

# What reluctant landlords need to know

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Time to sell the house, but the market is sluggish. Should you rent it out instead?

Real estate agents and property managers say more people in areas such as Tarrant County are opting to rent out their homes, although being a landlord can be an expensive headache instead of an easy way out.

"Absolutely, we are seeing an increase in people deciding to lease their homes," says Ginger Pinkerton, property manager for Century 21 in Keller. She and other property managers caution prospective landlords about the potential pitfalls, and it always comes down to this: Leasing out property can be a money-making move for savvy long-term investors who consider it a business. Anything less and you have the potential for trouble.

**Here are basic tips from the pros on how to avoid the landlord blues.**

## **Why being a landlord takes bucks**

It's quite a list.

**If you want good tenants, you have to fix up the home before putting it on the rental market.**

It's common to go 30 to 60 days between tenants. You can get stuck making mortgage payments on two houses.

The cost of damage to a home might exceed what the damage deposit will cover. Many repairs are the landlord's legal responsibility, particularly those that involve health and safety.

"Owners have to have a cash flow," says LaJuan Zachary of Home Sweet Home Property Management in Fort Worth. "If an air-conditioner compressor goes out in August, they have to replace it right away. They can't just wait until they get the rental check in September to fix it," Zachary says.

At the very minimum, a month's rent should be kept in reserve, she recommends.

How to get good tenants

**Check the backgrounds of all applicants.**

At Home Sweet Home, as at most property management companies, Zachary checks to make sure applicants have good credit.

"If they won't make their car payment, then they won't pay their rent," Zachary says. "If they have unpaid utility bills, they won't be able to turn on the electricity."

Her successful applicants must not have had an eviction. They can't have a felony conviction.

Property management companies routinely do such research. Individuals can do similar research by logging on to a tenant screening Web site such as [www.tenantscreeningcreditcheck.com](http://www.tenantscreeningcreditcheck.com). **Expect to pay \$50 to \$60 to find out information about not just credit but also criminal history, registered sex-offender status and whether the applicant is on a terrorist watchlist.**

"You really have to be diligent about who you are letting in your property," says Michael Cade of Prime Realtors Property Management in Arlington.

Consider hiring a property manager

The typical property manager's fee in Tarrant County is half of the first month's rent and then 10 percent of the monthly rent.

**For that price, you can get someone experienced in the details of the law. They know what to include in leases. You also get someone who can handle the midnight calls about broken plumbing. Most important, you have someone nearby who can keep an eye on the house.**

It's a good idea to interview more than one property manager to see what services they provide. Some, such as Zachary at Home Sweet Home, schedule home walk-throughs every three months.

Others, such as Cade at Prime Realtors, don't routinely go inside your rental home.

"The good tenants get insulted and the bad tenants don't want you to come in," Cade says. "You need some program where at the very minimum someone is regularly driving by the outside of the property," he says. Usually, but not always, he notices that when things are going OK on the outside, the inside is fine, too.

Ask your real estate agent if his or her agency offers property management or find managers at [www.narpm.org](http://www.narpm.org), the National Association of Residential Property Managers Web site.

Make friends with a CPA

It's smart to visit with a certified public accountant before you decide to rent your home. An accountant can tell you what records to keep and what to expect for income-tax time.

Many people aren't aware of when they can and can't take deductions on rental property, says Marjorie Kottler, a certified public accountant in Fort Worth.

"A lone star house is a headache on an audit," Kottler says. That "lone star" is her favored term for a single home rented by a casual landlord rather than someone who owns multiple homes and runs a rental business.

She finds one- or two-home landlords don't always keep adequate records to provide the proper documentation for deductions. Potential landlords should prepare to set up detailed home filing systems that keep track of maintenance and improvements, security deposits, advertising costs, mileage to travel to work on the home, homeowners insurance, property taxes and mortgage interest.

It's even better to work with a property management company that keeps those records and provides a report at the end of the year.

When renting is not a good idea

Homeowners often consider renting out homes for six months to a year. Perhaps, they reason, they'll make more money on a sale when the market improves.

Not a good idea, says Pinkerton of Century 21.

"It's not worth the time or energy," she says. "When the lease is up, they'll have to turn around and put all that money back into the house to fix it up for re-sell," she says.

Being a landlord can be expensive, so renting might not be the answer. Look for a Plan B, he advises them. Sell the house. Then sell a car. Have a big garage sale. Raise some money to cover the difference between what you owe and what you'll receive at the sale.

"Leasing isn't always a good short-term solution," says Craig Campbell, a broker at ReMax Advantage in Fort Worth. "But sometimes it is the only choice. Lease or foreclose."

**Courtesy of JB Goodwin**