

Rental Guide



Questions for Potential Renters

If you are attempting to rent out an investment property you own, you know the risks. Renting to a dishonest or unreliable tenant can do more harm than just late rent.

While most people who rent are trustworthy and will treat a rental property with the same care as if it were their own, it's possible that people will create serious trouble.

The first defense you have is requiring all potential renters to fill out an application in which they will list references from prior landlords and employers.

Once an application meets your criteria, ask these questions and be alert for any red flags that arise.

WHY ARE YOU MOVING?

This question can be worked into casual conversation versus appearing as if you are searching for information on their previous living conditions. Be aware if a tenant complains about their current property or landlord or are moving due to an eviction.

A few great answers to this question include: looking for a larger home to accommodate a growing family or switching jobs.



WHAT IS YOUR HOUSEHOLD INCOME?

Make sure your new tenant can afford the price of rent you require. It is a good idea to get a feel of their financial stability before agreeing to renting the property.

Even if the prospective rent-

er's income is a great deal higher than your asking price, remember to consider the additional monthly bills for which they are responsible.

To ensure you're getting honest answers and to give you peace of mind about the prospective renter's ability to pay

on time, validate them with a credit report.

WHEN CAN YOU MOVE IN?

While some circumstances can cause a tenant to answer this questions with an urgent "today or tomorrow," be wary

of this type of situation.

It's common practice that landlords require at least 30 days of notice before their renters move out. Make sure your prospective renters are following the rules with their current property manager by checking references.

Don't Fall for a Rental Scam

It's easy to get excited about finding a new place, but keep your excitement in check and be on the lookout for scams as you peruse rental listings.

According to the Federal Trade Commission, scammers often trick their victims by advertising rentals that don't exist or aren't available and asking for money up front.

THE CON

"Scammers know that finding the right apartment or vacation rental can be hard work, and a seemingly good deal is hard to pass up," the FTC warns consumers. "They've been known to game some vacation rental websites and bulletin boards."

Sometimes the scam involves the perpetrators ripping off a legitimate listing by either changing the contact email to an address they control or hacking the real owner's email. This can make the scams difficult to spot, as the listings contain accurate local information and professional photographs. According to Fraud.org, the scammers might even negotiate specific details of the contract, such as the pet policy and maintenance.

Trulia.com warns of scammers who go so far as to show potential renters the outside of a bank-owned or vacant



property and then take the money and run.

Another common tactic is offering a too-good-to-be-true rental for an even better price, when in fact no rental exists. The scammers make off with victims' "deposit" or "prepaid rent," before the victims know what's happened.

In some instances, according to Fraud.org, renters show up to what they believe to be their new home with a loaded

moving truck, only to find out there is no apartment and they've been scammed.

SIGNS OF A SCAM

Avoid falling for any of these scams by knowing the warning signs. According to the FTC, the best way to avoid becoming a victim is remaining vigilant while you're searching for an apartment.

Avoid listings with any of the following:

- A request to wire money;
- A request for a security deposit or first month's rent before you've seen the property; or
- A claim of the leasing agent being out of the country.

Often scammers will promise to mail the key once payment is made. You should never agree to send money before taking possession of an apartment or without having

inspected the inside of the unit.

FILE A REPORT

If you encounter possible scammers, call local police, and notify the FTC and the site hosting the ad. You also can file a secure online complaint with the National Consumers League, which will notify the FTC, along with its network of law enforcement agencies, about the possible crime.

Questions Renters Should Ask

Searching for the perfect rental property to fit all your needs can be quite a challenge. Set yourself up for success by preparing questions for your next landlord. Don't become a renter who finds themselves unhappy on move-in day due to improper preparation.

Hopefully, you'll have ample time to find the property of your dreams. Rushing into something can carry results that leave you in a bad situation down the road. Add these questions to your checklist before seeing what's on the market.

WHICH PAYMENT METHODS ARE ACCEPTED?

Understanding the method in which your landlord wants to be paid is crucial. Knowing this from day one can help in preparing and avoid being late when the rent is due.

Many people rely on automatic payments coming directly from their accounts to pay their monthly debts. While this may be acceptable by some landlords, most will count on cash or check.

Always make sure to get a receipt after payment and store them somewhere safe in case they should need to be referenced.

ARE UTILITIES COVERED?

A great extra that some landlords offer is included heat, water or even cable. Check to see which utilities you will be responsible for and plan your budget accordingly.

When discussing utilities, be sure to inspect the heating and air units. If they appear



older or don't wear an Energy Star badge, plan for high bills during the summer and winter.

WHAT'S THE SCOOP ON PARKING?

Parking situations for rental properties will vary greatly

due to the neighborhood, type of building and general location you're moving into. Make sure to have a clear understanding of which spot is meant for you so you won't find your vehicle towed over a misunderstanding.

Also consider the weather. If

you live in an area that faces heavy snow during the winter, ask about backup parking spots in case yours is inaccessible.

CAN YOU MAKE IT YOUR OWN?

One disadvantage to renting

is living in a home that suits someone else's tastes. Your landlord might encourage you to make minor improvements to the property, such as painting, gardening or other changes. Make sure your work will be appreciated by negotiating it into your rent bill.

Is Renter's Insurance Worth It?

Renting helps you avoid the expense of homeowner's insurance and real estate taxes, but there is a type of insurance you should consider.

By acquiring a policy to cover your belongings in a rental property, you can ensure that your valuable items will be protected.

According to the National Association of Insurance Commissioners, the average policy is typically only \$190 per year. For most budgets, this can be easily managed and the benefits incredibly important in times of disaster.

WHAT IS COVERED

Just like any insurance policy, there will be different levels of coverage you can purchase. Here are a few things to look for, as reported by the NAIC:

- **Living expenses:** If your rental experiences damage that leaves it uninhabitable, some policies will help you cover the cost of temporary living arrangements as well as daily expenses.

- **Coverage away from home:** Many renters may wish to insure their vehicle, as parking conditions might mean leaving your car on the street. Many policies will cover the costs of a break-in, even if it occurs while you are off the property.

- **Your belongings:** Policies will cover the cost or value of your



belongings. When deciding the amount of coverage you require, it is a good idea to make a list of your property.

DISCOUNTS

Everyone is interested in saving money. Many rental insurance companies provide discounts when certain safety incentives are met. For instance, protecting your rental property with a deadbolt lock might meet their criteria.

If your apartment doesn't have a deadbolt, ask your landlord if one can be installed.

Another thing companies look for is fire protection. Make sure to have a fire extinguisher present in the home and tell your insurer about it.

When looking for a rental insurance policy, check with your current insurance company. You can save big bucks when you bundle other coverages you already have.

IMPORTANCE OF INSURANCE

According to the Insurance Information Institute, only 41 percent of renters carry coverage equivalent to homeowners. The affordability of a policy should be taken advantage of. In case of disaster, you don't want to find yourself scrambling to find a new place to live as well as replacing all your belongings. A rental insurance policy will ensure you have help when you need it.

Tenant vs. Occupant

Renting with a roommate can sometimes come with blurred lines, especially if you don't know the person you are living with particularly well.

Understand the difference between tenant and occupant to protect yourself if things go awry.

WHAT ARE THE DIFFERENCES?

According to the Law Dictionary, a tenant is a person who occupies real property owned by another based upon an agreement between the person and the landlord or owner.

An occupant is defined as someone 18 years or older other than a tenant's immediate family who lives on the premises with the consent of the tenant.

There is no legal relationship between occupant and landlord. Because of this, it is crucial to trust a roommate when they are responsible for a share of rent and utilities.

If they have trouble holding up to their end of the agreement, you are still legally responsible to make sure the landlord receives the rent, or action may be taken against the legal tenant.



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HOW TO PROTECT YOURSELF AS TENANT

Before inviting someone else to live in your rental home, make sure your lease clearly states it is allowed. An easy way to protect yourself is to ask your landlord to add your roommate to the lease. This will make you both equal-

ly responsible for the property. Keep in mind that irreverent behavior like failure to pay or violating important terms of a lease by one tenant can lead to eviction of everyone on the lease.

Always share the lease with your potential roommate before allowing them to move

in. Once everyone has a clear understanding of their expectations, the process can be much smoother.

HOW ADDING A TENANT PROTECTS A LANDLORD

When every adult in the household is tied to the lease, advantages to the landlord

become much more than a financial agreement.

By adding someone to the ongoing lease, landlords have the right to run a background check and credit report on the new tenant. This allows them to make sure they are free from criminal history and are responsible with their debts.

Tips For First-Time Renters

Planning to move into your first rental home is exciting but also stressful. To ensure a good experience, thorough planning and budgeting is crucial.

Don't jump into renting, blindly. Follow these tips, so you can move in worry-free.

BE HONEST WITH YOUR BUDGET

If you are beginning the journey as a first-time renter, it is likely that you are fresh out of school and just landed your first actual career. Even with this new financial flexibility and confidence, it is still important to be honest about how much you can afford.

Rent is not the only expense you will encounter when you move into a new place. Consider the costs of amenities, utilities, student loans, daily expenses and emergency fund savings. Even if the initial cost of rent is affordable, be sure to consider these extras before signing a lease.

LOCATION, LOCATION, LOCATION

Location is an important consideration when choosing your first rental. You'll want to find a neighborhood that is convenient and close to your



workplace, schools if you have children, and maybe even a city with plenty of stores and entertainment.

Choosing an area can be tricky when it comes to rent. Properties in prime locations in the heart of cities can carry expensive price tags. Finding the balance between affordability and location is key.

GET YOUR CREDIT IN ORDER

Landlords or property managers may require a credit check before offering you a lease. Before beginning your hunt, obtain a credit report to find out your score and correct any errors that may still be listed.

A landlord will use the score

to analyze your financial situation. When there are several potential applicants for a property, a credit score may be the determining factor.

DON'T FORGET UPFRONT COSTS

While there is no "down payment" when you rent, there may be a substantial fee

required before you can move in. Typically, a landlord will charge you a security deposit, a month's rent and some may even require you to cover costs of application fees.

Understanding what is expected before you commit to a property can help you plan for the charges and avoid sticker shock.

Build Good Relationships With Tenants

Property managers have more responsibility than simply collecting a check. Being an involved landlord and tailoring to your tenant's satisfaction is a priority to successfully manage your investment.

Today's technology gives everyone a voice and a way to review products, services and yes, even property managers. Make sure your tenants feel they are being taken care of while in your housing.

Word spreads fast. Being known as a fair, effective property manager will ensure your listings won't remain vacant for long.

FIRST IMPRESSIONS COUNT

The impression you make upon the initial meeting can be the determining factor that renters use to choose a property. Remember these tips when showing your property to a potential tenant:

- **Dress to impress.** While a tuxedo may be overkill, dressing professionally will show clients you are serious about your business.

- **Be honest about the neighborhood.** Don't skip on the small stuff. Renters have likely done their own research, so disclose any issues with security and safety that may be present.

- **Leave your details.** A professional business card with your contact information will not only impress potential tenants but also makes it easy for them to get in touch and rent your property.

BE HONEST WITH YOUR EXPECTATIONS

While a healthy relation-



ship with your tenants is crucial, it is important to remember that you are running a business. Be upfront about what you expect from them as far as scheduled payments and their responsibilities as renters.

A lease is the legal contract that protects you and the tenant. Be thorough about its

contents to avoid confusion and conflicts down the road. The lease should clearly state when payments are due and the consequences of late payment.

One big concern for people renting is who they call for maintenance or when a repair is necessary. Give them peace of mind by providing a

timeframe in which their needs will be met and how to obtain service.

If you have a handyman on standby in case of emergencies, his contact information also should be provided.

RESPECT YOUR TENANTS' PRIVACY

A landlord who arrives to

the property unannounced is invading a renter's privacy, according to the law in many states. Unless it is absolutely necessary, be sure to call before stopping by. Even though it's your building, it's their home while under a lease. This approach will lead to a healthy relationship between you and your tenants.