

Cash Cow Renters

**Long-Term, Low-Maintenance
Tenants for High ROI**



**What'd we
talk about
last time?**



Recap: Module 1

Goal #1: 0% vacancy rate

Marketing pre-vacancy

Curb appeal

Tenant-proofing tips

The 1-day turnover

Amenities for the win

In this Module

Advertising for the right audience

An easy rental listing formula for success

Fair Housing laws and avoiding trip-ups

**Why aggressive tenant screening =
mission critical**

Specific tenant screening tactics

Allowing – and profiting from – pets

Advertising

Put Don Draper to shame



Advertising: Start with Broad Strokes

First move: submit the rental listing to a syndicator.

Example: HotPads.com (lists on most of several major rental listing websites, including Zillow and Trulia)

Craigslist does not accept syndicated listings, so consider also adding your rental listing on Craigslist.org.

Advertising: Start with Broad Strokes

Consider using a Realtor, or a listing service that will submit your listing to the MLS. There are flat-fee services that will do this.

Drawback: expense

Do use social media (e.g. local real estate groups). Becoming one of the most popular places applicants look!

Advertising: Finer Strokes & Targeting

In some markets, it's enough to throw your listing up on the most mainstream rental listing websites.

Works for mainstream, middle-class renters

In other markets, you need to niche down further!

Advertising: Finer Strokes & Targeting

Who is your ideal renter?

Where & how do they find new housing?

Examples:

- **Older renters might use newspapers**
- **Incoming grad students might go through college housing bulletin board**

Advertising: Finer Strokes & Targeting

Another example: Hispanic renters may be looking at Spanish-language circulars, or with the local Hispanic community center!

Large corporations such as Aetna, United Health, TEVA, Boeing and the like may also have executives looking.

**Bottom line: get in the mindset of your renters!
Don't assume they operate like you would!**

When in doubt, ask around.

Listing Formula

No calculus required

The image shows a handwritten derivation of the maximum likelihood estimator for the mean of a normal distribution. The derivation starts with the log-likelihood function $l(\bar{x}) = \ln(f(\bar{x}))$ and proceeds to differentiate it with respect to \bar{x} . The derivative is set to zero, leading to the equation $\sum (x_i - \bar{x})^2 + n(\bar{x} - \mu_0)^2 = 0$. This equation is then rearranged to show that the maximum likelihood estimator for the mean is the sample mean \bar{x} .

$$l(\bar{x}) = \ln(f(\bar{x})) = \frac{n}{2} (\ln(s^2) - \ln(s^2 + (\bar{x} - \mu_0)^2)) - \frac{1}{2s^2} \sum (x_i - \bar{x})^2 - \frac{1}{2s^2} \sum (x_i - \mu_0)^2$$
$$\frac{d}{d\bar{x}} l(\bar{x}) = \frac{n}{2} \left(\frac{1}{s^2 + (\bar{x} - \mu_0)^2} \cdot 2(\bar{x} - \mu_0) \right) - \frac{1}{2s^2} \sum (x_i - \mu_0)^2 = 0$$
$$\sum (x_i - \bar{x})^2 + n(\bar{x} - \mu_0)^2 = 0$$
$$\bar{x} = \frac{\sum (x_i - \bar{x})^2 + n(\bar{x} - \mu_0)^2}{\sum (x_i - \bar{x})^2}$$
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Listing Formula

Headline Formula:

X bd/Y ba (adjective) (property type) in (neighborhood) with (best amenity)

Example:

3 bd/2.5 ba spacious townhouse in Fells Point with jacuzzi on rooftop deck

Listing Formula

Photos:

- ❖ **More = better**
- ❖ **Better light -> better photos**
- ❖ **Property must be spotlessly clean!**
- ❖ **Take shots from many vantages (low, eye-level, high-angle) and from every corner of each room**
- ❖ **Use a real camera if possible!**

Listing Formula

Description Formula:

2-3 sentence description that hooks attention and reels them in.

Think like a marketing executive, and use terms like “bright,” “airy,” “spacious,” “cozy,” “gorgeous,” “smart home,” “green,” “energy-efficient,” etc.

Listing Formula

Description Formula:

Then bullet points, listing all the amenities and property details

Wrap it up with another 2-3 sentences, meant to reinforce just how spectacular this unit is!

Avoid Fair Housing Pitfalls

**Wrong steps are
easier than you
think!**



Fair Housing Laws

Very easy it is to inadvertently break Fair Housing laws!

“Implicit discrimination” increasingly prosecuted by HUD

Example: when older tenant complained about neighboring children’s noise, PM charged after trying to fill next vacancy with tenants without kids

Fair Housing Laws

Example: if most of neighborhood belong to one church, and find their housing through that church's "Local Services" board, you'll want to advertise on it...

...but you can't ONLY advertise on just that board, or else it's "implicit discrimination" based on religion!

Fair Housing Laws

(Another reason to always advertise on syndicated websites, not just niche publishers)

Rules to Follow:

- Never describe the “ideal renter” (even if it’s a shoebox that could only physically fit one person)**

Fair Housing Laws

- **Never make policies involving children**
- **Never offer selective discounts (e.g. senior discounts to attract older renters with no children)**
- **Run criminal checks, but you can't have a policy against ex-cons (HUD declared this "implicit discrimination")**

Fair Housing Laws

- **Always run credit and eviction history reports – it provides defensible evidence for why you chose one tenant over another, if challenged**

Fair Housing Laws

Criteria you CAN use to qualify renters:

- **Income**
- **housing history**
- **employment history**
- **credit history**
- **criminal history (to a point)**



Show Time Folks

SHOWING TO PROSPECTS

- **Try and make several showings at once. It saves time plus it creates a sense of urgency in your applicants.**
- **Get cell phone number and email from every prospect during phone screening!**
- **Contact them one hour ahead of showing time to confirm.**

Showing to Prospects

Start with phone screening, asking about income, past evictions, how long they've been in their current home, pets (more in a minute), and any other criteria important to you.

DON'T SCHEDULE SHOWINGS if the person doesn't meet your criteria!

(Eliminate wasted time)

Showing to Prospects

Look for clues and red flags.

Check out their car, if applicable. The conditions of one's car reveals much

How are the children behaving?

Ask questions, keep aware for inconsistencies.

STOP – LOOK – LISTEN!

**Screening:
Most
Important
Landlord
Activity!**

Prevention

Cure



Why Tenant Screening Is Crucial

Our case: screening is the single most important activity a landlord does

Why?

Evictions and turnovers = the biggest ROI killers for rentals

ELIMINATE THEM!!!

Why Tenant Screening Is Crucial

Most of the headaches and expenses landlords face come from bad tenants!

Let them ruin some other landlord's returns

If you learn one thing from this course, learn this: your returns are directly based on the quality of your renters

Why Tenant Screening Is Crucial

Remember: you're looking for 3 things in a cash cow renter:

- 1. Reliable on-time payments**
- 2. Respectful & careful treatment of your property**
- 3. Indefinite renewals – staying for decades to come**

Tenant Screening 411



Tenant Screening

Hand prospects a comprehensive rental application (included – see Resources section)

If you don't use our screening service, collect application fees on the spot

(Our screening service can charge the applicant directly)

Tenant Screening

Start by running:

full credit report

nationwide criminal report

nationwide eviction history report

(whether you use ours or someone else's service)

Tenant Screening

References to Call:

- ✓ **Direct Supervisor – ask about their reliability, character, odds of continued employment**
- ✓ **Employer HR Department – confirm income, start date, odds of continued employment**

Important Tenant Screening Tips:

- ✓ **IF you have a self-employed applicant, ask for a copy of tax return or 3 months of bank statements.**
- ✓ **Renters with pets, screen the pets by getting veterinarian references!**



Tenant Screening

References to Call:

- ✓ **Current landlord – confirm occupancy dates, history of late payments, how they treat the property. Look for ANY hesitations or equivocating!**
- ✓ **Prior Landlord – likewise. More likely to give candid feedback!**

Tenant Screening

If you have a self-employed applicant, ask for a copy of tax return or 3 months of bank statements. Consider contacting their business vendors.

References to Call:

- ✓ **Personal Reference – ask probing questions about their reliability, honesty, character. Any hesitations at all are a HUGE red flag.**

Beyond Paper Screening

**People can look
good on paper. Real
life doesn't lie
though!**



Beyond Paper Screening

Inspect their current home!

Give minimal notice – you want to see how they treat their home on a normal day

Cleanliness (particularly kitchen & baths)?

Damage?

How do the walls and floors look?

Beyond Paper Screening

Remember: you are literally handing over an asset worth hundreds of thousands of dollars.

Don't do it lightly.

This is where to invest your labor, so you can sit back and enjoy your property as a cash-printing machine for years to come!

Pets

Simple rules for
higher ROI



I put a wig on our dog...

...You should've seen the look on the
mailman's face.

Pets

Nearly 2/3 of North American households have pets!

Pet owners have a harder time finding new housing

Read: opportunity to keep them longer, if you meet their needs!

Screen the pets also, by getting veterinarian references!

Pets

Consider allowing pets, but charging:

- 1. Refundable pet deposit (~\$250)**
- 2. Monthly pet rent (~\$25/month/pet)
and/or**
- 3. Nonrefundable pet fee (~\$250)**

Pets

Protect your flooring!

As we discussed in Module 1 – carpet and hardwood floors are vulnerable to pets

Use your lease to require dog claws to be kept trimmed, and make tenants liable for floor scratches!

Wrap It Up!



Wrap-Up

Advertise your rental both with the big nationwide websites, and with niche, local publishers

The rental listing is an advertisement – think like a marketer!

Fair Housing laws: easier than you think to mess up. Follow our rules!

Wrap-Up

Tenant screening = most important thing you do as a landlord. Prioritize it!

Pets can be profitable 😊

Bigger Picture – ADE

Want double returns while working half the hours?

Better ROI comes from minimizing turnovers, evictions & vacancies. How? Through aggressive tenant screening!

Never, make exceptions or take risks on rental applicants – either you're 100% confident in a prospect, or you should keep looking.

Coming Up Next

Using your lease as a legal shield

Inspection and Condition Reports

Repairs & Maintenance

Setting the Stage to Eliminate Expenses

Security Deposits and “Normal Wear & Tear”

Insurance & Covering Yourself – Physical and Personal Security

Module 2 Out

See You on the Flipside!

