

THE ULTIMATE GUIDE FOR RENTING YOUR HOUSE

in 2023



Evernest

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MORE INVESTOR RESOURCES FROM YOUR TEAM AT EVERNEST

At Evernest, we're committed to empowering all of our owners and investors with useful tips, insights, and data. Whether you're:

- A new investor OR
- A seasoned vet

Our main goal is to help you take your investing game to the next level!

With that in mind, check out these additional resources:

[BONUS: The Ultimate Checklist to Renting Your House](#)



[The Evernest Newsletter](#)



**[Schedule a call with
a member of our team](#)**

PREFACE

In just a few days, Karen was moving to her new job in Chicago.

She was excited about the new opportunities the Windy City would bring and her chance to start fresh – in work, and perhaps in life.

Karen purchased a house in a desirable neighborhood a few years ago and was proud of herself for doing it on her own. She paid her mortgage on time every month and spent many Saturdays making repairs herself. She mowed her own yard and planted her own flowers. She was very much invested in her home, both financially and emotionally.

Unfortunately, this home she was so proud of was the one thing keeping her from being able to move. Despite her agent John's best efforts, he was unable to sell the home for enough money to pay off the mortgage. Karen needed to do something, so she considered renting it out.

The thought scared her.

She had heard so many horror stories about bad tenants not paying and ultimately destroying the house. She would be devastated if this happened to her home!

However, when the call came from John that the most recent showing hadn't found any buyers, she realized she had no other choice.

As soon as the sign was in the yard, Karen began receiving phone calls from people interested in renting.

One call was from Jan, a neighbor three doors down, who had a friend who would "definitely be interested"; they were looking for a place and could move in very quickly.



Karen couldn't believe it!

She was so excited at the prospect of renting her home to a neighbor's friend. "Certainly, they would take good care of it," she thought.

When the Walkers showed up to tour the home, they appeared to be the model family. A husband, wife, and three kids all climbed out of the gleaming SUV sitting in Karen's driveway.

Mrs. Walker immediately began gushing over Karen's meticulously maintained flowerbeds.

"Somebody who will actually appreciate all my hard work!" Karen thought.

The gushing didn't stop when the Walkers entered the home and saw how well-appointed it was with stainless steel, copper, and granite surfaces. Mr. Walker was particularly excited about the downstairs and the possibility of a 'man cave' and an office for his new business.

"It's perfect!" they exclaimed.

Mr. Walker informed Karen they would take it and be more than happy to pay what she was asking for in rent. They were willing to move in after Karen left for Chicago, and they would even clean it before they moved in.

Karen felt a little uneasy about how quickly everything had come together. She felt like she should get an application or some-

thing more official than a handshake but decided she was just being silly. These were friends of her neighbor, and they seemed nice. So despite her gut feeling, she agreed to the deal and told Mr. Walker she would send him a lease via email that night.

That evening, Karen searched Google for "residential lease." Only 4.4 million results. Great. She started with the first one, carefully reading each page to see what she could learn.

After 45 minutes, Karen was more confused than ever.

With so many lease variations and possibilities, she found it difficult to choose just one. She had no real direction or knowledge of which one was better than the next, so she downloaded a lease from the most authoritative website she could find.

For \$29, the website sent her a lease in a Word document. She filled it out and emailed it to Mr. Walker. "Done! I'm glad that's over," she thought. She was so energized by checking the item off her list that she decided to pack up her guest bedroom for the move.

The next day, Karen checked her inbox for the signed lease. Having never done this before, she wondered if Mr. Walker took one look at the lease and realized she was a complete amateur.

Then she spotted the email from Mr. Walker.

Attached was a PDF version of the lease, signed by both of the Walkers. "Check!" she thought. This was too easy. She began to daydream about the lights of Wrigley Field and Lake Michigan.

Chicago was just a few days away.



Moving day finally arrived, but Karen was more anxious than excited. Not only did she have to orchestrate this move to Chicago, but she had also been unable to reach the Walkers to get their security deposit. She tried both emailing and calling, but neither left her confident she was catching them.

The movers were packing the last boxes and loading them onto the truck when she decided to call the neighbor who had

recommended the Walkers. Maybe she had a number for them.

Luckily, Jan provided a different number for the Walkers. When Karen called the number, Mr. Walker answered the phone. Karen informed him of who she was, but he seemed unsettled and confused. Karen explained to him that she was leaving town and needed their security deposit before leaving.

After hearing her request, Mr. Walker explained that he had been using his debit card at a gas station recently, and somehow his card number was stolen and had drained all the money from the account. He assured Karen that the bank was looking into the matter and promised to reimburse him, but that there was no money in the account to pay her today.

Two weeks later, still without a security deposit, Karen opened her mailbox expecting to see a rent check in it. What she found instead was an unfamiliar letter from her bank.

It contained an image of the check Mr. Walker had sent, along with an explanation that the check had not gone through due to "insufficient funds." Karen's heart sank. Immediately, she texted a photo of the letter to Mr. Walker's phone, along with "What's this?"

She fumed into the wee hours of the morning. No money, no response.

"What in the world is going on down there?" she thought. She couldn't sleep,

and the feeling that she had been taken advantage of began to nag at her.

Karen awoke to a text message from Mr. Walker. He explained that he had looked into it and the bank had “made an error.” He promised to send another check with this month’s rent, which she realized was now past the date it should have already arrived.

Karen simply texted back, “Ok.” She was beginning to suspect Mr. Walker’s intentions, but she still couldn’t help but feel like maybe he was just having a run of bad luck.

One week later, now nearing the 15th of the month, Karen still had no check and no communication from the Walkers. Although Karen had been texting for the last three days, Mr. Walker had not responded to any of her inquiries. Karen didn’t know what to do next.

Would you?

Helping people avoid stories like these is why we’ve written this guide. Karen’s story ends in different ways for different people: eviction, a destroyed house, thousands in repairs, and lost rent money. Rarely does it end well.

If you’re deciding between self-managing your property and using a professional manager, we’ve written down all of our secrets to help you self-manage with success.

The truth is that we hope a few of you will read this guide and decide you would prefer for us to handle your home’s management. But if you choose to take the information we’ve provided and self-manage, we want to help you do it successfully.

We don’t want this to become your story.

Most of the lessons below we learned from making mistakes during the decade we’ve been managing rental properties for ourselves and others. The examples highlighted in the story are real situations that have happened to us and the clients we work with.

We’ve done many stupid things that cost us a lot of money, and we are very fortunate to still be in business. If you read this guide, you’ll learn from our mistakes and hopefully avoid them in the process.

We hope you enjoy it.

INTRODUCTION

Maybe you want to sell your house, but you can't. Or it could be you're just looking for a source of passive income.

Maybe you're moving for a job and thinking about renting your house out instead of selling it. Renting it out might allow you to pay the mortgage and free you up to move on with your life.

Maybe you believe renting your house would be a solid addition to your retirement strategy.

But questions keep popping up in your head:

- "I'm scared to have a stranger rent my house... what if they don't pay?"
- "I've never rented out a house before and don't know where to start!"
- "What will the neighbors think about the 'For Rent' sign in my yard?"

We help homeowners make the transition from owner to landlord every day. Our goal is to help them make it as simple as possible.

Every market is unique, and we can help make your transition a breeze – even if you don't use a professional property manager like Evernest.

The things we'll share in this guide will help you:

- Make sure you rent your home out the right way
- Keep from breaking the Fair Housing Act
- Find the BEST tenants who pay on time every month
- Keep great tenants for as long as possible

Renting your house out doesn't need to be intimidating. In fact, it can be fun and a great source of passive income!

CHAPTER 1:

Is Renting Right For You?

You've decided to rent out your home.

You've been there for five years, but now you want a little more space. You've decided to keep the house for investment purposes (or in case you need to move back into it one day).

So how do you know if renting is for you?

Here's a quick six-question litmus test that's helpful to think through:

1. Is your move permanent or temporary?

If you're moving to a different city and not returning, then you may want to strongly consider selling.

If you're being transferred and plan on coming back, then it's likely cheaper to rent your house out for 12-24 months rather than pay sales commissions on the sale of your home and then purchase a new one when you return.

2. Can you rent your house for enough to cover your mortgage and taxes?

If you can rent your house for enough to cover the mortgage, taxes, and the occasional repair, it could make a lot of sense. We've seen owners use the rental income to build their retirement either through cash flow or through the equity the rental income builds by paying down their mortgage.

With deductions from the mortgage and any repairs, you likely won't have to pay taxes on the income. And if you believe your house will increase in value over time, then when you finally sell your home, you'll realize that appreciation in a lump sum.

Not a bad idea, huh?

3. Do you need more tax deductions?

If you think you might benefit from additional tax deductions, talk to a tax professional who can help you determine the implications of renting your home instead of selling it.

4. Do you need the profit from the sale to fund a down payment on a new house?



If you're dead-set on buying a new house and the funds from the sale of your property are the only way you can afford a down payment, renting may not be for you.

If you don't need all the cash from the sale of your home... then you might want to think about renting and taking a home equity line of credit (HELOC) to fund the down payment on your new house. As long as your rent can cover your mortgage plus your line of equity payment, it might make perfect sense. Over time, you'll be paying down that line of equity with your tenant's money!

Is your home not selling because it's out of date?

We were recently online looking at a house that has been for sale for a while in a nearby neighborhood. The house was built in 1996. As we clicked through the MLS pictures, we noticed that none of the fixtures had been updated since the house was built.

What's wrong with those fixtures? Maybe nothing from a tenant's perspective and perhaps a whole lot from a buyer's perspective. These two people tend to be a little different: Tenants tend to care less about having new and updated appliances because they're not going to stay forever.

At the same time, your fixtures may just not match the market and could keep you from being competitive with other houses in your price range. If your home is already on the market, you might update your fixtures to get it to sell instead of renting it out.

Can you deal with tenants?

Now, that's a loaded question! It's the one thing that keeps a lot of homeowners from renting their houses.

Finding tenants who pay on time and keep your house in excellent condition is a process, but even GREAT tenants need attention and will need some repairs every so often.

So, is renting right for YOU? That's the ultimate question. If you're still reading this, then we're going to assume YES!

Let's say you're more than a little interested. You're ready to get into the meat of what it means to rent and all the things that go into it. We're going to get into the nitty-gritty and give you all the information you need to make it a success.

STILL ON THE FENCE ABOUT RENTING YOUR
HOUSE? WE TOTALLY UNDERSTAND.

Want to chat with people who have done it before? GIVE US A CALL AT
(205) 940-6363 OR **check us out at our website today**

CHAPTER 2:

Setting Expectations and Pricing

Let's talk about your house.

Specifically, let's talk about renting your house out.

We help people do this every day. We've developed quite the toolbox of helpful hints, quick fixes, best practices, and tried-and-true advice that will ensure the best possible experience for you.

BE OBJECTIVE

The first step to renting your house is setting expectations and knowing how to look at your home and the market objectively.

That "objective" thing... It's more complicated than it looks for homeowners. Easy for us property managers but challenging for you.

But if you can be objective, you'll have a much better experience renting your house.

Think about it from a personal viewpoint. Let's say this is you:

- You live in the suburbs
- It's a neighborhood with a highly rated school system
- Your house is a three-bed, 2.5 bath with a fenced-in backyard
- You cook out a lot during the summer
- You've lived there for ten years
- You've made special upgrades to the house and property
- You want to rent your home because you think it would make a good investment

Can you sense the emotion in that scenario? There's a lot of attachment to that house; it's a home. And because of that, it becomes much more valuable to you.

How might this affect the perception of who you believe should be in your home and how much you should get for rent?

What most people do is immediately begin sizing up the “worthiness” of every potential tenant... and you might just have some unrealistic expectations of how much rent you can charge.

Do your best to be objective when you begin considering your house, potential tenants, and how much you plan to ask for rent. Later in this chapter (and throughout the guide), we’ll give you some ways to take emotion out of your pricing.

It’s always best to get unbiased advice and avoid polling your neighbors.....-- unless they happen to be tenants renting a similar house.

HOW MUCH SHOULD I CHARGE IN RENT?

The better question is, “How much can I charge in rent?”

Marketing your home for rent starts with a comprehensive look at the market to understand what your home will rent for to a well-qualified tenant.

If the rent is too low, you won’t make as much money as you should. If the rent is too high, it’ll take longer to lease (another money waster) and will likely be leased to the wrong person.

Finding the correct market rate is both an art and a science.

While you’re working on finding the market rate of your home, keep in mind one essential truth: Prospective tenants, unlike home buyers, are very shortsighted.

When a buyer is looking to purchase a home, it’s not unusual for them to take months or even years to purchase one. Prospective tenants are typically looking to move within a month or two.

Tenants tend to have just three or four characteristics they’re looking for in a home. They’ll settle on the first one in their budget that checks all those boxes – typically for fear of someone else renting the house first.

Why is this important?

Prospective tenants will compare your home to what is available to them in their short time window. Therefore, **the most important data you can obtain is an accurate measurement of the rent value of the homes you are competing against.**



FINDING THE MARKET RATE

Let's look at some techniques we use to find the market rate.



1. ZILLOW AND TRULIA

These two websites, which are owned by the same company, take local real estate data and extrapolate certain assumptions – e.g., the value of homes, future value of homes, and the market rental rate of the home.

I routinely hear people snub their nose at the values these websites provide of their homes.

They cite things like their inability to determine amenities or certain other unique

characteristics their home has and to assign an appropriate value to them. While they are correct that it is hard for an algorithm to determine a perfectly accurate value, prospective tenants are also looking at these values and finding them helpful.

Homes that are too far out of line with these values typically don't get as many showings as homes with marketed rental rates that are more in line with Zillow or Trulia's values. To some degree, they've become a self-fulfilling prophecy – particularly in an age when data is so widespread and available to everyone.



2. Local Property Managers

Search the available homes on local property managers' websites to determine if they have any nearby. By doing this, you may be able to determine what the professionals think homes in your area are worth.



3. Your Neighborhood

Drive around and look for 'For Rent' signs, then call to inquire. When you do this, ask questions to gauge if the house for rent is similar to your house. It's always good to do a little competitive analysis!



PUTTING IT ALL TOGETHER

If you want to find that GREAT tenant for your house, it's best to take the emotion out of it, do your homework, and strive for true market rent.

Great tenants will be happy paying market rent, and bad tenants will agree to pay "above" market rents just to get into your house. But there's a good chance that you won't get paid steadily... if at all... after about four months.

It's unfortunate but true.

And we know from experience that a bad tenant...-- or an average tenant-- will end up costing you more than a great tenant at the true market rate in the long run.

Trust us on that one.

All it takes is some slow-pay... some no-pay... and then a full-blown eviction to derail a lot of things in your life. Early in our journey, we fell victim to using our gut feelings and choosing our tenants based on emotion.

Each time we were subjective rather than objective, it ended up costing us more money and more pain on the backend.

You can avoid that misery.

CHAPTER 3:

Tenants

Your first tenant.

Could be someone you know... but probably not.

We've seen a lot of people rent to well-meaning friends and family, only to be faced with evicting them months later!

It usually happens because we don't feel we need to screen our friends or family members as carefully as we would a stranger. When you do that, you're asking for trouble.

We're not saying that you shouldn't rent to a friend or family member, but you shouldn't screen them any differently than you would a stranger.

There are a lot of great tenants out there looking for great houses. Your job is to find a GREAT tenant, screen that tenant, and place that tenant in your home on a long-term lease (12-36 months, depending on your situation).

PROFESSIONAL TENANTS

To all you owners: BEWARE!

There are a lot of "professional tenants" out there. They know the system.

Here are some things "professional tenants" KNOW:

- They know how to get through your screening process (unless it's top-notch... and we'll show you what that looks like).
- They know that you need a tenant in your house – and they may be willing to pay more than the market rate to tempt you into overlooking their shortfalls.
- They know what owners want to hear and how to play your heartstrings.
- They know exactly how long they can stay in the house without paying before you'll probably file for eviction.

We recently received a phone call from a couple interested in using Evernest as their property management company. We chatted briefly, then met at their townhome to give them an estimate on repairs and what we thought the market rate was for their property.

It was a story we had heard a thousand times before.

This couple lived in their townhome when they first got married. After a few years, they decided to buy a house, but it made a lot of sense for them to rent out their townhome instead of selling it.

So they put it out on the market and almost immediately found a local businessman who wanted to rent their place.

All was good... for a while.

First came the slow-pay... then the no-pay... then it was time to decide if an eviction was in order. After a few weeks of struggling with the decision, they moved forward with the eviction.

In the meantime, their tenant lived in their townhome for months without paying rent.

By the time the sheriff came to move him out, the place had been destroyed.

When the couple walked back into their townhome for the first time since they moved out, they were devastated.

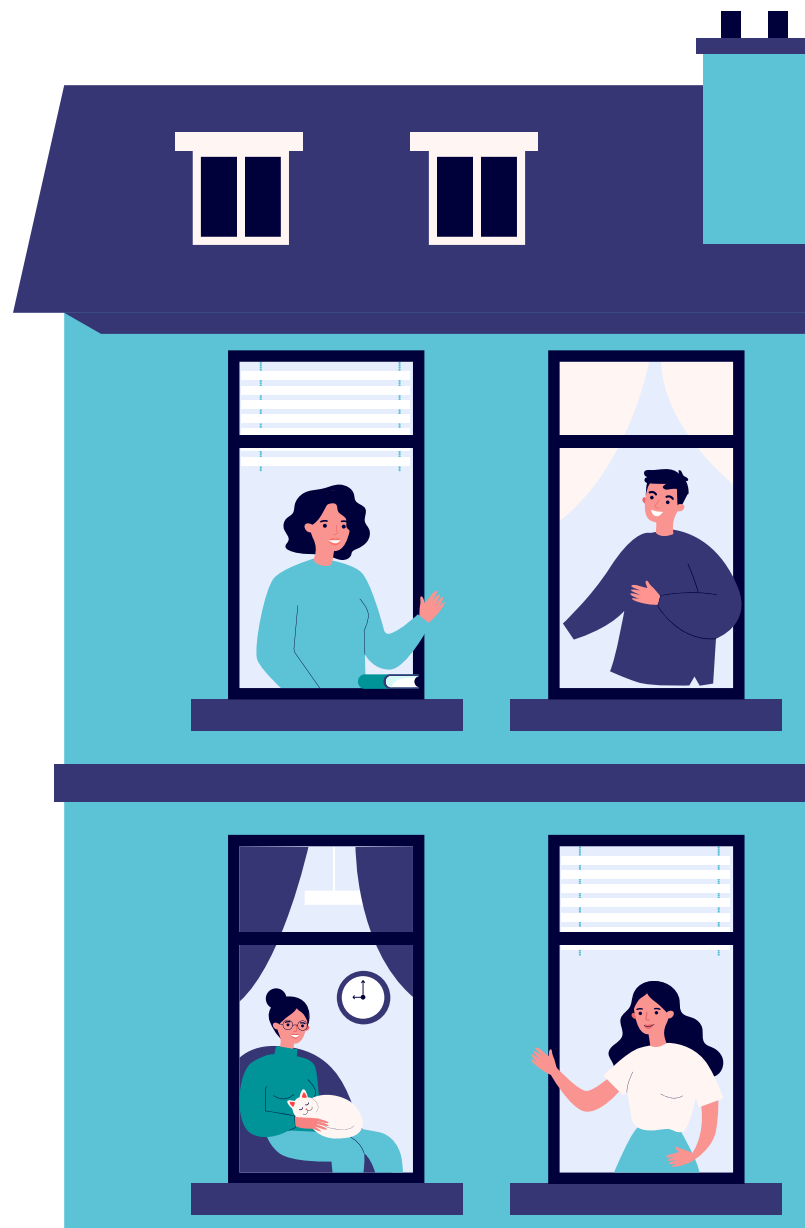
This was their home, where they had spent the formative years of their happy marriage. And now it was going to cost them at least \$10,000 to get it in rent-ready shape again.

That story is not meant to scare you.

Stick with us. The news is about to get better!

There are wonderful people out there who need to rent your house. They're the kind of people who will take care of your home until it's time for them to move.

And they'll pay you on time every month.



If they have a problem that needs to be taken care of, they'll give you a call and allow you plenty of time to find the right contractor to take care of the job.

- They're honest
- They're friendly
- They have steady jobs

And who knows – you may end up becoming friends!

We're going to tell you exactly how to find those tenants a little bit later.

But for now, we want you to know that there are "professional tenants," and there are others you would love to have in your home.

Given our experience handling the problem tenants that we inherit, screening tenants properly has to be the most skipped step in the management process by homeowner landlords.

At Everest, we take this seriously... and you should too!

Because we're property managers, we look at houses objectively, meaning we are extremely disciplined in our process to find the best tenants.

We've found that homeowners are less objective. The biggest struggles homeowners face are:

- Inexperience in dealing with "professional tenants"
- Lack of a strong underwriting process (another term for screening a tenant)
- A desire to rent their house fast

Those three things alone cost homeowners thousands upon thousands of dollars in slow-pay, no-pay, and eventually evictions.

By the time you're ready to evict, you may already have a few months of no-pay or slow-pay.

Then you have court costs and attorney fees. And that's not to mention the damage that is usually done inside the house.

Turning a property (getting it ready for rent) after a tenant has been evicted is usually very expensive.

Listen as our CEO, Matthew Whitaker, tells a story from personal experience:



My mother, who is a teacher, owned a rental home that was the house she brought me home to after I was born. When I was growing up, after she re-married my stepfather and moved out of it, I can remember her spending time painting and cleaning it after the tenants moved out during her summers off.

The home was in a very nice area, and she had always had pretty good luck renting it to very qualified tenants. She always made her tenant prospects fill out an application, but to my recollection, she never did anything with it. I can recall her saying she “had a good feeling” about the people she would rent to and that was all the underwriting she needed.

Her second-to-last tenants were an attorney and his wife, who was a stewardess with a large airline. Again, trusting her “good judgement” of people, my mother felt good about the fact that they were both gainfully employed. So she leased to them, collecting a security deposit and first month’s rent. Unfortunately, that was all the money she ever received from those two.

Twelve solid months and my involvement (I’m a property manager) later, we finally got the couple out of the home. Remember, he’s an attorney who understands the process... very well. Come to find out, this was not the first rental sucker they had taken advantage of. I’m almost certain they are still out there, pulling the same scam on unsuspecting homeowner landlords.

What’s the lesson?

These scam artists prey on people who own only one or two homes and who use their judgment, instead of a real application process, to rent their homes.

The goal is to place the best tenants and then keep them long-term (more than 12 months) so that you can realize a return on your investment.

CHAPTER 4:

Creating Your To-Do List

Before you start putting ads on Craigslist or talking to friends, family, or neighbors about potential tenants, you need to have some things in place.

We've put together a simple list for you, things you need to either think through or do **BEFORE** you start marketing your home.



1. GET RENTAL PROPERTY INSURANCE

This is a BIG one! Rental property insurance not only covers almost everything a homeowner's policy does, but it will also protect you from major damage done by tenants (we're going to try and help you avoid that, though!), as well as legal action they may take against you.

You will still want to suggest to your tenant that they get their own rental insurance policy, which will cover all of their stuff.



2. FIND A GOOD ACCOUNTANT

Keeping track of financial matters from the very beginning is extremely important. Especially when you're going to be holding a security deposit and possibly a pet deposit (if you'll allow pets into your house).

An accountant can also advise you on all of the tax implications of renting your house. They'll help you figure out what records you'll need to keep to navigate Schedule E at tax time.

They can also help you figure out how to minimize your tax bill by helping you choose the right depreciation strategy... is unless you enjoy paying taxes!



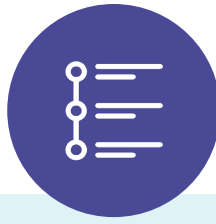
3. ASK AN ATTORNEY TO REVIEW YOUR LEASE AGREEMENT

We'll get into contracts a little later, but a real estate lawyer can help you tighten your lease up to protect you from any unnecessary risk and also make sure that the tenant doesn't have loopholes to exploit.

When we take over a tenant who was managed by someone else, as soon as their lease expires we require them to sign a new lease agreement with Evernest. It's so important because we KNOW our lease agreements are solid.

A solid lease agreement will specify ways tenants can and cannot use your house, how many people can live there, what insurance is required, who is responsible for paying utilities, and what happens if the tenant doesn't live up to their end agreement.

There's a lot to think about here, but a good attorney can walk you through the process and save you a lot of headache and heartache down the road.



4. ESTABLISH YOUR TENANT SCREENING CRITERIA

It's vital that you write down the criteria for your tenants. You should work within Fair Housing Act guidelines to make sure you're doing it right, then hand it to anyone and everyone who looks at your house.

You'll need to think about things like acceptable monthly income levels, minimum credit scores, and the maximum number of tenants you'll allow to live in your house. Other issues may include a smoking and pet policy.



5. GET ADDITIONAL PAPERWORK READY

Think about things like your rental application, credit check authorization forms, any disclosures your state requires, such as a lead-based paint disclosure for houses built before 1978, move-in checklists, and move-out forms, as well as notices to tenants you might need to use, such as lease renewal documents or property inspection documents in case you want to walk through your property once in a while.





6. WRITE UP A PUNCH LIST OF REPAIRS THAT NEED TO BE COMPLETED BEFORE YOU MARKET YOUR HOME

When that first prospective tenant walks into the home, you want them to focus on the great features of your house, not the repairs that need to be made.

You don't want to start your new owner/tenant relationship with things broken in the house or unresolved maintenance issues.

We call those "Move-in Related Errors" (MREs). They are things that should have been taken care of BEFORE the tenant moved into one of our homes but, for one reason or another, didn't get done.

MREs are a BIG deal at Evernest and one of the ways we measure our client service and effectiveness. Each Tuesday, we discuss any MREs that may have happened the previous week and what could have been done to prevent them. Our goal is to not have any on the list.

Consider having your home inspected by a professional who can identify any critical maintenance issues and have them fixed before a tenant moves in. We'll talk more about how to avoid MREs when we discuss moving your new tenant into the home.

Preventing MREs can keep you from legal issues, multiple maintenance calls, and possibly losing your tenant early. Once you've completed the repairs, you'll want to document exactly the shape of the house when the tenant moves in and do a final walkthrough when they move out. This allows you to identify the wear and tear your home took during the rental period and if there's anything you need to charge the tenant for.

Something else worth noting about the importance of a pre-move-in walkthrough:

If things are wrong or broken when a tenant moves in, how do you think that initial impression will affect the owner/tenant relationship going forward? It's not positive... trust us!



7. CLEAN, PAINT, AND LANDSCAPE

There's no reason your home shouldn't be immaculate BEFORE you start showing it. Don't do it three weeks after you put it on the market. You'll have already lost some of the most interested people in those first weeks.

If you want it to attract solid tenants, make sure your house is perfectly clean inside and out. It's really important to make sure your lawn is cut, shrubs trimmed, and flowers planted. The little things can make a big difference.

**TOGETHER, THESE SEVEN THINGS WILL HELP YOU GET READY
FOR YOUR QUEST TO FIND THE PERFECT TENANT!**

**DOWNLOAD OUR
FREE CHECKLIST**

The Ultimate Checklist For Renting Your House
to get started renting your house TODAY.

CHAPTER 5:

Marketing & How To Rent Your House Fast

The technical definition of marketing is “How to Get Your House Rented Fast!”

We love marketing.

But not everyone does.

Whether you have marketing in your DNA or not, we’re going to give you some great tips on how to get your house -rented quickly.

There are two primary components to marketing: driving traffic and converting traffic.

For a first-time landlord, the questions you should be asking when it comes to marketing are:

How am I going to drive traffic to my house?
AND
How am I going to convert that traffic into applications?

If you have a great house but you don’t have traffic, what does it matter?

And if you drive traffic to a house that’s not ready to rent (or doesn’t motivate someone to fill out an application), it’s wasted traffic.

Let’s answer your questions one at a time.

DRIVING TRAFFIC

It's best to figure this out on the front end. You don't want to put your house out there before you've figured out your traffic plan.

So let's talk about some easy ways to drive traffic to your house... going from most obvious to least obvious.



Yard Signs

If you happen to live on a street with a lot of traffic, a yard sign can be extremely effective.



Newspaper

Newspaper ads aren't nearly as popular as they used to be, but there are still people who look through the Sunday paper to see if there are any houses for rent.



Craigslist

There are much more modern ways to advertise for new tenants, but yes Craigslist is still an option if that's what you're going for.



Zillow and Trulia

"When in Rome..." Love them or hate them, everyone is looking at them. You must be listed on their sites. [Postlets.com](https://www.postlets.com) gives you an easy, free way to be on both. You simply need to create an account.



Zumper/Facebook

We've found one of the greatest marketing tools is marketing the home to your friends on Facebook. Isn't it fun to help a friend out? Just imagine, if someone connects you to a tenant – who is also their friend – they get emotional credit for helping two friends. Never underestimate the value of friends helping friends.

Creating Great Ads

A lot of people don't realize the power of words in advertising. When you're writing your ad, take some good advice... focus on BENEFITS, not features.

Tell me which ad speaks to you more...

Ad #1

3 bed, 2 bath in Inverness with a fenced-in backyard. The house has been painted and the carpet replaced. The school system is Oak Mountain... blah, blah, blah. You've already lost interest.

Ad #2

A spacious three-bedroom, two-bath home with more than enough room to fit your king-sized bed along with your nightstand and armoire. The yard is fenced-in for ultimate privacy. The school system is rated one of the best in the state, and the home is just 10 minutes from the elementary school and five minutes from the high school. Our neighbors are some of the friendliest people and would make great friends for anyone looking for a quick connection in a new neighborhood! We've just painted the house and replaced all of the carpets so it has that "new house" smell again... you definitely won't need to do anything – it's ready to rent RIGHT NOW!

It's the same house. But I think you know which one tenants will respond to. The key here is to put yourself in a prospective tenant's shoes and write for them... write to them... sell them on why your house should be lived in.

Now that we've got you squared away on writing the best ad, we should talk about your pictures.

People need to see the best possible pictures of your house. Taking high-quality photos is easier now than it's ever been. You probably have a phone that might do the trick, but it would be better to find a DSLR with a wide-angle lens.



Here are a few tips for taking great photos:

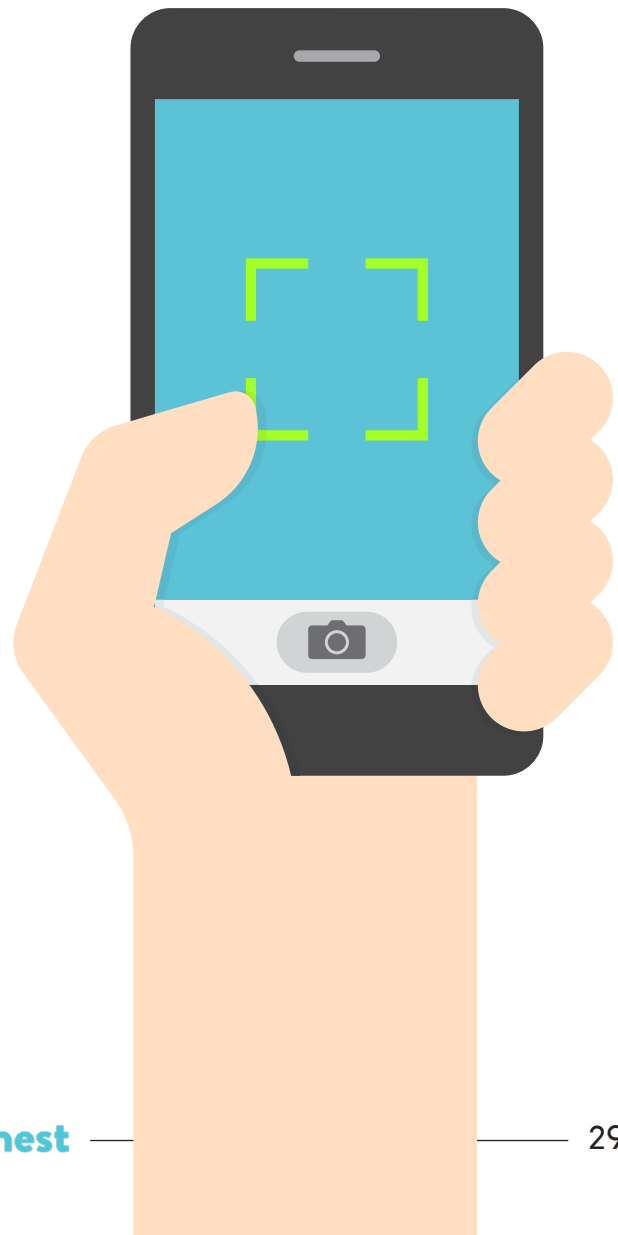
- Don't take portrait shots, only shoot landscapes. With a solid wide-angle lens, you should be able to get each of the rooms in a single shot.
- Delete blurry pictures. No one wants to see blurry pictures, and they will deter people from coming to see your home.
- Take your photos on a sunny day. Let the natural light help you as much as possible. Open windows and allow them to fill the room. If you can, turn off the overhead lights.
- Make sure your images are large enough. If your photo doesn't have a high enough resolution, all of your pictures will look pixelated... that's not good.

Make sure the picture order is:

1. Front of the house
2. Kitchen (at least two or three photos)
3. Den
4. Bedrooms
5. Bathrooms
6. Bonus rooms
7. Backyard

This puts the most important pictures first and creates a certain impression right away.

If you're serious, find a photographer to take the images for you. This might cost as much as \$300, but chances are you'll be thrilled with the images and can use them more than once.



CONVERSION

How do you convert an interested prospective tenant into an actual PAYING tenant? Or at least into one that fills out an application.

This has more to do with the presentation of the property than anything else.

The Hook

You can't change your neighborhood, and you're probably not going to change the structure of the home... meaning, you're not going to add a room or knock down a wall... probably.

So how do you take what you have and make it look appealing... make it feel like a home that needs to be lived in?

Based on our rental experience – and we've had a lot – here are some simple tips that will help you make the most of what you have:

- **Keep the grass cut**

Overgrown grass is a signal that you don't care about the appearance of the house. To a prospective tenant, that could also signal that you don't take care of the inside of the house. In those cases, they won't even bother to find out.

- **Trim the shrubs**

Keep them looking nice and keep them from blocking the windows.

- **Plant some flowers**

Flowers add color to the home and can make your home stand out from the rest. Our advice is to avoid tropical or non-native plants; they'll require more care and attention than you probably want to give them.

- **Use a nice ground covering**

A ground cover that doesn't require water and can keep weeds down will make a great impression. Plus, the more you cover with mulch, bark, gravel, pine straw, or wood chips, the more money you'll save on water and yard maintenance. Simple things like this can attract a tenant to your house over one that's down the street.



- **Hang an American flag out front**

We believe patriotism is a good thing!

- **Paint inside**

Interior paint is a BIG one. It not only makes the house look fresh, but it gives it that “new house” smell.

- **Remove any rotten wood or peeling paint outside**

Rotten wood and peeling paint indicate to a prospect that you weren’t interested in keeping up the property when you lived in it, so they know you’re not going to keep up the property when they live in it!

- **Regularly pick up trash outside of the home or in the yard**

It’s not wise to put your house out for rent and then never check on it. We have leasing agents that visit our “for rent” houses on a regular schedule to make sure everything is nice and neat for a prospective tenant. You’ll need to do the same.

- **Have the mail and newspaper either picked up or stopped**

This is important if you’re not living in the house anymore. Not only will this be a turnoff for prospective tenants, but it also signals to thieves that no one is living in the home.

The Line

If your traffic-generating systems are strong and you’re maximizing the conversion aspect of your home, you will find that perfect tenant and get them to apply!

Now that you’ve successfully marketed the home, you’re getting blown up with inquiries. All prospective tenants will call and ask the same questions. Remember the movie Groundhog Day with Bill Murray? This will be your life.

The same questions tenants ask over and over, even though all that information is in your ad, are...

- How much is the rent?
- How many beds and baths does the home have?
- Can you tell me more about the home?
- Do you accept pets?
- What school system is the home located in?

Get used to them because everyone asks them. It’s okay – you aren’t in the Twilight Zone.

More than 80% of the calls you receive won’t matter. Don’t get discouraged when people gather information, then quickly hang up. This is very typical.

Be careful attempting to qualify a tenant over the phone. You may be tempted to start doing that when you get tired of driving to the home and showing “tire kicking” or unqualified tenants.

But the goal is to get them to see the home. Then, as in most sales, the goal becomes getting them to fill out an application, moving them down the sales pipeline. Do your best to urge them to come to see the home.

The Sinker

Showing is selling. Making sure you've completed all the items below will ensure you can lease your home to the right person in the least amount of time.

1

Make sure the home is ready

This takes place before doing any of your marketing. What is the point in getting someone to the home if the home is not ready to lease?

People commonly show the home before it's completed. We highly suggest you do not do this. While it is tempting to get someone in the home quickly, it usually ends in unmet expectations from the tenants – "I thought you were going to paint the WHOLE house!"

What does a ready house look like? Probably about what you'd think... neat and clean. Tenants aren't expecting perfection. Keep in mind that they are typically looking for only a few things. Their baseline for leasing a home is neat, clean, and safe.

The paint should be cut in and neat. The house should be cleaned regularly. Roaches die and dust accumulates whether you're there or not. We suggest arriving 15-20 minutes early to make sure the home is ready before the tenant shows up. Bring a broom, wipes, and a mop.

2

Don't crowd the tenant

When they're previewing the home, the last thing they want you to do is to go through and point out all the "awesome" amenities. Again, they're looking and checking off a few boxes in their mind.

We typically stand by the front door and allow them to walk through the home by themselves. If they have questions – and they will – they'll ask. Once they begin asking questions, if you have something you think they might like and want to point out, this would be the time to do it.

3

Have applications ready

Tenants are not like buyers. Once their boxes are checked, they are ready to rent. Make sure you are ready to rent to them.

4

Listen and (tactfully) ask for feedback

When they give it, don't argue with them. Simply write it down if it will be helpful to you.

5

Remember safety

Showing up at an unoccupied home with someone you don't know can be dangerous. Here are a few tips to help you:

- If you feel weird about the phone conversation, take someone with you.
- At a minimum, make sure someone knows where you are – check-in with them before and after the appointment.
- Don't follow the prospective tenants through the home. Near the front door is the safest place to be.
- Open the back door before the prospect arrives. That way you can escape using that door if you need to.
- Trust your gut. If something or someone feels off, don't risk it.

6

Showing is selling

Do your best to get the prospective tenant to fill out an application. Just like getting a prospect from a phone call to show, getting one from showing to the application is the next sales step.



CHAPTER 6:

Keeping Bad Tenants Out Of Your House

So... how do you keep the bad tenants out? Let's get into that right now.

Tenant screening is looking into the potential tenant's background to better understand their personal history and their rental history.

We don't use this to make a character judgment on anyone. Instead, it's used to make a judgment on future ability/willingness to pay rent.

The application is how we gather a prospective tenant's information and dig deep to get a better understanding of how they might – or might not – be a great fit for our property.

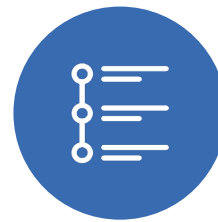
When someone fills out your application, you're essentially looking for them to score high in four areas:



HIGH INCOME

Their income must be at least three times the monthly rent. It's up to you whether you require that to be gross or net. We've

found gross to be acceptable. Use the net if you want to be cautious. The 3x rule has been used by landlords for years, and you shouldn't make any exceptions to it. It's our experience that this is the biggest indicator of someone's ability to pay. Anything below 3x is almost certainly going to be a disaster. Anything further above (3.5-4x) is going to be exponentially better.



GREAT TENANT REFERENCES

Unless this is the first house a potential tenant is going to rent, they should provide references of either a landlord like yourself or a property management company that they have had a relationship with in the past. If there were problems, these references will let you know what they were and how they were resolved. A bad reference from a past homeowner, friend, or family member is bad news! Also, it is very important to push someone for a rental reference. Bad tenants are usually "living with family." Find out the last place they paid for rent.



NO EVICTIONS

We don't care how far back they claim it took place, an eviction is a warning sign you just don't want to mess with. There are enough great tenants out there who have solid references and no evictions that you don't need to compromise.



A CLEAN BACKGROUND CHECK

At Evernest, we like to go a bit further than just a credit score check. We like to get information on criminal activity. If they have any, you should consider passing on them as a tenant. We completely understand that people make mistakes and that people can genuinely change, but giving them keys to our houses is just not worth the risk. We consider a good rule of thumb to be no violent felonies, no felonies less than 10 years old, and no history of multiple misdemeanors.

You need to get applications for anyone over 18 who will be living in the house, whether it's a cousin, uncle, father, brother, spouse. This prevents someone who has had prior evictions from becoming a tenant.



Federal Fair Housing Laws

Before we discuss the application itself, you need to be aware of Federal Fair Housing Laws in your search for that perfect tenant. It's okay to screen tenants for some things, and it's not okay to screen them for other reasons.

The U.S. Department of Housing and Urban Development's Fair Housing guidelines state:

In the Sale and Rental of Housing, no one may take any of the following actions based on race, color, national origin, religion, sex, familial status, or handicap:

- Refuse to rent or sell housing;
- Refuse to negotiate for housing;
- Make housing unavailable;
- Deny a dwelling;
- Set different terms, conditions, or privileges for sale or rental of a dwelling;
- Provide different housing services or facilities;
- Falsely deny that housing is available for inspection, sale, or rental;
- For-profit, persuade owners to sell or rent (blockbusting); or
- Deny anyone access to or membership in a facility or service (such as a multiple listing service) related to the sale or rental of housing.

Not only can you not discriminate against these classes, but you also can't even ask about these topics. That means you can't ask things like, "What race are you?" or "How many kids do you have?" or "Do you have a wife/husband?"

This is serious business.

We can't overstate how important it is to follow this law.

In addition, you need to become familiar with and follow any local state laws. In Alabama, it's called the Uniform Residential Landlord-Tenant Act.

A solid, reputable property management company can keep you out of trouble with these two regulations.

At Everest, we stay on top of all this for two reasons: 1) so our clients don't have to, and 2) to keep our clients protected from unfortunate lawsuits.

The Application

So, then what should be in your application?

We always joke that we know more about our tenants than their family or friends do. Don't feel bad about it. When you lease a home, you are entering into a business. You should do everything you can to protect your business from someone who will not responsibly rent your home.

At a minimum, your application should include the following information about a prospective applicant:

- Name
- Current address and landlord's contact information
- Phone numbers (cell, work, and home)
- Email address
- Employment information
- Move-in date
- How many animals do you have and what kind?
- What may interrupt your ability to pay rent?
- Are you on Section 8?
- Do you have enough cash to pay the first month's rent and security deposit?
- Do you have a checking account? Savings account?
- How many people will be living here?
- What are your emergency contacts?
- How is your credit? Explain...
- How did you hear about this listing? (this is important for measuring how effective your marketing is)

You should always require everyone living in the home who is 18 years or older to fill out the application and sign it – some people who verify information about your applicants will not do so without a signature from everyone over 18 years old.



How do you verify the information?

Verification can be tricky since there are very few ways homeowner landlords can pull certain types of information – particularly credit.

It's also best to know what you're looking for before doing any verification so that you can make an objective decision. Once you've set a minimum criterion, it is best to stick to it – even when it's hard, even when it's someone you're close to!

We highly suggest you perform the following verifications with the application:

1

Pull a credit report with a credit score

Never allow a prospective tenant to do this on your behalf. Keep in mind that if you pull a credit report and make a decision whether to lease to someone based on what is on the report or the score, you are required to do certain things by law if they are declined – none of which will be covered here.

2

Verify their employment

There are times when we've found out that a person is about to get fired – before they find out. Don't skip this step because you can find out a lot of really crucial information. Make sure you verify the amount of money they make. Most people are pretty accurate with disclosing this, but if you're going to lie about something, wouldn't it be about how much money you make?

3

Talk with their previous landlord

Many previous landlords prefer not to talk with you; they'd rather fill out a form. You should have a form ready that reads like this:

1. How long did the tenant lease from you?
2. Please verify the address of the unit they leased from you.
3. In the last 12 months, how many times did they pay late?
4. Did you keep their security deposit?
5. Will you lease to them again?
6. Why or why not?

If a landlord acts funny, make sure to ask very objective questions. Don't ask them to make judgment calls for you. That's very frustrating for them. The only judgment they should make is whether they would lease to the prospective tenant again. To keep you out of trouble, don't ask anything that starts with "Should I..."

Lastly, let us say something regarding the gathering of people's personal information. You must treat the information on the application with respect. You do not want someone's personal information to be stolen and for it to be your fault.

Making the Decision

That's it! Once you've checked all the pertinent boxes and objectively compared them to what you are looking for, the decision should be easy. Now it's time to sign the lease.

If a prospective tenant makes it through your initial process and fills out the application, it's going to be important that you let them know whether they were accepted or denied.

If they were accepted, you shouldn't pull your home off the market until they've paid the security deposit and first month's rent.

We learned this the hard way early in our Everest days. And we learned it the hard way with our own houses. Only pull a house off the market when the lease is signed and the money is in your hand.

If you're denying a tenant, it's important to let them know why so there isn't a question of discrimination against them.

At Everest, we send denied applicants an email letting them know exactly why they weren't approved.

We do this because we're not moving forward to do a criminal background check (which costs more)... and because it's the right thing to do.



CHAPTER 7:

Lease Agreements

Contracts. Who likes to talk about contracts?

They're essential to the health of our business, but that doesn't mean they're fun to talk about... or write about... or read about.

Contracts and obligations date back to ancient times and now, in our litigious society, it's hard to imagine life without them.

This is especially true when you consider letting someone you barely know live in a house you own.

A contract (i.e., a lease agreement) is there to protect the tenant and the owner (that's YOU!).

WHAT'S IN A LEASE AGREEMENT?

Here, we'll walk through the basic elements of an Evernest residential rental agreement.



What's the basic information?

- **Who is the agreement between** (the tenant and the owner)?
- **Location** – What is the address of the property?
- **Term** – The date the lease begins and ends (is it a 12-month agreement or 24 months?)
- **Rent** – How much rent is being charged per month?
- **Security deposit** – What is the security deposit amount, and what are the circumstances for forfeiture of that deposit?
- **Late fee** – How much of a late fee will you charge if your tenant pays late?
- **Occupants** – Who will live in the home (you need everyone's name)?
- **Renewal terms** – This should state that both parties are obligated to receive at least a 30-day notice before the end of the term. If nothing is decided, then the agreement should be extended from month to month.
- **Utilities and services** – All utilities should be the tenant's responsibility.
- **Maintenance** – You agree to make repairs necessary to keep the property in fit and habitable condition. There's no quicker way to lose your tenant than to ignore their maintenance requests.
- **Basic tenant obligations** – Basic things like keeping the lawn mowed, not disturbing neighbors, not throwing things down the drain that can clog it up, changing air filters and smoke detector batteries, etc.
- **Insurance** – The tenant should be responsible for their own renters' insurance. That's not your responsibility.
- **Right to access the property** – The tenant can't deny you access to the property to make repairs or inspect. Certain states require property managers to give a 48-hour notice if they need to enter a property for certain things.
- **Security deposit** – Every tenant should pay a security deposit, to be held by you. You might need to make it clear to your tenant that this is not the last month's rent. The security deposit is held until you've completed a move-out walkthrough where you've had the opportunity to inspect your house, making sure there isn't any unusual wear and tear. If the house is fine, you need to refund the tenant promptly; our lease says within 60 days.
- **Failure to pay rent** – We don't ever want to deal with this. Unfortunately, if you've rented houses for as long as we have, you'll run into this every once in a while. Our eviction rate for tenants

we've placed is below 1%. That's good... but we want it to be 0%. That's why our screening process is really strong. A little later we'll get into our collections process so that you can take some of our processes and make them your own. We hope you will never have to use them.

- **Pets** – People love their pets – especially cats and dogs – and unless you have serious problems with a pet in your house, this is something you'll need to address. We do have rules against certain types of pets we allow in owners' houses or on their property. But even when we allow pets, we require a pet fee of \$300 per animal. If the tenant sneaks a pet in without authorization, we have the right to fine them \$500 per unauthorized pet! And they'll still owe a \$300 pet deposit.
- **Rent rate adjustment** – If you sign a long-term tenant and you believe that at some point you'll want to increase the rent, you need to have it in your original document.



THE EVERNEST TOP 10

These are the top 10 things we seem to have disagreements about with our tenants. We go over the Top 10 with each tenant before they move into one of our houses. Some of these may be helpful to you!

- 1 Paying rent on time is extremely important to us at Everest. Rent is due on the first day of each month. A service and bookkeeping charge as stated in the lease will be due if rent is not received or postmarked by the late date on your lease.
- 2 Please do not put any man-made products other than toilet paper down the drains or toilets. Items such as grease, feminine products, paper towels, and food should not be put down the drains or flushed down the toilets.
- 3 Please only park cars in designated areas.
- 4 Please change the air filter every month.
- 5 Please cut your grass twice per month beginning the first day of April and ending the last day of October, unless lawn maintenance is covered by a homeowner's association or a condo association or your lease specifically states otherwise.
- 6 Please do not miss service calls. Missed appointments on service calls will cost you a trip charge of \$65.
- 7 Please take care of your pest extermination services.
- 8 This may sound pretty obvious, but please don't use, buy, or sell illegal drugs. Any sale, distribution, use, or possession of any controlled substance will result in the immediate termination of the lease and immediate eviction of the tenant.
- 9 Please do not have satellite dishes installed without us knowing about them. Please never install them on the roof.
- 10 Please get a renters' insurance policy to ensure your belongings.

There you go! That should provide you with some good information to think about before you sign a lease with a tenant!

CHAPTER 8:

Move-In Day

Once you have a signed lease and cash deposit in hand, it's time to begin managing your home. This all begins with a smooth move-in.

Imagine you just spent the last week of your life preparing, packing, lifting, and moving boxes and furniture out of one home and into another.

All your boxes and furniture are in the new home, albeit not in the right spot. Boxes are stacked in the living room and dining room, begging you to put them somewhere, anywhere, out of the way.

You decide it's time to stop for the night. You're exhausted. Moving started at 5 a.m. that morning, and now it's 10 p.m. You managed to set up your bed, and all you want is a shower and to be under those covers. As you go to turn on the shower, you realize the shower is taking a little longer than it should warm up.

Not to fear, you're just getting used to your new home. Fast forward five minutes... still no hot water. The water heater is not lit because the gas was turned off at the home and never turned back on.

Regardless of who's fault this is, you're calling your landlord at 10:15 p.m. on a Saturday. That's a classic MRE (again... Moving-Related Error)!

This type of situation is the worst way to kick off a new relationship with a tenant. Regardless of who is at fault, the tenant will always see it as your fault. They'll look at everything you do through the lens of the ice-cold shower they took when they moved into your home.

So let's take a look at how we can keep these types of things from happening.



PREPARING FOR MOVE-IN

Three to four days before your new tenant moves into the home, you should do a comprehensive walkthrough, especially if you haven't lived in the home for a while. Some landlords assume that everything was working fine because the last tenant just moved out and they hadn't called you about anything when in reality they just learned to live with your leaky sink and the mold problem.

As you walk through the home, make notes about the status of each room. Include the notes on some sort of form and keep that form for the move-out. Ideally, you would make mention of every mark, every cracked tile – everything! Additionally, you should verify that everything works – sinks, toilets – everything.

The goal is that the more you can catch on the front end, the less trouble handling the situations and handling the tenant will be on the back end.

This is a time investment. Trust us... this is probably the biggest lesson we've learned in our decade of rental management.

We highly suggest getting the tenant to do their walkthrough as well. You may want to provide a form for them to do this, too. Ask them to take pictures and copious notes on the status of the home.

If you think you are inviting work orders and they may become nitpicky, this is great! If there's any difference on the move-out, it will be obvious.



Even though you and the tenant have done a final walkthrough, be prepared for a possible emergency. These typically happen during move-in and typically over the weekend, since most people move in on Friday, Saturday, or Sunday.

How do you combat a possible emergency?

Be available.

The last thing you want is the tenant calling and nobody answering their call. Be available. Don't be scared to answer the phone.

Be prepared.

You should have a plumber, an electrician, and an HVAC person available to handle night and weekend emergencies. Certain maintenance items, particularly those that happen on the move-in, should be dealt with swiftly – even if it costs more.

Be apologetic.

Even if you do fix the problem right away, the tenant is probably going to be agitated. Be prepared to apologize and make it right.

Once the tenant moves in, you can switch to autopilot, right? Don't count on it. Whether you manage one or a hundred homes, you have consistent items that need to be accomplished for a successful experience. Remember, you are now in business.

WANTING TO AVOID THE HASSLE OF BEING A
SELF-MANAGING LANDLORD?

SCHEDULE A CALL WITH US
to chat about your property management needs.

CHAPTER 9:

Collecting Rent

This is the point of renting your house, right? Collecting money in exchange for a great place to live.

One of the biggest factors in your experience as a landlord will be how well you're able to collect rent. This is going to be especially important if you need that money to pay the mortgage on your house.

Tenants get behind on rent for various reasons:

- Loss of job
- Family emergency
- Poor cash management

...those are three of the 427 reasons we've heard.

Here are the basic points you should consider as you set up your collections process:



No cash

It's not a good policy to collect rent in cash. There's no paper trail, and it can easily be

lost or stolen. It's best to eliminate these possibilities by enforcing a strict no-cash policy.

We routinely have tenants bring or mail money orders or checks if they're not in our ACH or online bill pay system.



Direct deposit

There's no reason why direct deposit shouldn't be your first option with a tenant. You may want to make it a requirement... that's up to you.

At Everest, approximately 25% of our tenants are on ACH to withdraw money directly from a tenant's bank account. We are constantly thinking about how we can increase that percentage to 100%

The great news is that it's automatic and you don't have to worry about it. The downside is that if there are insufficient funds in your tenant's account you won't get paid and you'll need to track the funds down from your tenant. There's also just a slight delay until the funds are in your account... approximately 4-7 days.



Online bill pay

Banks usually offer account holders online bill pay. The bank will cut a check directly from the tenant's bank account and send it to you.

We don't have a lot of tenants who do this, but it's an option worth considering. You will still need to deposit the check, though, and there's still the whole "the check's in the mail" discussion you might have from time to time.



Late fees

We charge late fees for any tenant bringing their rent into our office after the third of the month.

Rent is due on the first and late after the third.

This is a policy we take seriously. The late fee is 10% of the total monthly rent, which is sufficient to motivate most tenants to pay on time.

Here in the office, we do have a "good-hearted" tenant advocate who "forgives" late fees all the time! You can imag-

ine that with almost 2,000 houses, there is the occasional exception.

There are circumstances beyond the control of your tenant that you'll want to take into consideration. Most landlords take them on a case-by-case basis. But when late payment becomes a habit, it's usually not good news.



Celebrate *great* tenants

A strong tenant is hard to find. When you do find one, let them know you appreciate them.

Robert Locke, a friend from Atlanta, has been in the property management business for 35 years. One day, he found out someone who had been a tenant of his for 21 years was finally moving... Robert was blown away!

That's when he started training his staff to celebrate the tenant.

What does "celebrate" mean? To a property management company, it may mean sending the occasional gift card just to let the tenant know you've recognized something special about them.

For a landlord with one or two houses, it may mean a simple handwritten note with a gift card inside just saying "Thanks for being awesome." Whatever it is... do it.

So what happens if your tenant doesn't pay?

That's something you'll need to decide. We have a process in place that ensures we are on top of it before it gets out of hand.

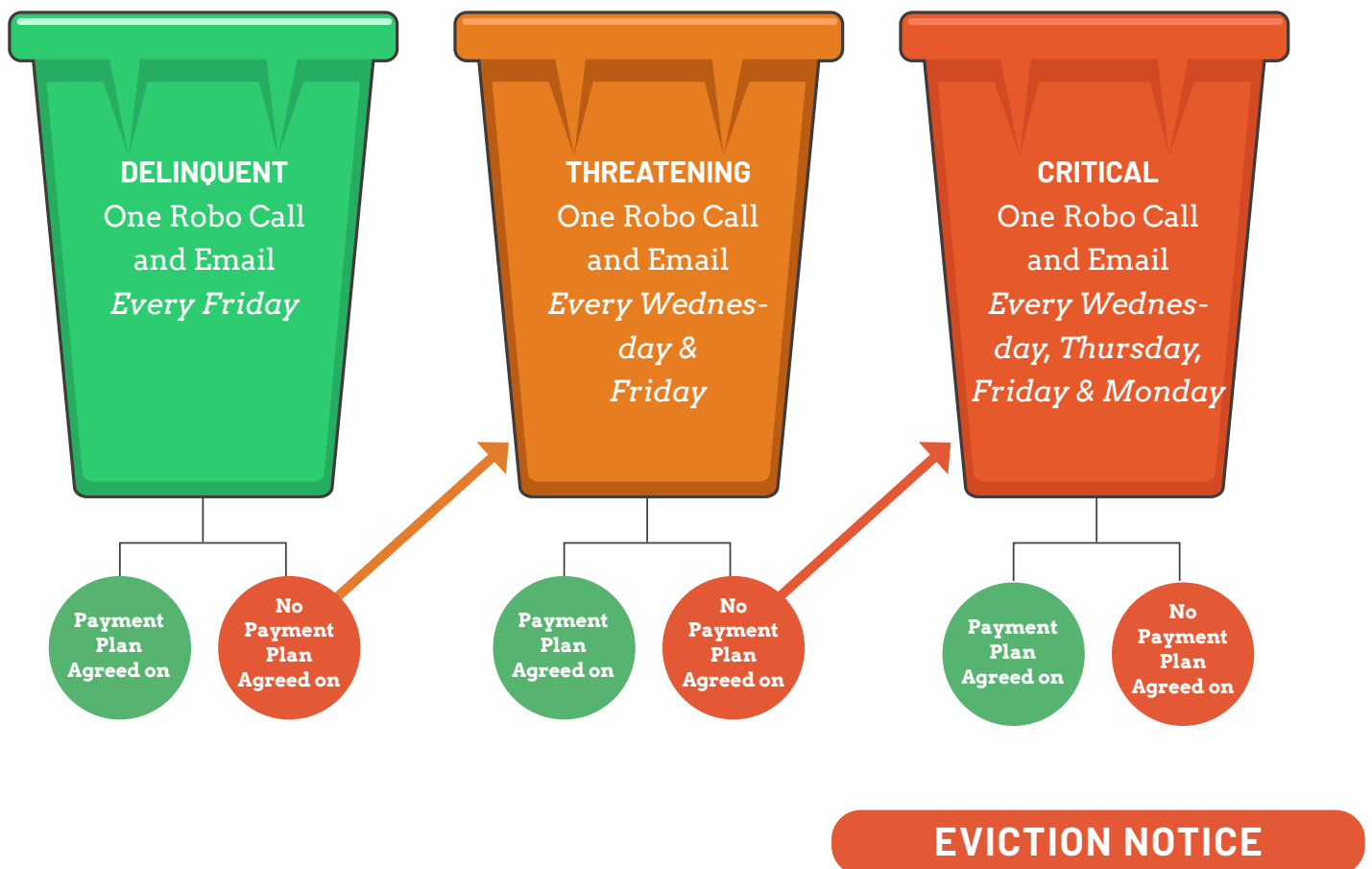
Unfortunately, there are times when we inherit pretty bad tenants who don't have an excuse and don't intend to catch up on their rent.

In those cases, we end up posting an eviction notice and, if necessary, going through the entire eviction process. It's not fun, but someone has to do it.

We also feel it is our responsibility to make sure these instances go on a tenant's record so that another landlord does not unknowingly sign them to a lease on their house.

Before it gets to that level of severity, we go through a well-defined and executed strategy to collect rent and get the tenant back on track.

Here's a visual of our collections process:



If you have any questions about setting up your own collections process, give us a call. It may be something we can help you with so you avoid serious headaches down the road.

**DOWNLOAD OUR
FREE CHECKLIST**

The Ultimate Checklist For Renting Your House
to get started renting your house TODAY.

CHAPTER 10:

Maintenance And Repairs – Get It Right

No matter how well-kept your property is, there will eventually be a maintenance call that you'll need to address.

Tenants typically cite the number one reason they leave a home as due to a landlord's lack of concern over maintenance issues.

If this is true, it would make great sense to do all you can to keep the tenant satisfied with the work that's being done to the home and make sure it's completed in a timely manner.

Planning ahead for possible maintenance issues will keep you from having to figure out what to do while under the stress of the situation. Let's look at what a good plan should entail.

BE AVAILABLE

Tenants get frustrated when it feels like they're not being heard, especially if they have a maintenance need. Being available and communicating with them is the first step to keeping tenants happy during the maintenance process.

We have a 24-hour maintenance line that tenants can call to speak with a live per-

son. You probably don't need that for just a few rentals, but you do need to be willing to answer night and weekend calls.

SET EXPECTATIONS

The majority of tenants are very realistic when you communicate to them what your plan is to deal with a maintenance issue. The most important thing is to actually stick to the plan, so they know that when you tell them something, it's going to happen.

Sometimes issues happen outside of your control, and your plan doesn't go well – perhaps a vendor is late or the part they need is not in stock.

Make sure that the tenant knows there is a new plan and why. They may not be very happy, but communicating this to them will go much better than avoiding the issue and hoping they don't call.

DECIDE WHAT CONSTITUTES AN EMERGENCY

To a tenant, everything is an emergency. We highly suggest deciding what an emergency is before your tenant moves in. A good rule of thumb is that if it is a danger to the tenant's life or a danger to the home remaining in one piece, it should be considered an emergency.

There are a few other comfort issues that should be handled as an emergency, like heat in the dead of winter or air conditioning in the middle of the summer, which you may consider an emergency as well.

UNDERSTAND THE DIFFERENCE BETWEEN “NORMAL WEAR AND TEAR” AND “TENANT NEGLIGENCE”

Understanding these differences will tell you who is responsible to pay for the repair. Anything that is “normal wear and tear” is your responsibility.

Items that are broken due to tenant neglect would be their responsibility. We always give tenants the example of a faucet handle. If the faucet handle is old and worn out and begins to leak at its seams, then the landlord should cover that expense.

However, if a child cranks down on the handle and breaks it off, then the tenant should pay for it.

You can imagine there is a lot of grey area concerning this. Our only suggestion is to err in favor of the tenant. The tenant staying longer and you not having to turn over the home will be much cheaper than forcing them to pay the \$200 repair.

FINDING CONTRACTORS

If you think finding good contractors is going to be hard... it is. We consider this our toughest challenge as property managers. Finding good, reliable, reasonable

contractors requires a good bit of time and a little luck.

When you find someone you like to use, make sure you receive a copy of their insurance and make sure they have both liability insurance and worker's compensation insurance. If they don't, you could be liable if an accident were to happen.

You should not only ask them but make them show you a copy of their policy. This is very important. Don't use uninsured contractors, no matter how much money you save. It is not worth the risk.

Why is it so vital to know if the contractor you partner with is licensed and insured? There are several reasons you shouldn't let someone who is not licensed and insured work on your property:

1. **They can get hurt on the job and sue you**

What happens if an uninsured contractor falls off your roof and injures him or herself? They can sue and possibly take you to the cleaners. What would that do to your future returns on that property?

2. **They can install your equipment incorrectly**

If you're dealing with someone who is not licensed or insured, you are most likely dealing with someone who is not the best at their skill.

Around 2007, we were trying to get HVAC installed on one of our rentals for cheap.

We found a guy we liked, and he installed a unit that saved us at least a thousand dollars. It wasn't until later that summer when our tenant got their enormous power bill (\$900) that we realized he had wired the unit wrong. We had to install a new system to replace that one. It came out of our pocket because this part-time HVAC "specialist" didn't have a warranty, and he wasn't around anymore. Lesson learned.

3. They can do your work and then disappear overnight.

These types of contractors typically aren't in business long. This will cause problems if you need warranty work down the road and you can't find them. Or, if they take their initial draw and never show up again. We learned that the hard way a time or two.

Keep in mind that finding a good contractor is a necessity no matter what type of property you purchase. Even if you buy a new house, you'll eventually have repairs to be made. It's best to start developing a relationship early so your work will be carried out faithfully and on time.

We have a maintenance department here at evernest.co and our Director of Maintenance monitors everyone's work and makes sure all of our employees have the proper insurance and designations for their trade.

So how do you know if the person you're considering is licensed and insured?

Here are some helpful tips:

- Call your state Home Builders Licensure Board and ask for a list of contractors who carry a license.
- Ask the contractor you're considering to show you their card proving they are state-certified. These cards typically have a hologram on them that cannot easily be fraudulently reproduced.
- For liability insurance and workers' compensation, it's best to have the insurance provider fax or email you the full ACORD Form directly. This will eliminate the opportunity for an uninsured contractor to provide you with fraudulent documents.

There are plenty of warning signs that you may be dealing with a less-than-reputable contractor. At the beginning of our real estate career, we used these fly-by-night contractors because they were cheap and we thought they were saving us money.

In the short term, maybe... but over time we ended up spending more money repairing their repairs, and we lost several good tenants because of shoddy work. The extra repair work and the additional months our houses were vacant put us behind on our investment goals.

So do your homework and make sure you find someone you can trust and who does a great job. In the end, you'll be glad you did!

Having a plan for the maintenance call should save you both time and money when it actually happens. And it will. It is so important to remember that this is the silver bullet to property management. Get this right, and you will be well on your way to having a happy, long-term tenant.



CHAPTER 11:

The Turn – When A Tenant Moves Out

Eventually, tenants will move out. Even if it takes them 21 years.

But depending on your goals and objectives, this may not be a bad thing. You may be ready to move back into your house, or you may be ready to sell it... or maybe not.

If your tenant moves out and you plan on renting again, there are probably some things that need to happen. We call this “the turn.” It’s when a tenant moves out and we get the property ready for another tenant to move in.

There are some simple steps to completing a turn – from move out to move in – that you’ll want to understand. And the sooner you can plow through this process, the sooner you’ll be collecting rent checks again.

Once the tenant has moved and returned keys to you, you’ll need to walk the home and look for repairs – both “normal wear and tear” and “tenant neglect.” Keep a running list of both items as you walk the home.

We highly suggest taking pictures of all needed repairs, but make sure you take plenty of pictures of the repairs that are due to the neglect of the tenant. It will also help to have a copy of the move-in report you created and the one created by the tenant.

As you walk through, keep a few things in mind:

- You need to be as objective as possible. This, as mentioned earlier, is typically hard if you’ve personally lived in the home. Remaining objective will help you avoid conflict regarding the state the home was left in.
- The home should be left in the same condition it was when the tenant moved in, except for “normal wear and tear.” That means that since you mowed the yard before they moved in, the yard should be mowed. Additionally, if you cleaned the carpets, the carpets should be cleaned for you. It is the responsibility of the tenant to return the home to the same condition you turned it over to them in.
- Take your time. Once you refund the deposit, it is very hard to get it back if you find something new.

One year, it was unseasonably cool throughout the spring. We did a walk-through of a home and found that the tenants had left it in reasonably good shape. There were just a few minor issues, which we accounted for when we returned the deposit. We quickly turned the home over and rented it to a couple moving in from out of town.

The weekend the couple moved in, it went from unseasonably cold to unseasonably hot. The heat in the home triggered the flea eggs that the previous tenant's pet had left to begin hatching. We had a total flea infestation, and we had no idea. We also had new tenants who were pretty mad.

Even though it would have been hard to stop the flea incident, the lesson is this: Make sure you walk through the home slowly and thoroughly. Be careful to take

your time and make sure you don't miss anything. Missing things can get very expensive, and they can cost you a great tenant.

Once you've done the move-out, you'll need to send the tenant the deposit back less any work you deemed them responsible for. How and when this is accounted for is very specific to state landlord-tenant law; in Alabama, this is currently 60 days.

Now it's time to get the home ready and start the process all over again. Our best advice for this is to make sure the home is as nice as you had it for the last tenant.

It is typical to want to do as little as possible to get it ready. Fight the urge to do this. Making sure the home is first class when the next tenant moves in will go a long way towards keeping them a long time, which is the ultimate goal.



CHAPTER 12:

The Uniform Residential Landlord-Tenant Act

Let me begin this section by saying we are not lawyers.

The closest I (Matthew) got to be a lawyer was telling my girlfriend (now my wife) as a freshman in college that I was going to be an attorney. She can brag to all her friends that she's now married to a property manager.

We highly suggest reading the entire Uniform Residential Landlord-Tenant Act. We know it sounds incredibly boring (it is) or that you think you might fall asleep when you read it (you will)... just don't read it while you are driving. Read it in bed. Just read it.

We've pulled out three things from the law that we believe cause people the most confusion. They cover security deposits, evictions, and what is required for a landlord to provide in terms of essential services.



SECURITY DEPOSITS

What you can and cannot charge for a security deposit and what you can and cannot apply to (and when you can apply it) are very hot topics. Here's the skinny. You can charge more than one month's rent as a security deposit, but be VERY careful. Here is the section of the law that addresses that:

"A landlord may not demand or receive money as security, in an amount over one month's periodic rent, except for pets, changes to the premises, or increased liability risks to the landlord or premises, for tenant's obligations under a rental agreement."

See that, you can only charge a deposit greater than one month's rent when there is a pet, the tenant chooses to change the premises (this does not include people with disabilities – an example would be they want to knock out a wall to get their big-screen TV in the living room) or increased liability risks to the landlord or premises.



We believe you should only charge a deposit greater than one month's rent in obvious cases. A pet is an obvious case. Knocking down a wall: obvious case. You don't like the way they smell: not an obvious case.

If you decide you're taking on an increase in liability over and above what most landlords are taking on, we would suggest having what you deem to be a minimum liability written down, and then note in your file explaining why this person falls below your minimum. It may be safer just to look for a new tenant.

Once the tenant is in the home and you have the security deposit in your account, it's important to know that the law doesn't recognize this money as your money. It still belongs to the tenant. This means that without written permission from the tenant, you cannot take any of it and apply it to the tenant's account for repairs, rent, or late fees.

When the tenant moves out and surrenders the home to you, you will account for the security deposit. State law requires that you send the tenant the money back.

If you've deducted any money, you must include a letter explaining why and giving itemized charges within 60 days (this was updated from 35 in 2014). You will mail this to the tenant's forwarding address or the address of the home if they haven't provided a forwarding address.



EVICITION

Evicting a tenant is never fun. There are a ton of hoops that must be jumped through to get a tenant out of your home. The most important piece of advice when going through this whole process is to make certain you are doing it correctly within the boundaries of the law. Any misstep could require you to start the process over again... from the beginning.

Below is a basic overview of the process. It doesn't cover every detail! Please read the law or seek legal advice to make sure you do it perfectly.

There are two reasons you would terminate a tenant's lease – failure to pay rent or failure to meet any other obligation in the lease (called "material non-compliance" or "material breach"). The eviction happens the same way either way.

The first step is to hand-deliver or send via certified mail a termination notice. You must have all the appropriate information on this notice, which we can't share here.

The termination notice will give them seven days to "cure" their breach of the lease or the lease will be terminated. The lease is not terminated when the notice is placed on the door; it simply threatens

termination if the tenant does not “fix” the problem.

When you deliver the notice, you must attempt to hand-deliver it to somebody – i.e., you must knock on the door and see if someone will answer. Once you’ve attempted hand delivery, you may tape it to the front door.

Your first hope is that putting the notice on their door tells them you mean business and they begin to comply with the lease. If they don’t, and the seven days pass, the next step is to file a lawsuit against them.

If you are a company (e.g., LLC, Inc.) then you will have to engage an attorney at this point to handle it. You can’t file a lawsuit and represent your company in court. If you are an individual and the home and lease are in your name, you may file this lawsuit on your own. Again, seek legal advice if you have any questions. We see people all the time who get to court without being represented by an attorney, and they are turned away. Not fun.

Once the lawsuit is filed, the tenant will be served. The tenant has a period in which to file a response with the court. If they don’t, then you win. If they do, there will be a trial.

At the trial, you need to make sure you bring *everything* pertinent to get this person out. Emails, notes from phone calls, pictures, everything. This isn’t like a murder trial you see on Thursday night television. Rarely does it last longer than 30-45 minutes.

Hopefully, you have all your information and you win the trial, they never answer in the first place, or they never show up in court. The next step is to write and set out.

The judge will file a “writ” to have the person set out of the house. There are times when the judge will give the person a week or two before he files it, but if they aren’t out, it’s filed and sent to the sheriff.

The sheriff has the responsibility of taking the writ or order from the judge and expelling the person from the house. *Do not attempt to do this yourself!*



REQUIRED SERVICES BY LANDLORD

The services the law requires a landlord to perform fall into four buckets:

- **Health and safety** – To even have to put this in the law is a joke, but some people wouldn't even provide a safe place for people to live. As property managers, we see this as our number one responsibility. If it can affect a tenant from either a health or safety standpoint, you are responsible to get it fixed, quickly.
- **Habitable** – This falls in line with the previous one to some degree but takes it a step further. Our thoughts are that you shouldn't let someone live in any condition you wouldn't be willing to live in yourself.
- **Electrical, plumbing, sanitary, heating, ventilating, and air conditioning** – The law specifically states in the section that these are "required to be supplied by the landlord." We believe a good rule of thumb is that if it is a major system (and this includes the roof), then you are required to provide it in good working order.

- **Heat and hot water** – We're not sure why the law breaks these two out separately from the one above, but they are required to be maintained.

These are not the only items required by the law, but they are the items we hear the most about. We highly suggest you read this section thoroughly before leasing a home – for your benefit and the tenants!

There you have it!

We've tried to take the mystery and difficulty out of renting your house and distill it into the important steps you can take to help you get the most out of your rental property.

If you ever need more help,
don't hesitate to
REACH OUT, READ OUR BLOG, OR
WATCH ANY OF OUR VIDEOS.

CONNECT WITH US

I hope these tips will save you time, money, and future headaches when renting your house.

READY TO LEARN MORE?

Schedule a call today to learn more about working with Everest.

Can't wait? GIVE US A CALL AT
(205) 940-6363