottom line,” she says.



Preparing the Property to Show

First impressions are crucial, so have the unit or home painted, cleaned and landscaped to create a memorable visit, says Westphal, who is based in Acworth and, as regional vice president of Colorado-based Sagebrush Capital Management, oversees properties in Georgia and Tennessee.

“It is always recommended to avoid having something wrong that can be a lasting impression to the renter when they are comparing with other dwellings,” she says.

To create curb appeal, have the landscaping trimmed, clear debris and papers, sweep the sidewalk, wash the windows and make sure there’s adequate lighting, especially since Portman notes that security is also an important factor on renters’ lists.

Some possible repairs, according to Westphal, include:

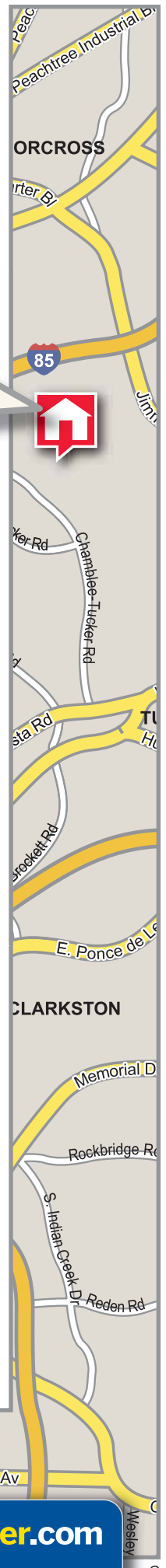
- Inspect and clean chimneys
- Caulk around windows and doors
- Inspect the heating system
- Install additional insulation around pipes that are exposed to harsh weather
- Inspect handrails and steps for trip hazards or loose or splintered railings

For people who aren’t renting a currently vacant property, be aware of your existing tenants’ privacy rights. “You can’t just decide that they are going to live with all of the preparations and disruptions that you as an owner/occupant may put up with,” Portman says. “You have to be very careful to work with your current tenants.”

States – including Georgia – have specific rules about tenants’ right to privacy. For more information, visit www.dca.state.ga.us, which offers online handbooks for landlords – click on “rental assistance” under the “promoting housing options” section.

Other guidelines may not be legal rules, but just courtesy. Portman suggests that landlords should consider offering tenants a reduction in rent for any inconveniences.

If you’ve rented the property before or lived there yourself and taken care of repairs conscientiously, then you should be facing only cosmetic spiff-ups at turnover time, Portman says.

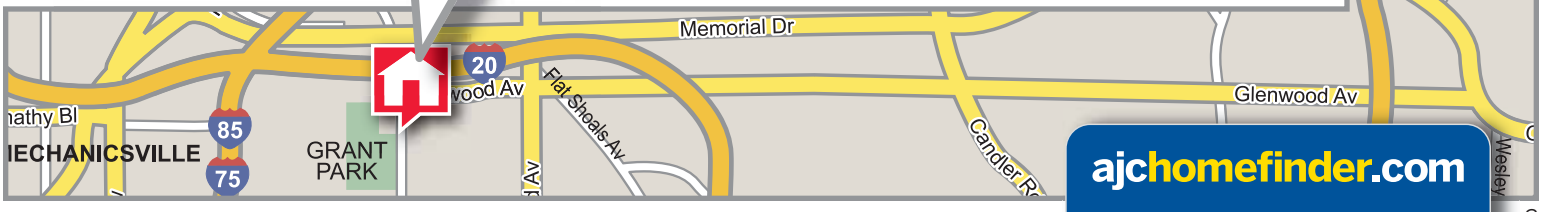


If you haven’t, then it’s best to work on bigger projects when the unit is empty. Take a month after the past owners or tenants move out to get repairs and updates taken care of before you advertise and show it. That way, you are likely to command a higher price than showing something and promising to fix certain things, which a potential renter may question.

Marketing the Rental

Which strategies work best for advertising the property depend on the location and current status of the market, Portman says. If the market is tight, it works to your advantage, so you may only need to put a sign in the window.

But if it’s a soft market or if the property doesn’t have good exposure from the street, you’ll need to take additional steps.





Check with the county for sign-placement regulations and place the most eye-catching sign that will get attention. When creating brochures and flyers, Westphal says it's important to include these five pieces of information:

- Phone number
- E-mail address
- Physical address of property
- Top 10 interior and amenity features
- Map

Advertise in publications where potential renters are looking. You don't want to be the only advertisement of your kind, Portman says. Also, determine how much you want to spend on Internet advertising on sites such as www.ajhomefinder.com, which provides tools for building an ad. Consider the cost of adding details such as virtual tours and online photos. If allowed by law, your ajhomefinder.com directional sign should be placed at the main entrance to your subdivision or on the nearest main road, to point prospects towards your rental. The ajhomefinder.com yard sign should be placed firmly and prominently in the front yard of your property.

"If the expected return on rental can support it, you want to go ahead and do it," she says.

To help renters determine whether the unit will meet their needs, Portman's tenant-finding guide recommends that ads include information about aspects such as:

- Number of bedrooms and bathrooms
- Features and amenities
- Rent
- Incentives, such as a month's free rent
- Utilities
- Pets
- Location

If the expected return on rental can support it ... go ahead and do it.

Keep in mind that renters are likely to use online tools such as Google Earth, which allows them to see exactly where the property is located. Google maps are available on ajhomefinder.com, as well. "This is going to keep you honest when describing your place. Don't forget," Portman advises.

Don't forget about word of mouth. Her guide suggests considering setting up a tenant referral program – check first to see if your state restricts the programs. Some details to consider are:

- Who can participate
- Parameters of a successful referral, such as paying all deposits and rent and living there for a month
- Legal protections, such as informing tenants of fair housing laws
- Establishing a reward, such as cash, gift certificates or rent reductions
- Preparing flyers on the referral program and units(s) available for tenants to refer to
- Tenant referral rules?

Showing the Property

Create a desire for someone to come and view the unit. Westphal says that can be done from the first phone call, by leading the conversation in a friendly way. During the call, ask questions including:

- How did they hear about the rental?
- When would they need it?
- What price range did they have in mind to pay each month?
- What brings them to your area, such as a job change, and where are they moving from?



There are essentially three options for showing the house: individual tours, and open houses, both private and public. If you plan to do an open house, Portman recommends checking to see when other area landlords are showing their units so prospective renters can tour several properties at once.

Her book also offers these three tips for holding an open house:

- Arrive at least 30 minutes early to put out signs and deal with any last-minute problems.
- Create a visitors' log near the entryway
- Assemble application materials such as property fact sheets, rental policies, tenant information sheets, consent forms to conduct a credit check and background check

If you are setting up an individual appointment with a prospective renter, to create a sense of urgency, ask them what time would they like to come out that day, and work from there, Westphal says. Offer directions, and ask for a telephone number where they can be reached in case something comes up. At the start of the appointment, ask for information such as proof of ID to ensure it's the correct person, and leave the information in your office or elsewhere as a safety precaution.

To make the home stand out, Westphal advises showing off details including:

- Large closets
- Extra storage
- Sunlit rooms
- Features such as crown molding
- Appliances that will stay
- Wall space
- Ceiling heights

Don't make too many promises, such as replacing a dishwasher or making other changes, that can't be kept. "If you promise something and then don't deliver it, could be on the hook legally to deliver it or drop your [tenant's] rent because you don't deliver what you promised," Portman says.

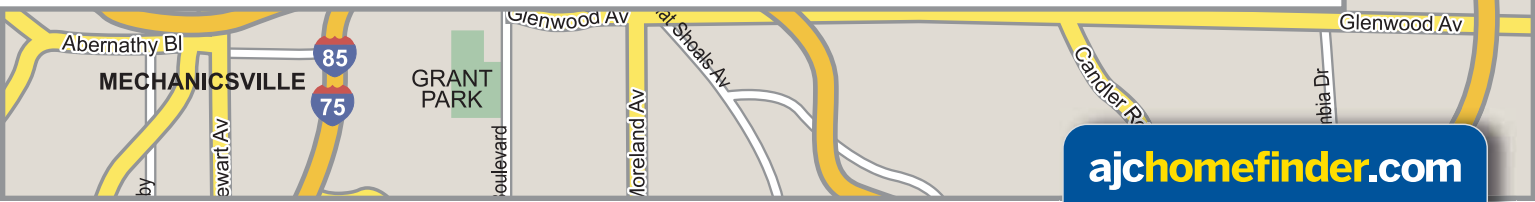
Be prepared, by having an application in the unit or home. Westphal says landlords should always be ready to encourage taking action, especially if they're getting signals that someone is interested. Have a confirmation form that shows what they have paid down, what they owe and the expected occupancy date (date and time), contingent on their approval.

Managing the Transaction

It's crucial to screen your tenants, or else you're taking a big risk, Portman cautions. Steps include interviewing current and past landlords, verifying employment status and obtaining a credit report, with the applicant's consent. You can hire a tenant-screening company to do this work.



If the prospective renter checks out, before starting a negotiation, determine whether you want to rent by the month, six months or a year. This is a basic term of a lease, but realize that it could change, depending on the situation.





“You want to be able to make sure this potential renter has not just skipped out of another rental or has owed another rental community without satisfying the debt,” Westphal says.

The contract between you and the tenant can be in either of two forms: a lease, which typically runs for a year, or a rental agreement, which can be month-to-month. Leases put in writing such details as rental payments, late fees, legal actions, parking and how to handle maintenance requests. You can find leases online at ajhomefinder.com/legalforms.

For example, if the renter has good credit, a strong rental history and solid employment, consider offering a long-term lease at a slightly lower rate, Westphal said. If apartment specials are prevalent in your area and you have to compete with low rental rates, avoid a long-term lease so you can negotiate an increase in rent at the end of the initial period.

According to the Georgia Department of Community Affairs, the lease should include these items:

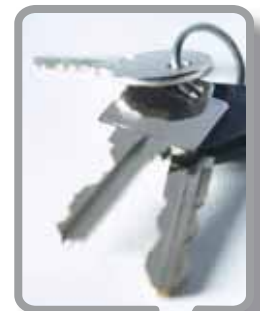
- Names of the tenant, the landlord or the landlord’s agent and the person or company authorized to manage the property.
- Description of the rental unit (including appliances and the heating and cooling source)
- Amount of rent and the date it is due, including any grace period, late charges or returned check fee charges.
- How rent is to be delivered to the landlord and in what form (check, money order or cash).
- Methods to terminate the agreement prior to the expiration date and what, if any, charges will be imposed.
- Amount of the security deposit and the account where it is held.
- Utilities furnished by the landlord and, if the landlord charges for such utilities, how the charge will be determined.
- On-site amenities and facilities the tenant may use.
- Rules and regulations such as pet rules, noise rules and the penalties
- Parking details, including designated parking spaces.
- Whether and how often pest control is provided
- How repair requests are handled and procedures for emergency requests.

Georgia requires an initial inspection at move-in and that landlords give tenants a written statement of existing problems and the condition of the property.

In her book, Portman recommends a checklist detailing the condition of everything, from the kitchen floors to the bathroom ceilings. She also advises photographing the rental unit before the move-in date and sending the tenants a letter stating rules that may or may not have been included in the lease.

A security deposit, which is typically one to two months’ rent but has no limitation in Georgia, protects landlords from damages or if a tenant skips out on rent. If a tenant gives proper notice, rent payments are in order and there are no damages, the landlord must return the security deposit to the tenant within 30 days, according to the Georgia Department of Community Affairs. If you choose to keep part of all of the deposit, a notice explaining the reasons must be provided within 30 days.

All or part of the security deposit may be retained by the landlord to compensate for physical damage caused to the premises by the tenant or members of the tenant’s



household, pets or guests, not normal wear-and-tear. You can also deduct unpaid rent, late charges, unpaid utilities for which the tenant is responsible and actual damages, according to the state.

Security deposits are the biggest source of disputes, says Portman, who devotes a whole chapter to them in “Every Landlord’s Legal Guide,” which Portman co-authored with Marcia Stewart and Ralph Warner.

In Georgia, landlords who are individuals, not corporations, are not required to put deposits in escrow, inspect at move-out or provide itemized deductions. She recommends that a move-out letter be used that includes details such as cleaning requirements before the tenant leaves to decrease the chance of disputes over the security deposit.

For information about forms needed in Georgia, visit ajchomefinder.com/legalforms

Resolving Disputes

To avoid problems in the first place, Westphal recommends verbally reviewing the rules with your new tenants and putting every agreement in writing. Also, document any conversations with the tenant.

If the rent is late, first send a demand letter stating that the rent is late and that a late fee is being added to the balance due. State clearly what the total amount is, Westphal says.

Call tenants the day the payment is late to discuss the penalty. If you agree to accept their rent and late fee later in the month, make sure you designate a day, date and time the money is owed.

If you still don’t have your rent check, go to the unit and make sure the tenants are still there and give them notice that you are securing legal assistance to collect the rent, the cost of which will be added to their balance due. Customary charges, Westphal says, are \$100 to \$200, depending on whether you go to the courthouse to file a dispossessory affidavit or you hire a company to do it. The affidavit must state the landlord and tenant’s names, grounds for eviction, amount of rent or other money owed, and verify that you have demanded possession of property and the tenant has refused, according to the state.

The summons, which will be delivered to the tenant or, if the tenant is not home, posted on the door, will require him or her to answer either orally or in writing within seven days from the date of being served, according to the state.

After a payment is made (via money order or certified funds), you can dismiss the case. If the debt is not satisfied, you or someone representing you will have to attend court to collect the debt or to get a writ of possession if the tenant does not show up. Once a writ of possession is granted, scheduling the eviction with the sheriff’s office is the next step. The law allows you to demand possession of the rental unit if two dispossessory affidavits are filed within a 12-month period, Westphal says.

—By Lori Johnston for *The Atlanta Journal-Constitution*

