What'd we talk about last time?

Quick Recap

Why your lease is your shield (liability)

Why your lease is your properties' shield (the SD & physical damage)

Lease clauses for protection

Addenda & disclosures you need

Overview of other legal documents

In this Module

Evictions are ROI nightmares (and don't just happen to other people!)

The magic bullet: turnover prevention

Why not take checks

Why not take cash

In this Module

Automation options

Choosing an option based on your property

Alternatives: PayPal, Bitcoin, etc.

Evictions Suck

For everyone involved

A Few Words on Evictions

Ever had an eviction? You know how much of a nightmare it is

Average cost according to our friend Lucas Hall at Landlordology: $5,350

WE'RE NOT FEATURING THAT!!!

A Few Words on Evictions

And it's not just money (although that stings)

You have to:

- Serve eviction notices

- Wait a waiting period

- Appear in court

A Few Words on Evictions

- Wait for the court to schedule an eviction date

- Appear for the actual eviction

- Change the locks

- Clean up the (inevitable) mess left by the renter

A Few Words on Evictions

- Repair the property damage
- Market the property for rent (while carrying the vacancy)
- Show it
- Collect applications
- Screen applicants

A Few Words on Evictions

- Prepare and sign a new lease

- Do a move-in walk-through

- Try to not become a cynical misanthrope

A Few Words on Evictions

Whew!

In other words, a nightmare

And don't think it only happens to other landlords! You leave your tenants to their own devices, sooner or later you'll have unpaid rent

Turnovers

Starting to understand why turnovers and evictions are profit-killers?

If there's a magic bullet in working less and earning more, it's cutting turnovers to the bone

More on this later! For now, automating rents ☺

Why Checks Are No Good

Delivery delay

They bounce!

- Another delay

- Banks charge you too!

They're extra labor – you have to deposit them

Why Cash Is No Good

No paper trail

That means it's labor for you to create one! Bookkeeping, receipts, blah

Also invites He Said/She Said situations with your tenant

Unwanted attention from Uncle Sam

Other Options

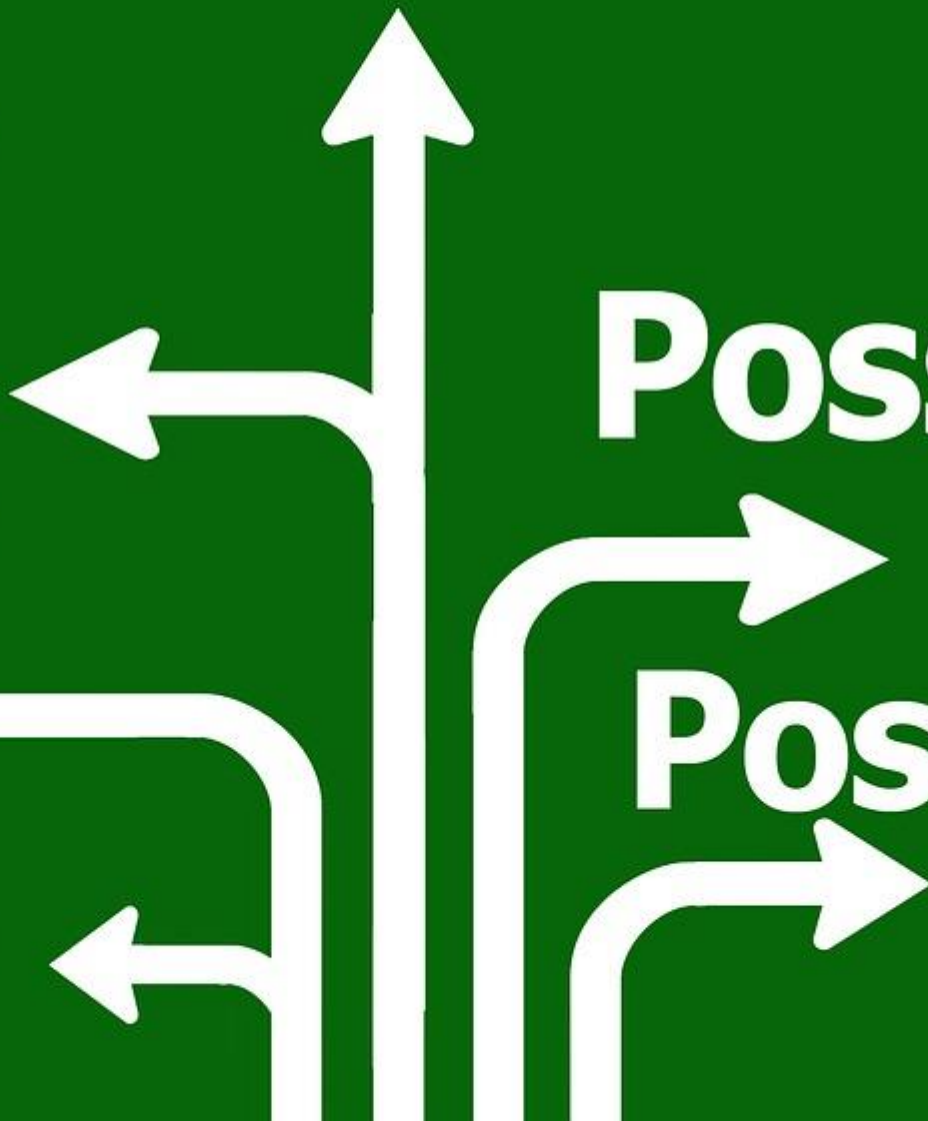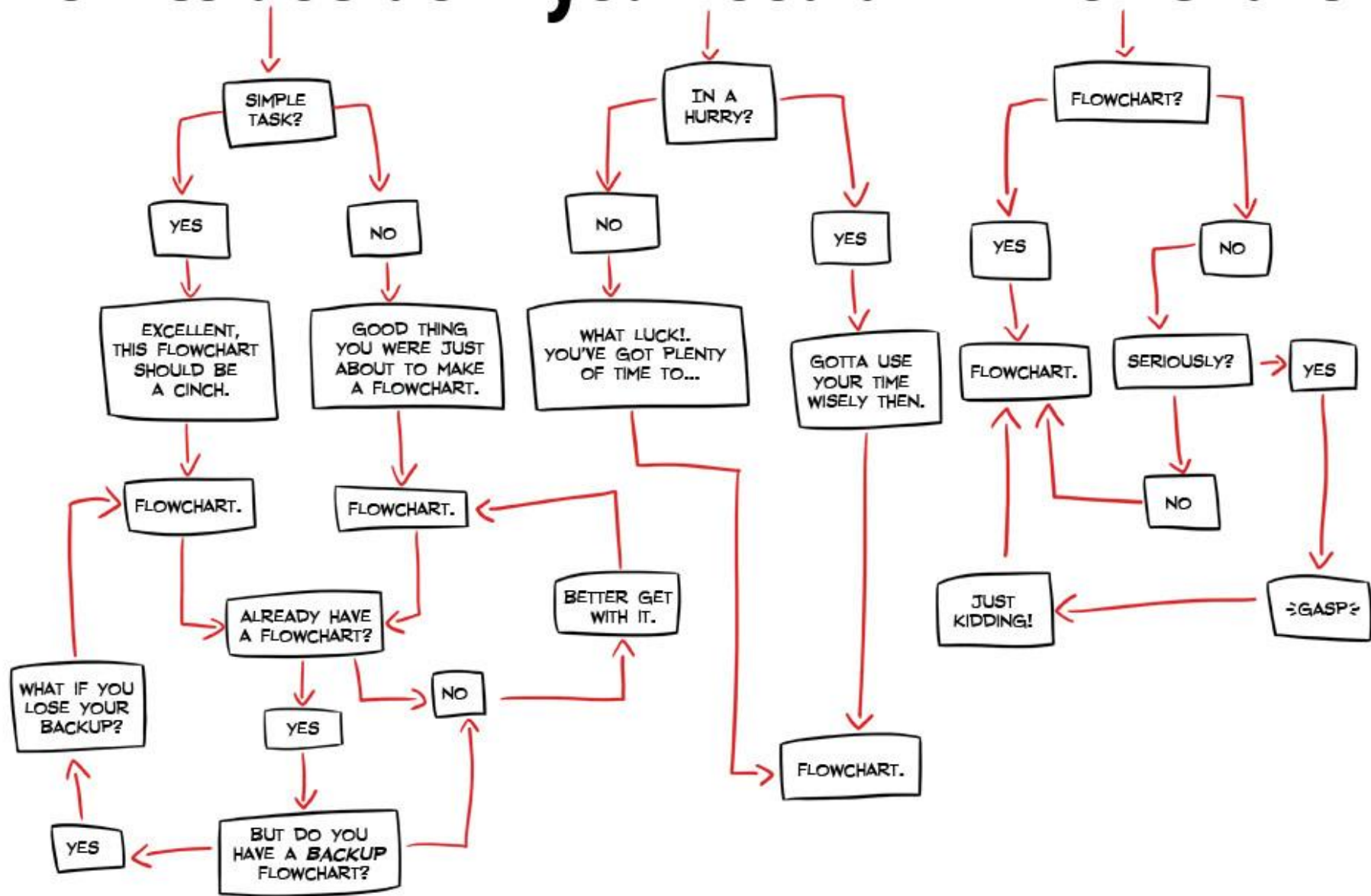Bank transfer (ACH)

Credit card

Deduction from the tenant's paycheck

PayPal

Bitcoin & other cryptocurrencies

How to decide if you need a . . . flowchart.

How do you decide?

SIMPLE TASK?

YES → EXCELLENT, THIS FLOWCHART SHOULD BE A CINCH. → FLOWCHART.

NO → GOOD THING YOU WERE JUST ABOUT TO MAKE A FLOWCHART. → FLOWCHART.

IN A HURRY?

NO → WHAT LUCK!. YOU'VE GOT PLENTY OF TIME TO...

YES → GOTTA USE YOUR TIME WISELY THEN. → FLOWCHART.

FLOWCHART?

YES → FLOWCHART.

NO → SERIOUSLY? → YES → NO

ALREADY HAVE A FLOWCHART?

YES → BUT DO YOU HAVE A BACKUP FLOWCHART? → YES → WHAT IF YOU LOSE YOUR BACKUP?

NO → BETTER GET WITH IT.

≈GASP≈ → JUST KIDDING!

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ACH & Credit Card

Advantages:

➢ Free for the landlord

➢ ACH = free for the renter, too

➢ Less easy to bounce

➢ Can be reported to the credit bureaus

ACH & Credit Card

Advantages:

➢Deposited right in your checking account

➢ACH allows recurring transfers

➢Credit card lets renters pay even if strapped for cash that month

ACH & Credit Card

Disadvantages:

➢ Still takes a few days to transfer

➢ Payment still requires action from tenant (leaves the option to default)

➢ Credit card payments can be a slippery slope for irresponsible renters

We offer these services!

...but if you don't use us, we'd rather you use a competitor than no one!

ACH & Credit Card

Use a service like SparkRental to accept rent via ACH & credit card for A & B Class properties

➢Generally more reliable renters

➢Less "forced compliance" necessary

➢Higher-end renters may balk at the alternative:

Deduct Rent from Tenant's Paycheck

Pretty nifty, eh?

We think so!

Great for C & D Class properties, and higher-risk renters of A & B Class properties

True automation of rent collection!

Deduct Rent from Tenant's Paycheck

Cost: 3.8% of the rent

Can be paid all by landlord or tenant, or split 1.9% each

Rent accumulates in holding account, then deposited to landlord's checking account on 2nd business day of month

Alternative
Options

(ready to get
alternative?)

PayPal

...is OK. I've used it in the past.

Main advantage – instant transfer

Comes with several disadvantages though

PayPal

Disadvantages:

➢ **Money must then be transferred to your real checking account to be useful**

➢ **...which causes a delay, and...**

➢ **...which is NOT automated!**

PayPal

Disadvantages:

➢ **All parties need to have a PayPal account (which must then be connected to each party's bank accounts)**

➢ **PayPal puts goofy limits on your account (e.g. how much can be transferred per day)**

Bitcoin & Cryptocurrencies

Lots of potential for growth in the future.

Disadvantages:

➢Highly unstable value

➢Security – remember Mt. Gox?

Bitcoin & Cryptocurrencies

Disadvantages:

➢ **All parties need to have an account on a cryptocurrency exchange**

➢ **Different currency! Must be converted to USD to be useful**

➢ **Converting on CC exchanges is not trivial**

Action Steps

Spend 10-15 minutes looking at online payment platforms (cough – look at SparkRental.com first!)

Decide if how far you want to take rent automation, on a scale from "cashing paper checks" to "rent automatically deducted from the tenant's paycheck"

Hierarchy of Payment Options

- Rent deducted from tenant's paycheck

- ACH / credit card online platform

- PayPal

- Bitcoin & Cryptocurrencies (nerds only!)

- Cash

- Checks

Action Steps

Remember, there's no commitment!

If you don't like an online platform, you can always go back to doing things like it's 1957

Wrap It Up!

Best tailgate wrap EVER

THE ONLY WAY IS
LA FWAY
CALL TODAY! fway!

Wrapping It Up

Evictions are ROI nightmares (and don't just happen to other people!)

The magic bullet: turnover prevention

Checks and cash still "work", but horses still work for transportation, yet we still drive cars nowadays!

Wrapping It Up

Electronic rent options including:

- ACH & credit card

- RentDeduct

- PayPal

- Bitcoin & other cryptocurrencies

Wrapping It Up

Decide based on the quality of your rental properties and the risk-factor for each tenant!

Bigger Picture – ADE

Today's module is all about AUTOMATION

'Nuff said!

Coming Up Next

"The Good Books:" Tracking Income & Expenses

➢Why accurate bookkeeping matters

➢What data you NEED

➢How to automate & delegate bookkeeping