

Property Management Made Easy

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Rental property management can be one of the best investments in the current economy. Gold and stocks are too expensive to have much potential as investments. Bonds and CDs are safe but yield very low returns. Rental properties offer the opportunity to buy low, as well as a meaningful revenue stream. This gives investors the best of both worlds. In many local markets, housing prices are still falling and rental prices are rising. This combination of trends creates an opportunity for investors to buy houses and apartments and rent them out for a positive cash flow. The numbers work out perfectly. The tenant is paying the note and the holding costs such as insurance and taxes. The investor is turning a profit each month. This can be boosted further if the investor chooses to take a depreciation write-off on the house, thereby lowering the income tax bill at the end of the year.

Unfortunately, this scenario doesn't always play out in the real world. While most tenants pay their rent on time every month, there are some tenants who aren't so reliable. If a tenant fails to pay the rent, it creates a triple whammy for the landlord. The cash flow from rental income stops, but the investor still has to pay the taxes, insurance, and mortgage. To make matter worse, the landlord might have to take collective action or begin eviction proceedings. This adds legal fees to the financial problems. In the worst case scenario, the bad tenant retaliates against the landlord by intentionally causing as much damage as possible. That adds even more bills and wastes even more time as the house or apartment needs repairs before it can be rented again. A scenario like this can wipe out a few years of profits for that particular property.

To make the worst case scenario less likely to occur, landlords can require applicants to submit to a credit check. It's much easier to avoid a bad tenant than deal with one, and a tenant credit check is one way to minimize the risks. If a tenant has a history of not paying bills on time, this is a red flag that landlords should consider before renting the property. Past behavior is a good predictor of future behavior. This is even more important if the delinquent bills were rent, or worse, if there is a history of evictions. In these cases, property investors may want to protect themselves by not signing a rental contract with that applicant. Alternatively, they may allow the applicant to rent the property but take other measures to protect themselves. This might include a higher security deposit or a higher monthly rent.

A tenant credit check is relatively cheap and can be done for less than thirty dollars. This is a very small price to pay as an insurance policy against a deadbeat tenant, which can cause losses that run several thousands of dollars.