
Classified Report!

Five Tips that will Reduce Your Management Headaches

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For most individuals the biggest fear of owning income property is the management. Everyone has heard the horror stories of bad tenants and the dreaded early morning phone calls regarding a leaking toilet.

While these situations do arise, good property management can decrease the likelihood of having problems. Although there are never any guarantees, you can follow certain steps to protect yourself.

After acquiring a new income property you are left with two options. First you can manage the property yourself, or second you can hire a management company to do the work for you.

While hiring a management company may seem like the easy out, I would encourage you to start off managing your own property. The reasons I feel this way are it will save you money and it is a great learning experience. If you choose to hire a company, a typical rate for management is 5% of the monthly rent. This money can be the

difference between making money and breaking even on a monthly basis.

Additionally, when you manage your own properties, you will learn to create strong leases, deal with tenant-landlord relations, and develop relationships with contractors that can prove beneficial in the future.

And besides, no one is going to take care of your tenants as well as you will because they are your customer. A satisfied tenant that lives in your property for years can be worth thousands of dollars to you. When you have a good tenant, you want to make sure they are happy.

The most important step you can take in management is qualifying your tenant. Every tenant should complete a credit check and landlord verification. Check your local yellow pages for a credit bureau in your area. They will assist you with running credit reports.

A landlord verification is something you can complete on your own. It is simply to verify the past renting experience for your prospective tenant. You want to speak to the previous landlord and find out if they were a good tenant. A rental application and landlord verification form can be found on page 123.

Obviously the better the reviews from the previous landlord/landlords, the more likely you will not have problems with the tenant.

It is also important to review the credit report. Whichever company you have run the report will be able to help explain the results. Two important factors to consider are whether they pay on time to their other creditors and what percentage of their monthly income is already being spent on other bills. If someone makes \$2000 per month and has expenses of \$1500 per month and wants to rent your place for \$500 per month, I wouldn't do it. There is not enough income to feel comfortable.

Once you decide to approve a tenant you can use language in your lease to help reduce rent collection. One trick that seems to work well is to offer a discount for rent paid on time. If you want to rent your place for \$700 per month, write the lease for \$750 and tell the tenant you will give them a \$50 discount every month if the rent is paid on time. A discount to a tenant seems to be more effective for collecting rent on time than charging a late fee.

In the event that your tenant does not pay their rent, you will be forced to proceed with evicting them from your property. While every state and municipality is different, it will be up to you to visit your local courthouse to determine the exact steps for evicting a tenant.

Most likely there will be several forms and notices you have to give the tenant before you can physically move them out of the home. This time period is extremely frustrating because you have someone living in your property and you can't get them out. Once you have followed the necessary steps, you get a signed writ from the court and this will allow you to start moving personal property out of the house.

No matter what the process is, it is not fun. It is by far the biggest problem you can have with income property. Unfortunately, your hands are tied and you must follow the legal course of action. If you ever have to evict someone, you can plan on it being 30 to 90 days without rent being paid before they are actually evicted. Again, the best you can do to prevent ever having to evict a tenant is to qualify them as best you can before they move in. Even then, it could end up happening.

Another area of property management that can be a headache is maintenance. If you are a handyperson you can make repairs yourself and this will save you money. Even still, there will probably be repairs that surpass your ability. This is where a list of local contractors is crucial.

I recommend finding local contractors in the following specialties as soon as you acquire your first property. The first step to correcting any problem is knowing who to call. There are companies for every situation and if you are prepared with their names and numbers, it will make life much easier for you when you have a problem. They are broken into two categories.

Emergency Contacts

1. Heating and Cooling
2. Plumbing
3. Electrical

4. Roofing
5. Sewer Line Cleanout
6. Catastrophe Cleanup

Non-Emergency Contacts

1. Locksmith
2. Painting
1. Carpet Cleaning
2. Handyman
4. Tree Trimming
5. Lawn care
6. Pest Control
7. Credit Agency

If you are prepared, just about anything that can go wrong can be handled with a single phone call. The contractors listed under Emergency Contacts will be the companies you call when you have major problems. Examples of such would be major roof leaks, a broken pipe, no heat, etc...

The Non-Emergency contacts are the contractors you will use from time to time for maintaining and operating your income property. Again, having a list of contacts for you to call makes management much easier. Be sure to ask for a commercial discount from contractors. You may be able to save yourself a few dollars.

1. One of the biggest emergency problems is water. Water can be a serious disaster. Flooding bathrooms, broken pipes, anything that involves out of control, flowing water in your property is not good. I highly advise you learn one important piece of information. Even if you never intend to fix anything yourself, learn how to turn off the water to your property. I know this is an easy one for most of you, but there are plenty of people that don't know how to do it.

When you acquire a property, make sure you know where the main shut-off is for the water. This way if you ever have a problem, you can turn the water off. Additionally, you can show your tenant here the shut-off is so they can turn the water off if there is a problem. Make sure the shut-off works. It is possible for shut-off valves to go bad over time and when they do, they no longer will work.

If the shut-off valve doesn't work, you want to have a plumber come replace it immediately. This way if you ever have an emergency, you can shut the water off. The last thing you want to have happen is find the shut-off doesn't work when your house is flooding!

Chances are you will not be at the property when you have your first water problem, but being prepared will make it much easier to deal with the frantic call from the tenant saying the house is flooding. You can calmly say, Fred, remember when you moved in and I showed you the shutoff in the basement. Go turn that off right now!

2. Another way you can reduce your headaches is to reduce or eliminate your maintenance calls. You can structure your lease so that the maintenance is the tenant's responsibility. Of course this would be limited to routine maintenance, with a maximum dollar amount of maybe \$100. This takes all the little items off your shoulders. While larger repairs like the furnace or roof would still be your responsibility, it is a great way to never get a phone call in the middle of the night for a leaking toilet.

3. You should establish accounts with all of your emergency companies because you never know when you are going to have a problem. If you are not around, you don't want to have your repair held up because you can't meet the contractor to make the payment. For example, if you have to call a plumber in the middle of the night and they will only accept cash or check from you, you have to go meet them at the property. If you have an account setup in advance, then you can have the contractor go right to the property as long as the tenant is home. Be sure to carry the phone numbers and your account numbers for all of your emergency contacts. This way help is one call away.

4. As stated previously, evicting a tenant is a miserable experience. One of the hardest parts about the eviction process is it takes time. The courts tend to move rather slowly and it seems as though tenant rights have made it difficult for a landlord to reclaim his property. Rather than waiting 30, 60, or 90 days for the court, you can offer the tenant a little money to move out sooner. Once it appears that

eviction is imminent, offer the tenant a few hundred dollars in cash to move out within 24 hours. *Only pay once they are completely out!*

For someone who is hard pressed for money, they may accept your offer. If they do, you have saved yourself a lot of time and money. Remember, if they leave early or leave owing rent, you can keep their security deposit for damages. This may help recoup some of your expenses.

5. Another common problem you will encounter in property management is lockouts. This is a trick to eliminate the headache of having to let tenants in to get their keys. This works best for single-family properties, and would be difficult to do with a multi-unit building.

Purchase a lockbox and attach it on the exterior of the house. A great place is by the water and gas meter coming into the house. Find something you can attach the lockbox to so that it is not real conspicuous. Put a set of keys to the house in the lockbox, but don't tell the tenant that it's there.

If you ever have your tenant call you because they are locked out, you can tell them where the lockbox is and give them the combination. This will save you a trip to the house. Additionally, the tenant will be thankful because they don't have to call a locksmith or wait around to have someone let them in the house.

This technique works well and will definitely come in handy one day. Just remember, once the tenant uses the lockbox, change the combination. If you don't, the tenant will use the keys again one day and not put them back. Then the next time they are needed they won't be there.

For more information on building wealth through real estate investing visit: www.massiveforeclosureprofits.com and www.nomoneynocredit.com

About The Author:

Jeffrey Ringold has been a licensed real estate agent and investor for over 7 years. He has bought or sold over \$12 million in real estate in his career and is consulted by real estate investors and developers almost daily. He's accomplished this by the age of 27. He is the author and creator of several real estate courses including his no money down real estate course titled, ['How To Build A Massive Fortune Starting With No Money Or Poor Credit'](#) as well as the real estate investing course teaching individuals how to make money through real estate foreclosures called, ['How To Build A Massive Fortune Through Real Estate Foreclosures'](#).

Jeffrey Ringold has helped thousands of individuals across the country either get their start in real estate investing or has helped them take their investing career to new heights by teaching his methods through his informational and educational real estate books and courses.



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