

Legal Protection

**The Lease: Peace of Mind,
Not Just a Piece of Paper**



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



Recap Module 2

Advertise for the right audience

An easy rental listing formula for success

Avoiding trip-ups with the FHA laws

Aggressive tenant screening is VERY important and how specific tactics ensure a good tenant.

Pet's can be profitable but use caution.

In this Module

Why is a lease needed, anyway?

Essentials in a lease

Inspection and Condition Reports

Think long term

Repairs and maintenance

**When Can I Enter the Rental Unit &
Inspections**

In this Module

Pets – Yes or No?

Security Deposits and “Normal Wear & Tear”

Insurance & Covering Yourself – Physical and Personal Security

Prevent evictions using your lease

Disclosures, Addenda, Oh my!



I Agree



Why do I need a lease?

**It protects you and your rental property
(two of your biggest assets!)**

**It sets boundaries and delegates
responsibilities**

Provides consequences

What makes a good lease?

Landlord-protective language

State/province compliant

Essential clauses to protect your investment

Details! Details! Details!

Inspection Reports Eliminate Doubts

Include pics

**Go through each room, inventory items
and condition**

Get the renter's acknowledgement

Make it part of the lease!

Lease Length: Periodic

Periodic is ongoing – e.g. month-to-month or week-to-week.

They continue until either landlord or renter provides notice.

Some leases automatically convert from fixed-term to periodic (we don't recommend)

Often periodic leases cost more per month

Lease Length: Fixed

Fixed-term leases contains a pre-set ending date

Fixed-term leases can end on the ending date, continue for another term, or continue periodically (month to month)

Fixed-terms do not always mean one year!

I am confused!

Which one is better?



Fixed-Term vs Periodic Lease

We have touched on why turnovers are ROI killers, and will go into more detail in the next module

Turnovers are labor-intensive (not conducive to our goal of half the labor hours worked!)

Fixed-Date vs Periodic Lease

Periodic leases provide a way out for the renter at any given time with notice

Fixed-term leases can build in rent increases with automatic renewals (more on this in Module 6)

THE WINNER IS:



Winner Every

The Fixed Long-
Term Lease is a
CLEAR WINNER!

When is a good time to use a periodic lease?

**The landlord may make change conditions
at any time with proper notification.**

**Depending on situation, such as selling
the property, or a desire to move in
yourself; it provides the ability to regain
possession quickly.**

There is a chance to collect a higher rent.

**Remember:
End All
Leases in
April or May!**

**In the worst case scenario,
and your tenants balk at the
rent hike, they'll be much
easier to replace**



Lease Tips/Tricks

Make sure that you have tenants initial important sections. This provides proof that they read and understood!

**Make the last day of the lease, one day before the last day of the month.
Turnover in one day = no lost rent!**

More Lease Tips & Tricks

Be specific about guests!

Include clause establishing quarterly or semi-annual inspections

Be detailed and use a good template that permits you to adjust according to the situation (can you say editable?)

Repairs
&
Maintenance



Repairs and Maintenance

Should I make tenant responsible for all, some or none of the repairs & maintenance (and could there be any laws or regulations against it)

What is a Warranty of Habitability?

What constitutes an emergency?

Handling emergencies (fire, flood, etc.)

Who Does What???

In an effort to make sure that your investment is properly taken care of: not a great idea, having the tenant responsible for everything.

Try the under 50 rule (where permitted). All repairs under \$50, the tenant takes care of.

Some states restrict making the tenant responsible.

Lead in: Warrant of Habitability

What is “Warranty of Habitability”?

-
- Most jurisdictions read residential leases to include an implied **warranty of habitability**.
 - This **warranty** requires landlords to keep their property "**habitable**," even if the lease does specifically require them to make repairs.

(from Legal Information Institute)



Warrant of Habitability

Read: LANDLORD BEWARE!

Among the most popular defenses a tenant uses if taken to court:

“The Landlord didn’t fix it!”

***Check your state’s/province’s landlord-tenant law regarding what the landlord responsibilities legally are.**

Right of Entry

“Well, it is my property! I can go in whenever I want!”

NOT!!!

Every state & province has regulations for when and when not a landlord may enter.

Right of Entry

There are also strict regulations on advance notice

And laws on when the tenant must permit it and when they can say “No”

Establishing Entry

**Your lease lays the
groundwork!**



Inspections

Get into the habit of regular inspections.

At least every 6 months or even every 3

If there are pets, do more!

Make sure your lease includes inspection clause

Give written notice (like we just discussed!)

Property Showings

As mentioned in Module 1: start showing property 4-6 weeks before tenants move out

Include lease clause requiring tenant cooperation!

Property Showings

Clause should includes keeping the property spotlessly clean during showings

Include consequences for security deposit if tenants breach this Cooperation with Showing clause!

Petsssssss

Protect...



Service & Support Animals

- You cannot refuse to rent to someone who needs a service or support animal!**
- You can not charge extra rent, security deposit for them!**
- Two conditions renter must meet:**

Service & Support Animals

- 1. Does the renter have a diagnosed disability?**
- 2. Does the disability require the need for a service or support animal?**

(BTW: The landlord may request verification of this from renter's health care provider)

Pets and the Lease

Pets cause more wear and tear.

If the law permits:

- **charge a higher security deposit and/or non-refundable pet fee**
- **charge extra \$\$ in pet rent! (Consider \$25-45/month)**

Pets and the Lease

Make sure that you have explicitly described the pet in the lease. Why? So that your renter does not start a zoo!

Describe rules, rules and rules in the lease

Leave an option in the lease that if the pet or renter does not follow the rules, pet must go!

(or the renter)

Security Deposits

Protection against:

- **Non-payment**
- **Physical Damages**



Security Deposit Musts!

Most states & provinces have limits for:

- 1. How much you collect**
- 2. Where the money is placed**
- 3. What it can be used for**
- 4. Interest**
- 5. How to return it**

Security Deposit Musts!

Do not spend it (it's not yours!)

**Do not mix it in with your money
(commingling)**

**Use the inspection, we spoke about
earlier:**

Security Deposit Musts!

- ✓ **Fill it out at the beginning of the lease. Have your renters sign. Take pics. Scan it into computer and file the hard copies in a safe place.**
- ✓ **Pull it out at the end of the lease and use it as you walk through (with the renter), detailing ALL issues.**

Security Deposit Refunds



**Know your state/province law for return
BEFOREHAND!**

Follow it to a “T”

Document, document, document!

**Understand how to protect yourself from
“normal wear and tear” by putting strong
provisions in the lease!**

**Insurance &
Liability:
Cover Yourself!**



Insurance and Personal Liability

Require your renter to get renter's insurance (in the lease)

Failure to do so = lease violation

This helps protect you against liability for guests injuries as well as loss of the renters personal items

Check with your own insurance policy for what is and is not covered! Be prepared!

Insurance and Personal Liability

Before you accept pets, make sure that you will not be on the hook if that pet hurts someone!

- **Check to see if that pet is on the “dangerous” list.**
- **Get thorough information on the pet, vet records, etc.**
- **Check for local breed restrictions**

Insurance and Personal Liability

- **Check for local breed-specific regulations**

Example: In Baltimore, the LANDLORD is liable if a tenant's pit bull attacks someone

Disclosures, Addenda, Oh My

- **More protection**
- **State/province compliant**



Addenda & Disclosures

These are terms and conditions added to the lease.

A disclosure such as the Lead Paint provides documentation that the renter was informed of something.

Addenda are add-ons to the lease to expound on terms. For instance, a pet addendum can spell out all the specifics with regards to the renter having a pet.

Addenda - Disclosures

Many states have specific requirements to document items. For instance, New York has specific laws and disclosures a landlord must use in high rises that house children (regarding window guards).

All homes built before 1978 must include a Lead Paint Disclosure.

Addenda - Disclosures

Check with your state requirements! And it is not only on state level. If you live in larger cities like Philadelphia, Chicago or Baltimore – there are other disclosures that may be required.

Use of proper contact additions can eliminate not only issues with your renters, but also keep you in compliance with your authorities.

Eviction

Can be prevented by proper terms and conditions in the lease.



Eliminating Eviction

Eviction is a cash killer!

So, avoid!

Detail your requirements in the lease

Specify what will happen if they are violated.

Eliminating Eviction

And do not turn your head when one is violated! Send a notice, point to the lease section that is violated.

(more on this in coming modules)

Wrap It Up!



Wrapping It Up

A strong lease:

- ✓ **Dictates in writing the rights of all parties**
- ✓ **Delegates who is responsible for what**
- ✓ **Eliminates bad behavior**

Wrapping It Up

Use an inspection form and make it a part of the lease. This helps with any question of normal wear and tear along with whether any damage existed or not.

Accept, process and return the security deposit explicitly as the law dictates!

Be very exact with your pet policy to eliminate future conflicts

Wrapping It Up

Know your rights before entering the property.

Include regular inspections and showing to applicants (with consequences for violating!)

Know what you must keep in repair in order to eliminate any arguments with your tenant.

Bigger Picture – ADE

Having a lease in place spelling out how rent is paid, who does what will allow you to:

Delegate responsibilities – there will be no questions!

Bigger Picture – ADE

Automate – Renter will come to know what to expect as notices, rent and the like are automatic according to the lease.

Eliminate bad behavior thus reducing the likelihood of eviction.

Coming Up Next

Automating Rent Collection

- **The drawbacks of checks and cash**
- **Pros & cons of ACH and credit card**
- **Deducting rent from tenant's paycheck**
- **Pros & cons of PayPal, Bitcoin & other alternative options**

Module 3 Out

See You on the Flipside!

