Step Five: Payoff

Step five is the final step in the tenant selection process. It is the icing on the cake or where we "reap our rewards," so to speak. It is the payoff step. Here you sign your rental unit over to your new tenant and hopefully receive monthly rent on time with very few problems for years to come. The payoff step is what makes landlording lucrative and worthwhile.

CHAPTER 18

Rules and Regulations

Congratulations! Once you've completed step four (processing) of the tenant selection system, you will have found a tenant who should satisfy the tenant qualifications you have established. The first four steps in the tenant selection system all lead to this fifth and final step, and without each of those steps, the fifth might not ever happen. Before we examine this final step, let me remind you of those first four steps:

1. Prepare
2. Prequalify
3. Paperwork
4. Process

Because of the proper application of each of these four steps, the fifth step should be the easiest and absolutely the best step of the process. That step is titled *payoff!* Actually, it is not so much a step as it is a reaping of rewards, per se. The payoff is relatively easy because it only requires reviewing and signing all the appropriate paperwork, collecting of necessary monies, and turning over the keys to the new tenants.

Call the Tenant

The first thing you will need to do to begin the payoff process is call your tenant applicants and let them know they are no longer an applicant but will now be regarded as tenants. In simple terms, *they made it!* After they calm down from their excitement about being selected, you will want to make an appointment with them so step five can be completed in its

entirety. Here are a few tips to keep in mind when you set up your appointment:

- Try to pick a convenient time so all parties signing the lease can be present for the paperwork and transferring of keys. You don't want to do this step more than once.
- Allow enough time to do all needed items thoroughly. One to one-and-a-half hours should be sufficient.
- Have the tenants bring any information or proof of items you may not have verified yet. This can include meeting all family pets.
- If you request that utilities are transferred to the tenants' name before lease signing (a good idea), let them know at this time and give out the utilities phone numbers if you have them.
- Before you meet, explain to the tenants how you wish to collect your beginning rent, security deposit, and other monies. Let them know if you want cash, check, or cashier's check. Be prepared to give a receipt for any cash collected.
- Just like I recommended in step three, I suggest keeping a file in your briefcase labeled "step five" or something to that effect. Inside of it, keep copies of the forms you'll need when you review and sign all the paperwork.

If it will be some time before the tenant signs the lease, get a substantial nonrefundable holding deposit for the rental. You do not want to wait for them to sign a lease without such a deposit, because should your tenant applicant back out at the last minute, you will be stuck with the costs of holding the empty unit.

The Rules and Regulations

Day of Reckoning

Once the big key-exchanging day arrives, you will explain the procedures, rules, regulations, and all information that will make co-

existing with your tenants easier and more professional. The first item I recommend reviewing is your Rules and Regulations sheet.

Besides your lease, your rules and regulations are the best way to keep things under control in your rental unit. These rules and regulations instruct a tenant about how to best live in harmony with you as well as with their neighbors for the time they occupy the dwelling. I suggest you review all rules and regulations with your new tenants before you sign the lease or hand over the keys to the rental. You want to make sure they can abide by your rules before they take possession.

Begin this session with two copies of the Rules and Regulations. Give the new tenants a copy of your house rules. You can use a copy of mine if you do not have any already written down. Simply obtain a copy off our website at www.FindThatQualityTenant.com. They can read from their copy as you go over the details from your copy. Cover each topic individually, answering any questions as they pop up. Once all the rules and regulations have been thoroughly reviewed, have your new tenant read the closing statement on the form and if they agree, have them sign the line at the bottom of the last page. That closing statement reads as follows: *I have read and had the house rules and regulations explained to me in their entirety and agree to abide by those set rules. I also have been shown how to use and maintain both the fire extinguisher and smoke alarms and will check them monthly.*

Not only will you want them to sign and date the last page, but make sure their initials are on every rules and regulations page in the space provided. Once every page is signed and dated, you will keep the signed copy for your file. Leave the unsigned copy so the tenants will have easy reference to the rules, should they need them.

Rule Basics

The procedure of reviewing rules and regulations is simple enough, but it would help if you knew what criteria go into worthwhile landlord rules. Generally, rules and regulations can be made up by you, your lawyer, or a collaboration of the two. They are to be tailored to your specific landlording requests and desires, and/or to the property or unit being rented. Allow me to give you a few words of caution as you establish these

rules: Don't make them so strict that nobody can live within your specified policies. Ruling with an iron fist will just cause a lot of tenant turnover and undue frustration for you. You want your tenants to respect your rental and the neighbors of that unit, but being too strict will stress you out as badly as not being strict enough. And it goes without saying—don't write rules and regulations that discriminate.

Rules Explanation

To help you compile your rules and regulations, I will give you a list of things to consider and some brief thoughts on each area.

Alterations

This refers to actual changes to the premises. It could cover hanging a ceiling fan to enclosing a porch and all points in between. Generally, when something is altered in a rental, the alteration stays with the unit unless it's removable and the rental can easily be put back to its original condition. A ceiling fan a tenant hung could easily be removed and the original light hung back up upon the tenant's departure. Built-in bookshelves, on the other hand, would probably have to stay since their removal would leave holes in the wall.

The biggest problem with alterations (besides the fact that people sneak them in), is that you do not know the quality of someone's work. I've seen plenty of alterations and most have struck me as below par. Alterations such as these leave you with problems you will eventually have to correct; some could even jeopardize the safety or integrity of your property. Unfortunately, more often than not, you will discover an alteration after the tenant has already performed it. And more often that not, it is an alteration of which you would not have approved. My advice is to realize this will happen and react appropriately. A poorly wired ceiling fan can burn down your investment, whereas removing an added bookshelf can probably be done in minutes.

Fortunately, most leases already have a clause covering this topic and a good majority of tenants simply refuse to spend too much time on an alteration project in a place they do not own.