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FOREWARD

By Bryan M. Chavis, PROFESSIONAL PROPERTY BUSINESS DEVELOPMENT Founder of THE LANDLORD PROPERTY MANAGEMENT COMPANY & AUTHOR of “BUY IT, RENT IT, PROFIT”

“Hello, my name is Bryan Chavis founder of The Landlord Property Management Academy and author of Simon & Schuster’s top selling book Buy it, Rent it, Profit. Thank you for choosing The Landlord Property Management Academy. I am proud to present our new rental property systems as well as this revised operations manual. You may be asking yourself what is an operation manual? The operations manual is designed to be your step by step guide to being an effective property manager. The Manual will cover everything you need to know to ensure that you are running your rental properties at highest peak performance level possible, from the tenant screening to move, rental collection, notices, and move out procedure you’re covered. What is so special about this edition of the manual is that we have actually included excerpts from my book Buy it, Rent it, Profit. Our experience will equal your education.

Your management system is the foundation of your business and property management is very much a business. If your management systems are sloppy, then your business will be sloppy. One of the main focuses of the Academy is to not just create outstanding landlords and property managers, but to provide them with innovative business systems. So, it doesn’t matter if you’re a full time landlord or a part time landlord; it doesn’t matter what your skill level is; our systems will help leverage average-skilled landlords and property managers to produce above average results on a consistent basis.

Let’s face it. Time is of the essence. You do not have a couple of years to learn the business of property management inside and out. You need the knowledge and operating systems now. For those students who take what they learn at the Academy and start their own property management companies, here’s a word to the wise. Finding a great property manager to run your company can be very difficult. A good manager is at a premium in the market place. They come with a hefty price tag; as well they should, considering the job at hand. The problem faced by most property management company owners is simple. Either pay a large portion of your cash flow for the higher priced, skilled manager or, as we said before, put innovative systems in place to leverage average-skilled individuals to produce above average results. A great example of this is the restaurant chain, McDonald’s. It is run the same all over the country and even outside the country. The menus may vary, but the systems running the restaurant are the same. And better yet, minimum-waged teenagers usually run the systems. We all know that McDonald’s is one of the most, if not the most, profitable fast food chains in the world. If a large company like McDonald’s considers management systems highly important then we, as a small business, must do the same.

SYSTEM MANAGEMENT

Let’s take a look at how the Operations Manual applies to the property management industry.

The manual should be a repository of documentation. In plain English this means your business’ ‘step by step how to guide.’ It will designate the purpose of the work in each phase and document all steps and procedures that need to be taken while performing the tasks. The manual will provide easy to understand forms and examples of completed forms that offer guidance and wisdom to the landlord or property manager during each phase and task they undergo day to day.

With this Professional Property Business Development™ Operations Manual you will be able to overcome the most difficult obstacle: the day-to-day challenge of being a landlord/property manager.

Let’s get started!”

Disclaimer:

Please be advised that certain state and federal laws and/or regulations vary from state to state. Accordingly, it is imperative that you thoroughly review any and all such laws and regulations and the impact of the same on your on-going business activities. This course is designed solely for informational purposes and is not intended and shall not be deemed to offer or provide legal (or other) advice or guidance. The Landlord Property Management Academy makes no representations or warranties that the procedures covered in this course comply with any laws, rules or regulations, which may exist in or be applicable to your jurisdiction.



WARNING

All professional companies should be running with a fully functional Operations Manual. If you do not use The Landlord Property Management Academy manual, please make sure you are imputing some sort of manual and systems into your business. This will decrease your risk and liability and ensure that your team is properly trained.

These forms are not to be duplicated or recreated. To purchase these forms in a customizable format, please ask a team member of The Landlord Property Management Academy. Digital downloads can be purchased at the back of the room during the course at a discounted rate or at www.landlordacademy.com

All forms included in this manual are in the cloud.



Phase One

Getting Ready For Business

Section 1

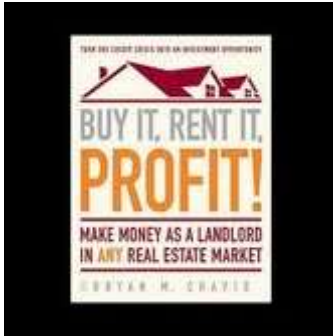
Getting Ready For Business

- Step 1: When you decide to begin a property management company, there are several things we recommend you take care of prior to actively beginning to operate as a property manager. These suggestions are designed to protect you, make you more profitable, and keep you organized for efficiency. They will create a foundation for you to build a successful business on, rather than be a one-man show. You have already taken an important step by investing in The Landlord Academy's Instant Office Program™, an investment that will increase your profitability by giving you systems to operate from. The following steps outline our suggestions and explain the value you will receive from each.
- Step 2: Set up a corporate entity to operate your property management business from. Any business creates liability for the owner. A business like property management, where you deal with people every day, is particularly susceptible to lawsuits. A vital step in protecting the wealth you are accumulating is to create a corporate entity to operate from. If you do acquire liability, it will be limited to the assets inside your company, protecting your personal assets. Of course, like with any strategy, you must do it correctly for it to work. We recommend you do not try to create this on your own, but work with an attorney who understands your protection goals. This is not an area you want to cut corners. You are working hard to create wealth and do not want to leave a back door open to creditors to take what you have spent a lifetime building. For your benefit, we have enclosed a **'Starting a Business Memorandum' (Form 1a)** that answers common questions about creating a company or LLC in Florida. This memorandum is provided by Attorney Steve Riley, a Tampa based attorney who works with real estate professionals to protect and grow their assets. Attorney Riley also teaches workshops for our students on asset protection and works with many on a personal level. You can find his contact information in the Strategic Alliances tab of this manual.
- Step 3: Read the E-Myth. This is a well-known book sold at any bookstore. It helps you understand the importance of having systems in your business. The Instant Office Program provides those systems, but now it is up to you to implement them and use them.
- Step 4: Review the **Rental Property Owner's Guidebook (Form 2a)**. This marketing piece is a key part of your marketing/sales process. Read it thoroughly and modify it accordingly. More instructions can be found in the Marketing Section of this manual about modifying this guidebook.

- Step 5: Set up your applicant screening account with The Landlord Academy. An important element of leasing rental units is the ability to approve applicants quickly. It is especially important to be efficient on your first transactions with your clients to make a good first impression. You can set up your account by visiting www.landlordacademy.com.
- Step 6: Purchase your property management software. Aside from impacting your own efficiency, remember you are now dealing with other people's investments. They will need detailed reporting from you on financial matters. We recommend Rent Manager. This software combines the best of accounting and property management details. You can obtain information about purchasing this software at www.landlordacademy.com. (Note, regular bookkeeping programs like Quick Books and Quicken do not offer the property management tracking you will need, like a Rent Roll, vacancies, lease term renewals, maintenance tracking and budgets.)
- Step 7: Set up your bank accounts in your company name. You will need three primary bank accounts.
- The first will be your Operating Account. This is the account you will deposit rent checks into and pay operating expenses from.
- The second will be an Escrow Account. This is the account you hold the cost deposit each owner gives you to cover minimal and routine maintenance costs. This is explained further in our process.
- This third will be your Security Deposit Account. This will be the account you hold the tenants' security deposits in. This should be a non-interest bearing account and these funds should NOT be co-mingled with other funds or accounts.
- Step 8: Review the **Start Up Budget (Form 12a)**. This will outline for you typical expenses you can expect when beginning a property management company and when you can expect to make a profit. Accordingly, it will outline at what point you can plan to hire employees. If the Start Up Budget determines that you can hire an employee(s) and you wish to, be sure to review our Employee section of this manual to determine what role you should fill first.
- If you do hire employees, be sure to have them obtain their Certified Property Management Specialist™ designation so they are well trained.
- Step 9: Review the marketing section of this manual and decide on a few marketing strategies.
- Step 10: Review the **Office Supply List (Form 3c)** and purchase necessary supplies.

Step 11: You should have your Landlording 101™ Operations Manual, providing your system for day-to-day property management. Download the forms associated with this manual, as well as the ones contained in this Instant Office manual into your computer. Review them and modify as necessary with your company name and contact information.

You are ready to begin!



Excerpt from *Buy It, Rent It, Profit!* Buy your copy from where books are sold or Amazon.com.

Thirteen

How Do I Protect Myself?

A Legal Perspective

Note to reader: This chapter is written by my trusted attorney, Steve Riley. Steve has been on both sides of the process—as lawyer for hundreds of deals (including several of my own) and as a landlord and investor himself.

—Bryan M. Chavis

Yes, I am an attorney. I practice law in Florida, but I became a lawyer as a way to get into business. I love real estate, and I imagine that this love affair will be lifelong. When I scraped together my pennies to do my first real estate deal, I bought a duplex. My wife and I lived on one side as I rehabbed it myself and rented out the other. From there I did seventeen single-family home rehabs. Some were rentals, some were flipped to other investors, and some resold on installment sales where I held the mortgage. From single-family homes, I moved on to a commercial office building, a self-storage center, and a multifamily apartment complex. After working as an investor, I started a development company with a partner. We have developed retail centers, strip centers, office buildings, and a small shopping plaza.

In addition to being a real estate entrepreneur, I represent people from one extreme to the other in the real estate world. One client may be just getting started with her first deal, and another may be a very successful mega-wealthy investor in a complex negotiation across the table from a \$2 billion company. So the question is, From what perspective shall I share my experience? With Bryan's permission, I will try to use both perspectives to share what I can. I hope that you find it of value. First, I'd like to share some key strategies to help improve your chances of success in the real estate business.

Strategy #1: There Is No “Standard Agreement”

Whenever I'm conducting a real estate transaction and someone says they will send me “a standard agreement,” I cringe. I cringe because that term has conditioned me to react painfully. It can mean multiple things.

It could be “sneaky speak” for, “Please do not read this, I have hidden something in here that really may hurt you.” Or it could be a form the person has used so many times that it appears standard to them—but not necessarily standard to anyone else. It could also be a red flag, meaning that the lender will not change the loan document or negotiate with you, no matter what. It could possibly be a Realtor telling you to sign a standard agreement to “speed up the process” of getting a deal done.

As I look back, some of my biggest frustrations legally have been over so-called standard agreements that my clients signed without having them reviewed. Thus, your first strategy should

be to expand your thinking and realize that there is no such thing as a standard agreement. A “standard agreement” is designed to simplify someone else’s life, usually not yours. In many cases the “standard agreement” is a great way of putting a legal fast one over on a naive real estate investor. Just a reminder, the term “standard” does not mean acceptable. It means easy and beneficial for the other guy. When I hear “standard agreement,” I make sure to read it carefully and think it through.

Strategy #2: Understand Your Contract Process

Now I am going to completely contradict myself. (It’s OK, don’t panic; I’m a lawyer and this is part of what I do.) Note that in strategy one, I said to be aware of the other party’s “standard agreement.” But I am going to encourage you to think through, systematize, and, where possible, “standardize” your processes and agreements. If you are going to be in the business of real estate, you want to think through—or better yet, create—your negotiation and contract process. The more routine it becomes, the less complex and painful the process will be for you. You get to create your own “standard agreement.”

Do you need an LOI (letter of intent) on every deal? No. My experience, though, is that it helps to think through the framework of the deal before the parties start to have a battle of contracts. The LOI usually sets the tone, addresses key issues, and controls the contractual process. In fact, in certain complex deals I will use an LOI as a framework to make sure I have thought through every issue to discuss. I may not share the LOI, but I use it to help me think through major deal points before I start drafting a contract. Bryan has already shared the major components of an LOI in chapter 5 and 7.

From the LOI phase, the party usually goes to the formal agreement. As I have said, there is no such thing as a standard agreement. However, in many states there is an agreed upon industry standard agreement between the Realtors Association and the Bar Association. These are great starting points because everyone—the Realtors, lawyers, and lenders—knows the agreement. While these agreements are consistently utilized in the residential marketplace, in the commercial marketplace we do not see them used at all. In twenty years, I have not seen any “standard commercial real estate agreement” used in a routine manner.

So what does this mean to you as a real estate investor? You want to understand or create your own process so you won’t be caught up in someone else’s process. I suggest that you create your own “form bank.” This is something lawyers have done commonly for years. When we find contracts that we like we keep them as a resource to look back and learn from. You can also create a “clause bank.” The clause bank is basically key language for certain provisions you would like to put in your contracts. Some of my favorites are inspection provisions, financing contingencies, and the post-closing inspection provisions. These are important provisions to understand and utilize for your benefit in any real estate transaction.

Pay attention as you go through your real estate career and accumulate contractual wisdom. If you see a contract you like, capture it. If there is a provision in a contract that you think is great, capture it. My experience is that the more you read, learn, and accumulate these provisions, the more you understand some of the contractual aspects of deal making. You will learn how to make these provisions work to your advantage and protect you from harm.

Strategy #3: Know Your Legal Entities

Every real estate investor should have at least a working knowledge of the different types of legal entities out there available for use. I am a big fan of land trusts, limited liability companies (LLCs), and various forms of trusts. In brief, please allow me to explain some basics. Generally, there are four types of business entities to choose from.

1. Sole Proprietor: The first and most simple type is the sole proprietorship. This is *not* a corporation or an LLC. In this case you hold your individual self out as a business. There are very few advantages to doing business this way and several big disadvantages. You are 100 percent personally liable for the debts of the business. Also, some of the tax benefits you are looking for may not be available in this particular way of doing business.

2. Partnership: The second type of business is the general partnership agreement. When you have a partnership, two or more people have agreed to work in business together. Although there are certain tax benefits to a partnership, the downside is that each partner is liable for the debt of the other partner. So, for example, if your partner gets sued, you are automatically responsible for your partner's debt in most general partnerships.

3. Corporation: The third type, the corporation, is a popular type of legal entity due to its flexibility. It basically provides the ability to protect your personal assets from claims against the business. You can elect two different types of tax structure for the business, subchapter S or C corp.

4. Limited Liability Corporation (LLC): The fourth type of legal entity is a limited liability company, commonly referred to as an LLC. This is probably the most popular legal entity used to do business because it offers maximum creditor protection and maximum tax flexibility. The LLC provides protection from claims of creditors of the business. However, the LLC has some additional special protections that when used effectively can make it preferable over a regular corporation. First, if there are investors other than you in the LLC, most state laws provide that they are protected from any claims related to the LLC. This provides greater confidence to the investor. Investors know that the only risk they will have is the actual capital they invested. Second, the LLC provides that if a creditor tries to take ownership of an LLC, that creditor cannot seize the ownership. The creditor can receive only a "charging order." This protection makes the LLC preferable to a regular corporation in any situation where there is more than one owner. Please note that in our opinion, if you have a single-owner LLC or a single-owner corporation, the protection is approximately the same.

When a business has more than one owner, we believe an LLC offers superior protection strategy. The LLC is also the most flexible from a tax perspective. You generally have four ways to tax it as opposed to the two ways to tax a regular corporation.

i. As a sub-S you elect to treat your business as a small business under the tax code. All profits and losses are directly passed through to the owner. This is sometimes called "pass through" taxation.

ii. As a C corporation your business will be taxed twice: once on the income it earns, then again when the business makes distributions to its owners. This is often called "double taxation." There are two main benefits to a C corporation. First, the ability to accumulate capital inside of it. This is called retained earnings, and it is capital that the business may use for acquisitions or investment. Second, the C corporation has the ability to take greater tax deductions. Most large businesses are taxed as a C corporation.

iii. As a partnership tax status you are taxed on a "pass through" basis as well. Companies taxed as partnerships have quite a few flexible and advantageous tax benefits in the right situation.

iv. A disregarded entity is ignored for tax purposes. If the owners tell the IRS to

ignore the business and just tax the owners as if the business was not there, it's "disregarded." A corporation can be taxed either as a sub-S or a C corp. The LLC may be taxed as a sub-S, C corp, partnership, or disregarded entity. These enhanced protection benefits and greater tax flexibility make the LLC the entity of choice for most investors.

Tax Strategy

Understanding how your entities will be taxed is critical. One of the more powerful advantages of owning real estate can be tax benefits. Most mistakes I see by investors are the result of not understanding the tax ramifications of their legal entities. To cut costs, many go online and decide for themselves how their corporate entity should be taxed without realizing the potential negative consequence or lost opportunity for tax savings. My recommendation is that you have a clear tax strategy for each investment. Will this property make you money or lose you money? What is the depreciation? Is it accelerated or standard? How will this investment impact your personal income? All these issues are important to discuss with your CPA or lawyer before you pull the trigger on how you want to have your entity taxed.

Strategy #4: Create and Use a "Management LLC"

One of the things I recommend that you do as an investor is create a brand name around a management LLC. When I use the term "management LLC," I usually mean an LLC taxed as a sub-S corporation. This will not be an entity you own property in. It's a "storefront" that you can do business through. It may own some office furniture and a laptop computer, and it may or may not be licensed as a real estate sales entity, but ultimately it is the name that you hand out on your business card. You use it to make offers for contracts, and to buy office supplies. But you do not use it to own real estate. What do I mean by that? One of the big mistakes I see investors make is to pile all of the real estate assets they own into one corporate basket. So if there is one lawsuit against that corporation, all of their investment assets are impacted and at risk. Our recommendation is that although you may have a brand name under a corporation entity, you actually will end up owning separate properties under separate corporation entities. This limits the liability of each property but allows you one "brand" to operate under.

Strategy #5: Put All Agreements in Writing

One mistake I see investors make on a very consistent basis is reach a verbal agreement, but put nothing in writing. Now, my thinking is simple. If you take the time to come to an agreement, take the time to capture that agreement in writing. There have been so many problems that could have been resolved on the front end through a written agreement that come back and haunt the parties because nobody wanted to take the time or spend the money to put it together in writing. I don't care if the agreement is with a family member; I don't care if it is your best friend; I don't care if it is "simple." Put it in writing! There have been so many times that I have had someone come in and say, "Well, we agreed to do this, but they are not doing their end of the bargain." I ask, "Let's see your copy of this agreement." The response is, "We didn't put it in writing, we just shook hands on it." If it is worthy enough to shake hands on, it is worthy enough to put on paper. As a side note, it is also helpful to remember that agreements can be modified. They can be amended and changed as life goes on. Agreements are designed to adjust, they are typically not going to be set in stone.

Strategy #6: Find a Good CPA

A CPA is a critical component of your team. You want to make sure that you find one who is orientated toward helping you think through strategic issues, and not just someone who files your 1040 tax return. There are quite a few CPAs out there who are doing “tax planning by word processing” and really provide no “strategic tax advice” to their customers. The number one request I get from my law clients is for an introduction to a CPA who can think strategically. Find someone who can give some advice, wisdom, and counsel.

Protect Yourself

Here are some of the legal strategies I've helped Bryan and other investors in his investment company, Apartment Investment Advisors, LLC, with. You may want to consider working with an attorney to utilize these in your own protection plan.

Protection strategies are critical, but generally not for the reason you are probably guessing. Yes, it is important to protect what you own and isolate it from the risk creditors. In my experience, one of the most important benefits of examining protection strategies is the massive leap in confidence that I have seen our clients enjoy. Once you are clear about what is protected and taken off the board, so to speak, your confidence will soar. You won't stay awake at night worrying about what happens if this occurs or that occurs.

When you know what assets are at risk and, more important, what is not at risk, you will be more confident about acting and moving forward against the obstacles in your life. This level of confidence cannot be priced. People who are in crisis, or believe they will be faced with a crisis, will not act. They remain frozen until their confidence level is increased or the threat is removed. They will feel they are being backed into a corner and they will not be on the offense. They will be either frozen, or moving backward, running from the obstacles.

It reminds me of the famous quote by General George Patton: “The best defense is a good offense.” Sometimes the best thing to do when you feel you are against the wall is to take massive action. But in my experience, no one will do this until they are clear about what is protected. Consequently, I have outlined four confidence boosters to help you increase your confidence so you can act in the face of fear. I could probably list one hundred strategies, but I've limited it to four.

Confidence Booster One: Protect Your Home

Your home can be your castle, and depending on your state law you may have a moat around it! In many states, the family home, sometimes called a homestead, can be protected from creditors. Different states have different statutory protection for homesteads. What is protected depends on your state law. For example, if you are a Florida resident, one of your most powerful protections is the protection of your homestead. Your home is clearly your castle and is treated that way by the legislature, the Florida Constitution, and the courts. If you are in any way, shape, or form concerned about protecting any asset, whether it is equity or cash, the best source of protection in Florida is your home. You can take cash and pay down your home as a way to protect the cash. Florida, unlike some other states, such as New York and California, does not limit the amount of value you can protect. The state limits only the physical land size of the homestead. If you are inside a municipality, you can protect up to half an acre; if you are outside the municipality, you can protect up to 160 acres. Now, I may be oversimplifying this, but in my experienced understanding, how your home is protected is critical, from both a financial and emotional perspective. There are three common mistakes I see real estate entrepreneurs make with their homes when they are in financial trouble.

The first is to mortgage their home to the hilt. To my mind, you want to mortgage every other asset with the exception of the home. I have worked with many investors who have a first, second, and even a third mortgage against their home. Consequently, they have no equity in their home; however, they have left equity in nonprotected assets because they apparently had confidence that they would be able to pay all the three mortgages on the home. This is a critical mistake. It will not only increase your own anxiety, but it will also increase your spouse's.

And when you are under stress, having your spouse stressed-out about the possibility of losing your home will only compound stress everywhere. Ideally, I would like to keep my client's home free of any type of mortgage. However, I realize that is just an ideal. In some situations, especially among developers and real estate investors, having some form of ability to collateralize a home for financing is critical. In this case, my recommended strategy is simple: a home equity line of credit (HELOC). The HELOC is a wonderful tool. First, most banks provide them without complication. Generally, the costs are nominal. Second, it is there when you need it. Most banks will allow you to keep your HELOC without any time limit. The third reason—my favorite and I think the most unrecognized—is that the HELOC is better financially. I would rather pay a higher simple interest on my HELOC than a lower compounded interest on my mortgage. You should run the numbers on this issue, you'll find that the HELOC wins 90 percent of the time.

Confidence Booster Two: Protect Your Cash

Now this may sound over obvious, but many people do not know how to protect their cash. It is one thing to have a cash reserve, but it is another thing to protect and isolate it from creditors. In Florida, there is no state exemption or protection for cash accounts. In fact, I don't believe there are any exemptions in the country for protection of cash accounts. A creditor can always attach your cash accounts and seize them. For example if you have cash sitting in a money market account, a creditor can take it from you. There are multiple ways for businesses, as well as individuals, to isolate and protect cash. I have several suggestions for individuals:

Life Insurance

In most states, if not all, life insurance is exempt from claims of creditors. If this is true in your state, use it. Buy life insurance, or utilize life insurance as a protective strategy. Certain types of life insurance have an investment component that allows you to put cash in where it is protected, then pull cash out if you need it. While not all policies are conducive to this strategy, some policies work very, very well. Unfortunately, due to the length constraints of this chapter, we cannot spend a tremendous amount of time on this topic. But keep in mind that life insurance is valuable not only for its death benefits and liquidity for your family, but it can be a great place to park cash, moving it in and out as needed.

Tenants by the Entirety

Another common way for an entrepreneur to protect cash is to put it in what is called a tenants by the entirety account (TBE). Florida allows you to own any type of asset with your spouse as tenants by the entirety. Unlike joint tenancy with the rights of survivorship (JTWROS), tenants by the entireties makes the asset exempt from the creditor claims of one spouse. However, please note that it does not protect you from claims on both spouses. For example, if both spouses are guarantors on a loan, and the loan goes into default, tenants by the entireties will not protect both spouses. If just one spouse is a guarantor, then it will protect both. TBE is offered in many states other than Florida.

Confidence Booster Three: Protect Your Family

This is critical. People often put this low on their priority list because of the perceived cost of doing this type of planning. However, this is a mistake. You should by all means have an estate plan created or, if you have one, review it and bring it up to speed. It will increase your confidence as well as that of your family to know that if anything happens to you, they are protected. This area of the law, like many other areas of the law, is constantly changing.

Our number one recommendation to all of our entrepreneurial clients, in real estate or any other type of business, is to use a revocable living trust as the centerpiece for their plan.

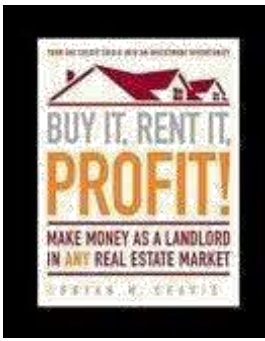
The living trust can provide privacy, protection, tax savings, and keep your family out of court. In my experience, only one out of ten trusts is utilized properly. Once again for more information, feel free to visit my website, thestrategiccounsel.net to download information on trusts.

Confidence Booster Four: Protect Your Business

In this wonderful day of creating your own entity (LLC or corporation) over the Internet, many business owners are able to avoid that horrible person called a lawyer. The experience of dealing with a lawyer can be traumatic, and financially painful. In my experience in hiring and using lawyers and working with lawyers, both as a developer investor and entrepreneur, I can say, "I feel your pain." However, most corporations and limited liability companies are playing "legal dress up." By that I mean that the corporate formalities, for both the corporations and limited liability companies, are not being followed. Why is this important? Because if you don't follow the corporate formalities, you can have your corporate entity disregarded for protection purposes. The corporation provides protection and tax benefits, but if you do not follow your state's annual requirements for corporate maintenance, a judge may allow a creditor to disregard the protection benefits of your corporation, and go through it and take your personal assets. These are just a few strategies to structure and protect your real estate investments. Find an attorney who will take time to understand your goals, your current situation, and your exit plan to find the best strategies and legal tools for you. Have your plan routinely reviewed and updated. As your wealth grows, so should your planning. And don't forget that laws that can impact your plan are constantly changing. Always protect what it took you a lifetime to build.

If money is your hope for independence, you will never have it. The only real security that a man can have in this world is a reserve of knowledge, experience and ability.

—Henry Ford



Excerpt from Buy It, Rent It, Profit! Buy your copy from where books are sold or Amazon.com.

WHERE SHOULD I BUY A RENTAL PROPERTY?

The SEOTA Method of Evaluating Properties

LEARN ABOUT YOUR PROSPECTIVE TENANTS

Most books like the one Anthony read teach the reader to look for the investment property. All they focus on is the building itself, but the truth is that in the decade that I have been in the rental investing business, bricks and mortar have never paid me rent. By that I mean the building does not pay the rent; people pay the rent. That is why most investors have trouble filling vacancies on their rental property and their cash flow suffers. I want you to think about rental properties in the way a big business like Wal-Mart thinks about their customers. You have customers, just like Wal-Mart does. Yours are your tenants.

Have you ever been to a Wal-Mart and noticed there were different items on the shelves— particularly in the front display areas—than in the last Wal-Mart you visited? In one part of my city, before you even get in the doors at Wal-Mart, the outdoor area is lined with plants, gardening tools, and patio furniture. Fifteen minutes away, in another part of town, the outside is lined with children's plastic swimming pools and portable grills. Wal-Mart will not stock any items that the demographic in each particular area will not purchase. The first Wal-Mart I mentioned is in a part of town where the demographic is homeowners, who buy items to landscape their homes. Most of the homes in this area have in-ground pools, so they don't buy a lot of plastic pools.

The second Wal-Mart is in an area with a large percentage of renters. There aren't a lot of in-ground pools in this area, and research shows the demographic purchases a lot of plastic pools and portable grills. Wal-Mart understands the importance of knowing each store's demographic needs, and then filling those needs. If big businesses like Wal-Mart pay attention to demographics, shouldn't we? After all, Wal-Mart has deeper pockets to absorb mistakes than you or I do!

That's thinking several moves in advance. I can't just look at a property, I have to look at the people in that area and determine if it's a product they will rent.

That's what my method of property selection allows you to do—think further ahead and anticipate your renter's needs in advance. As the first of my Seven Disciplines of Success from chapter 2 told you, you have to have a vision. Only when you know what you're looking for will you find it. Employing my Strategic Evaluation of a Target Area will allow you to do that consistently to avoid the kind of surprises that had Anthony backed into a wall.

SEOTA DEFINED

SEOTA™ stands for the Strategic Evaluation of a Target Area, a step-by-step process for evaluating a property and determining if it's a good investment for you. Notice that we're going to be thinking strategically. Unlike Anthony, we're not going to make those "one jump at a time" moves that may result in us getting boxed into a corner or jumped by economic circumstances. Instead, we're going to very carefully consider all aspects of an investment before we purchase anything. Now, I know you might be worried about a process involving research and analysis—will it slow you down? Not necessarily. The SEOTA method is simply a system to follow. In fact, I find that once I've identified exactly what I am looking for, I can find it a lot faster.

Notice that the last words in our process are "Target Area." The first phase of this is to select the general area you are looking for investment properties in. We are not ready to target specific properties yet. Let's not put the cart before the horse. We should have some sense of where the most profitable locations are within a region before we waste time running numbers and visiting specific properties. I know, even if you are a beginner in real estate, you've heard the cliché location, location, location. Well, yes and no. Location is obviously key, but with rental property be careful whose opinion you are listening to. A nice neighborhood with rising home values may be a good location to buy a home in, but may not be an attractive rental area.

When we perform our SEOTA analysis, we will be taking a look at key demographic and economic indicators that reveal whether or not an area is worth investing in. These indicators are:

- Building permits
- Employment
- Average household size
- Demographics
- Psychographics
- Mortgage interest rates
- Rental market rates
- Occupancy rates

We'll examine each of these individually, and I'll give you suggestions on how you can collect this data.

Whether your goal is to own one or one hundred properties, the basic principles of SEOTA remain the same and will serve you well.

BUILDINGS DON'T PAY RENT, PEOPLE DO!

Most real estate books talk only about the building, how to evaluate it, buy it, and fix it up. The building is the second part of the equation. Remember my Wal-Mart story? You must first understand what the demographics and psychographics show the renters in your target area want. Then you can find a building that fits those needs. When you learn to anticipate your target demographics needs in advance, you will be less likely to find yourself with a vacant rental unit.

STEP ONE: FIND YOUR TARGET AREA

The first goal of the SEOTA process is to identify areas that are good rental markets to invest in. Once you've done that, the information you assemble in your SEOTA will provide you a clear picture of who your potential tenants are and what they need. Will you be selling patio furniture or plastic pools?

YOUR MOST EXTRAVAGANT EXPENSE

Here's a little secret I'll share with you. I'm kind of lazy. Not in a bad way—things usually don't come easy to me, so I know I have to put my work in to achieve results. But I'll be honest, I'd rather spend my day playing golf than working. So, I've learned to not just work hard but to work smart.

I heard once that the Army always gives the laziest soldier the new task, because they know he will find the fastest, easiest way to get it done. Then that becomes their system. That's my kind of plan. I like to find the fastest, easiest way to do something. Of course, you can't be sloppy in your work, but there is nothing wrong with getting something done in the most efficient, quickest way possible. That's good business, because in business your most costly and extravagant expense, and the one that doesn't show up on any financial sheet, is your time! Learn to work smart!

The first step to locating a target area is to evaluate the key indicators of an area. These key indicators will have a positive or negative effect on the supply and demand of housing. Evaluating them will identify the areas with the strongest rental markets.

1. Building permits. We look at building permits to help track growth. We evaluate the various types of building permits, from single-family homes, multifamily, office space, and retail to paint a much clearer picture of the health and stability of the local economy at the micro level. This also helps you forecast supply and demand. Building permits help you see growth in advance because they are pulled before building begins so you can get an idea of what's coming.

2. Employment. Where there is employment, the need for affordable housing is sure to follow. Strong employment also increases the demand for affordable housing. Over time, this can be a key indicator of who your target demographic is. A strong demand for housing can positively impact your occupancy rates and give you the ability to increase your rents steadily over time, which in turn increases the value of your property.

3. Average household size. This is used to help determine the proper unit mix. If you learn the average household size is 3.7 persons per household, then pursuing a building with a mix of studio and one bedroom apartments won't work. Remember Anthony and his mistake? Identifying average household size helps you avoid a pitfall like Anthony's.

4. Demographics. Demographics determine who will rent from you. It gives you the age, gender, and income level, and helps you get a picture of who your prospective tenant will be. When searching for demographics also note the total population of the area and how fast it is growing. Growth means more people looking for a place to live.

5. Psychographics. Psychographics determines why someone will rent from you, or why they will not. Demographics tell you who they are, psychographics tells you what they want. Knowing who the typical renter is and anticipating his needs in advance, and what amenities he will want (garages, covered parking, pools, in-unit washers and dryers, walk- in closets, proximity to highways, bus transportation) will also help you focus on the right kind of building for your market and dramatically reduce the likelihood of vacancies.

6. Mortgage interest rates. These help to evaluate and determine market cycles. If rates are at an all- time low, more people will be qualifying for mortgages and are therefore less likely to be in the rental market. When the money supply is tight and lenders are cautious and interest rates are high, that's when you're in the best position as a rental property owner. And when rates are low but lending standards are tight for the middle to moderate income demographic, this demographic will typically be forced to rent.

7. Rental market rates. A survey is a vital tool that will identify the base rental rates in the area according to the respective unit size. Looking at the rental rate history in an area helps you determine where rents are currently and where they will be in the future. Sophisticated investors don't buy property based just on where rents are now, but also where they are headed. Here is a sample market survey chart for two counties in Florida:

Year	Avg. Low	Avg. High	Avg. Rent	Occupancy Rate
Pinellas County				
2002	\$704	\$733	\$718	94.86%
2004	\$738	\$768	\$753	95.46%
Palm Harbor County				
2002	\$736	\$778	\$757	95.02%
2004	\$793	\$832	\$813	95.37%

Based on this information, you can identify certain trends in the marketplace, and predict what will happen in the upcoming years. Both Pinellas and Palm Harbor counties in Florida are seeing an increase in rents and stable or slightly increasing (and high) occupancy rates. In combination with the other factors listed above and below, you can see why the SEOTA process is so valuable. It gives you the ability to forecast into the future. A farmer will plant his seeds in fertile soil only after he forecasts the best time to plant his seeds to produce the most crops. Rental investing is the same. You

want to forecast the conditions and then plant your seed in a property that will produce maximum results.

8. Occupancy rates. This is the percentage of currently rented units. This helps you forecast how many vacant units to average in your numbers so your financial calculations are based on accurate vacancy estimates. If you are significantly off in this estimate, it can have a serious, negative impact on your expected cash flow.

Using Your SEOTA Information

You now understand how important it is to look to the future trends that will determine whether an area is worth investing in. But now that you know what to include in your SEOTA report, and where to look for it, what exactly do you do with this information? It is, after all, a lot of data to take in and evaluate.

Let's say that you have done some initial due diligence work to determine that a place is worth investigating. For example, let's say you have done some homework on the San Francisco area and learned that from 2003 to 2006 there was a net population increase of 187,000. That means that each year 62,300 people moved into San Francisco. One of the most obvious questions, then, is: Where are all these people going to live?

The second step in our process is to identify the demographics of the target area of San Francisco. One of the elements we want to identify is the employment prospects for these new residents. What kinds of jobs are they likely to secure and what will those jobs pay? In our target area, retail trade jobs were the most plentiful, and therefore the most likely type of employment new residents would be able to find. The average annual salary for such work was \$26,264. The other significant employer groups besides retail were administrative support, waste management, temporary service, and call centers. The average annual salary for the rest of these employment sectors was \$24,801.

With that data in hand, you can envision a little more clearly what the demographic group is going to be able to afford for housing. By thinking a few moves ahead (forecasting) instead of just looking at current market trends, you can determine that interest rates will rise, construction costs will continue to rise, and those new arrivals, based on our analysis of the largest employment segments, will not be able to afford San Francisco homes. They will be entering the rental market. Our SEOTA analysis indicates this could be a strong rental market. By doing a rental market survey, we can see that rents are rising each year steadily. So, we can predict that we will be able to raise rents periodically to keep pace with changes in the cost of living and keep our profits rising.

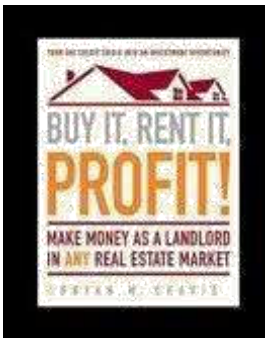
We also have to consider what kind of units will best suit this future market. By doing our SEOTA due diligence, we can make educated, strategic decisions. We won't be responding to unanticipated changes, but riding ahead of the curve. For that same period (2003–2006) we learned that the growth in single-family and multiple-family housing (based on the number of building permits issued) was 28.7 percent and 15.99

percent respectively. That's a good thing— single-family should outpace multifamily. This means there won't be a surplus of available rental units on the market. The demand will remain strong for rental units.

Additional factors can also be important to middle- income families. Remember, you have to think like your prospective tenants, and their needs may be different than your needs.

- Close to transportation, highways, etc.
- Close to public transportation (bus lines, subways, etc.)
- Close to retail and shopping
- Close to large employment centers

Here is a checklist you can use as you begin your evaluation of a target area. I like to organize my SEOTA information into a three-ring binder. I use this checklist as a table of contents that also serves as a quick reference summary of the SEOTA details.



Excerpt from Buy It, Rent It, Profit! Buy your copy from where books are sold or Amazon.com.

Fourteen

How Do I Grow?

Building Your Real Estate Empire

I hope_ that after reading this book you are excited about your future as a real estate investor and confident about your ability to achieve your dreams. I know many of you may just be beginning your journey. You may have dreams of being a mega real estate investor. Some of you may already have successful careers you enjoy, and for you real estate is an investment vehicle, not a career. Many of you, like many of my students, may be working a day job and working hard to create a real estate empire so you can escape the corporate rat race. You dream of working for yourself, creating your own destiny, and having financial freedom to live the life of your dreams. Wherever you are in your journey, and however big or small your investment goals are, let me share some final keys to help you get to your destination.

An Entrepreneurial Life

Whether you know it or not, by reading this book you just opened the door to a whole new world. This is the world of being an entrepreneur. You may not have meant to, and you may not have realized it yet, but you have planted a seed within your soul. That is the seed of determining your own destiny, and once it takes hold, you will never, ever be the same. Even if you procrastinate on your real estate goals, something deep inside you will nag at you to move forward and pursue your dreams.

When we speak of being an entrepreneur, being your own boss, making your own way, I can think of no better world to do so in than real estate. What other career does not require a college education or a huge capital investment? More and more Americans are turning their backs on big business and throwing their hats into the entrepreneurial arena. As a successful entrepreneur myself, I can think of no better industry than real estate to begin creating for oneself that feeling of independence, control, passion, and financial freedom that owning rental property offers. There is no barrier to entry, no age requirement. Your personal background, race, color, religion, income level, and skill set are all irrelevant. All may enter, if they choose to become the masters of their own destiny. Years ago, in the 1960s and 1970s people were encouraged to seek corporate jobs. Big companies represented long-term security, benefits, and a pension. Today, with corporate scandals and massive layoffs more and more commonplace, people are finding security in starting their own businesses. In chapter 1 we discussed the appeal of control in real estate investing versus the lack of control in the stock market. People are choosing to pursue their own careers rather than be at the mercy of corporate America. About 465,000 new businesses are created each month in the United States, according to the Ewing Marion Kauffman Foundation. One in eight households includes a home-based business according to the Office of Advocacy of the Small Business Administration. This makes starting your own business more popular than having a baby. If you are reading this, chances are that you like the idea of being an entrepreneur and have chosen to enter this new world. I have shared with you in this book my experiences, successes and failures, my tips systems, checklists, and forms that

have guided me to this point in my journey. My commitment to you in this book was to lay the foundation for you to create a dynamic business. And I applaud your commitment to begin your own journey to success.

Three Keys to Long-Term Growth

Whether your dream is to own a multimillion-dollar real estate portfolio, or just to wisely invest your retirement funds, let me share with you three keys to long-term growth. These are the keys that allowed me to grow from a startup business with \$100 in the bank to where I am today.

Treat Your Investing Like the Business It Is

First, recognize that your investing is a business. Even if you have a full-time career and investing is secondary to you, it's still a business. You are dealing with large amounts of money and, just as important, you have the responsibility of providing quality homes to your tenants. You aren't just dealing with dollars; you are dealing with people's lives. Each day I feel honored to have the ability to positively impact the lives of others, by treating them well and providing them with homes.

So if your investing is a business, treat it like one. Create a business plan, set goals, and work toward them continually and diligently. Even small steps move you forward. This is more, not less, important if you are doing this as a side business, because you have less time and energy to focus on it. You need clear, simplified goals to tackle. You don't have extra time to waste on things that will not help you achieve your goals.

Key elements of your business plan will be:

- Executive summary
- Business description
- Market strategies
- Competitive analysis
- Design and development plan
- Operations and management plans
- Financial components

From your plan, set goals and review them weekly.
Nothing is particularly hard if you divide it into small jobs.
—Henry Ford

Implement Systems

The second key is to implement systems. Remember the franchise approach we've talked about throughout this book? Since your time is precious, systems are key to your success. Even if you are the only one working in your business right now, develop an operations manual of your procedures. Write down step-by-step systems for each task you do. This will not only allow you to train someone else one day, but it will save you time from inventing the wheel each time you approach a task.

Find and Use Resources

The third key is to find and use resources. Resources might be educational tools, places you go to be inspired or learn more, or people you network with. Resources that help you grow come in a

variety of forms. Remember always to continue your learning. The road to independence and entrepreneurial success will not be easy, and it won't be short. It will take dedication and perseverance. As a business owner, you will find yourself on a roller coaster of batting a thousand one day, then striking out the next, for you will play many roles and wear many hats. You will be forced out of your comfort zone. The first time I was asked to speak in public, my knees were literally knocking and I was terrible. Now, I have the privilege to teach others across the country how to get out of their comfort zones. Above all, being a business owner

gives you confidence, for you are in control of your own future, but it keeps you amazingly humble at the same time. When I was starting out, I gave a speech one day and was given a standing ovation. People came up to me afterward with words of praise for how I inspired them and excited them about starting in real estate. My wife and I then rushed from that seminar to spend the next six hours into the wee hours of the morning copying and assembling materials for a workshop I had to teach the next day. At the time we couldn't afford staff to prepare materials. One moment I was on top, the next moment the only thing I was on top of was the copy machine. My wife and I could only laugh at the "glamour" of being a business owner. In the history of man we have had many ages, such as the Ice Age, the Stone Age, and the Information Age. These are each very significant periods of time that have greatly influenced us all. Each of these time periods was without a doubt shaped by mankind. We are now entering into what I consider a new age. An age of shifting power influenced by more costly consumer goods, stagnant wages, globalization, foreclosures, rising health care costs, and uncertainty in the financial markets. All of these various economic forces will affect different demographic groups differently. One group that will surely be impacted greatly will be the middle income demographic. Their need for affordable housing will be a major issue. These economic forces will forever change the landscape of real estate investing. New challenges will be faced, but the opportunities to grow wealth will be greater than ever before. For those investors who can learn to make the shift; those who learn to buy it, rent it, and profit; they will be ready to enter the new age . . . the Investor Age.

Everything we could wish for has already been given to us, what we should ask for is the ability to see it.

—Anonymous



Phase Two

Marketing Strategies & Tools

Section 1

Where to market?

1. Any real estate club is a good place to market. There are many landlords who attend and can use your services.
2. Loan companies and title companies can give you access to real estate investors if you set up alliances with them.
3. If you are not a Realtor® then a Realtor® association can be a great place to market. Many Realtors® can work successfully with investors if they can solve the problem of the property management. If you are a Realtor® other Realtors® may not want to use your services for fear you might take their client.
4. Many who use the Instant Office Program™ are already Realtors® and understand the value of offering a property management service. You have a database of potential management clients in your existing book of business.

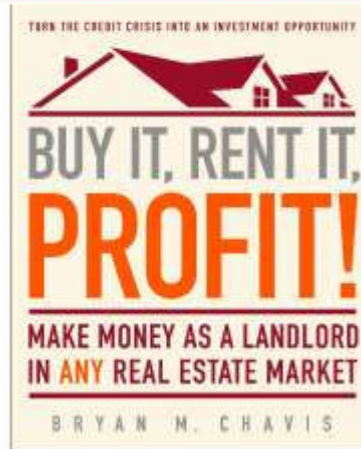
Section 2

Keys to Effective Marketing

1. One of the most powerful ways to effectively market is to highlight your Certified Property Management Specialist™ designation. Let potential clients know that you have invested in specific training to take good care of their real estate investment. This gives them confidence that you can handle this responsibility. Put the CPMS® and The Landlord Academy logo on your business cards, website, etc.
2. Marketing using your company name. Showing that you are indeed a true business builds confidence that you are prepared and serious about managing property.
3. Use the **Rental Property Owner's Guidebook (Form 2a)**. This guidebook was carefully designed to highlight the reasons an owner should use your services, versus another company. You will need to add your company's name anywhere (*Your Company Name Here*) is in red.
4. Read the Guidebook! It gives you great language and answers to common questions that you can use when you talk to people about your services. These explanations were put together after years of experience and you can benefit from using them.



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Buy it. Rent it. Profit!



To truly master the skills of a rental investing / property management, you must first learn the *5 phases of Property Management.*

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Bryan's success

1. Acquisition ✓
2. Implementation ✓
3. Stabilization ✓
4. Growth
5. Exit Strategy

Fact:

Mastering the 5-phases is what allowed me to purchase my first apartment building, without using my own money.

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Phase I - Acquisition

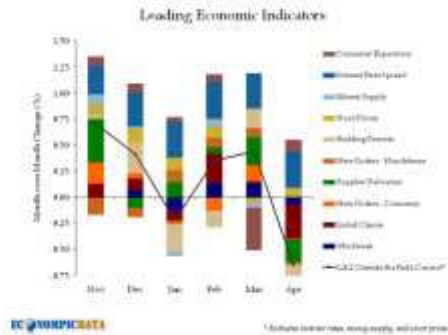
- The purchase phase of the investment property is one of the most important phases. This determines how successful the property navigates the other four phases. From a financial standpoint, it highly depends on how well the property was purchased using what investors call the income approach.



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SEOTA - Local Lead Indicators to Study:

- ✓ Building Permits
- ✓ Employment
- ✓ Average Household Size
- ✓ Demographics
- ✓ Psychographics
- ✓ Mortgage Interest Rates
- ✓ Market Survey
- ✓ Occupancy Rates

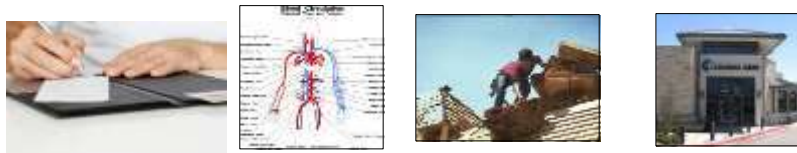


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In Summary...



$$\text{GPI} - \text{VAC} = \text{EGI} + \text{OI} = \text{GOI} -$$



$$\text{OE} = \text{NOI} - \text{RRA} - \text{DS} = \text{BTCF}$$

- (CF) Cash left over after taxes have been paid.
- (BTCF) Before Tax Cash Flow is defined as cash generated before taxes.

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CAP Rate Formula

- NOI/VALUE = CAP Rate
 - CAP Rates are primarily used to help estimate the value of income properties. A CAP is a measure of absolute return.
 - Example, if a property has NOI of \$100k and the price is \$1m, the \$100k returns at 10% on the \$1m asking price
 - Rule of Thumb: The lower the CAP, the higher the price.

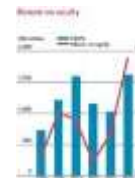
$$\text{Capitalization Rate} = \frac{\text{annual net operating income}}{\text{cost (or value)}}$$

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Equity Divided Rate Formula

- aka Cash on Cash Return...BTCF / Equity
- Cash on Cash (CC) differs from CAP Rate when you use leverage, i.e. mortgage. Example, an investment property returning \$15k after the investor makes the mortgage payment and having equity, i.e. down payment, of \$103k returns 14.5% ($\$15k/\$103 = 14.5\%$)
- As you can see, an Investor increases his or her return by using leverage (i.e. other people's money)



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Breaking the Investment Value Code

- Can You Break the Code?
 - CAP Rate Formula is $\text{NOI}/\text{Purchase Price}$
 - CC Formula is $\text{NOI} - \text{DS} = \text{BTCF}/\text{Equity}$
 - DCR Formula is $\text{NOI}/\text{Annual Mortgage}$
- What Do All These Formulas That Determine Value Have In Common?



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Breaking the Investment Value Code

What All These Formulas Have In Common is...

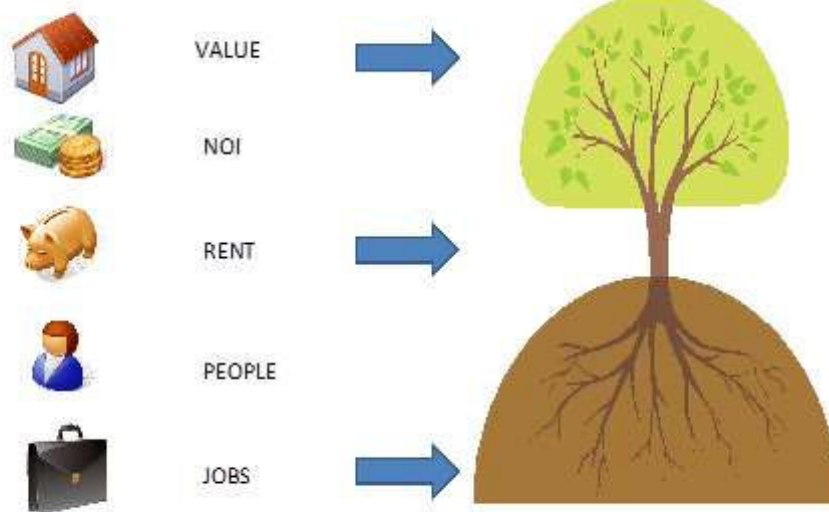
NOI

And rent makes up 99% of NOI! So, if you don't rent, you don't know NOI and if you don't know NOI, you don't know much about the value!



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Breaking the Investment Value Code



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Phase 2 - Implementation



- In this phase, the property manager's main goal is to implement the proper management systems.
- There are two types of systems:
 1. Soft Systems /Procedure manuals
 2. Hard systems/ Technology systems

operations System



software systems



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Phase 3 - Stabilization

- Stabilization occurs soon after Phase 2 has been completed. Stabilization involves the ability to control the property's income and expenses.
- In order to accomplish this, the property needs to control several key components:
 1. Occupancy
 2. Rental Rates
 3. Turnovers
 4. Delinquencies
 5. Maintenance budgets
- Once stabilization has occurred, the property can begin to focus on growth leading into Phase 4.



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Phase 4 - Growth

- During the growth phase, the property manager is focused on maximizing the income and minimizing the expenses.
- Maximizing income is accomplished by growing the NOI of the property while minimizing expenses through careful budgeting and both routine and preventative maintenance.
- Once income has grown, you have essentially increased value leading to the final phase, Phase 5.



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Phase 5 – Exit Strategy

- The final stage is when the investor feels that he/she has reached the desired return on investment. Once this phase has been realized, the investor looks to either sell and reposition the returns into a greater investment or cash out.



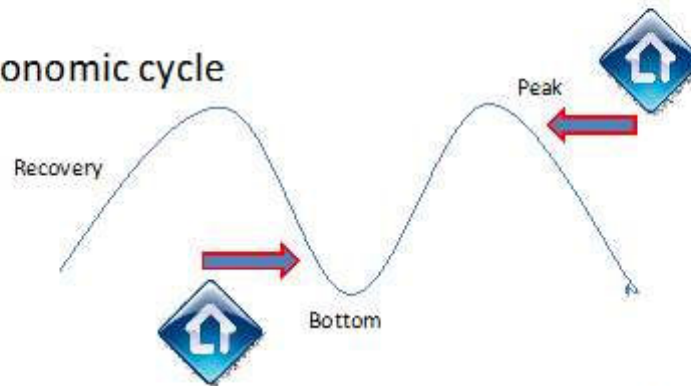
- Think of it like a real life game of monopoly. The goal is to buy a green house, then another, until you have 5 green houses. You then cash them in for a much larger income producing red hotel!



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Property Management a wealth building business

- Economic cycle



As you can see property management is needed in every cycle

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Forecast



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The future of choice voucher program



Most pressing questions about Voucher program:

- Will the number of vouchers decrease?
- Are there any other voucher programs available?
- What is HQS?
- How does the housing department establish rental rates?

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The future of rental investing



- Banks controlling pricing by strategically releasing foreclosures.
- As home values increases rental rates will once again become the principal benchmark.
- As the demand for single-family rentals investments increases more & more investors will look towards small to midsized apartments buildings as investments.



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The Rental Owner's Hand Book

Powered by: (Your Property Management Company)

Revised 2013



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Introduction

“Money clings to the protection of the cautious owner who invests it under the advice of individuals wise in its handling. The person who seeks the advice of wise individuals skilled in handling money soon learns not to jeopardize their money but to preserve in safety and to enjoy in contentment its constant increase.”

Our purpose for the “Property Owner’s Handbook” is to first help you, the property owner, better understand the administrative and management systems of **(Your Property Management Company)**. Second, it is to help provide valuable industry knowledge and insight. It is our pleasure to introduce you to our company and answer questions that involve our company or the industry as a whole. When property owners are provided with industry knowledge and tools, we have found it provides you with a greater understanding of the day-to-day operations of property management. This enables you to hold a property management company accountable for its performance, putting both parties on the same page and allowing for a greater working relationship.

We achieve this through providing each owner with a scholarship to attend a training course at The Landlord Academy™. The Academy is recognized through out the state of Florida for providing the highest quality rental investor, landlord and property management courses. Our team obtained their training and education at this Academy. The Academy is also a great source for providing up-to-date industry news and information.

For more on The Landlord Academy, including online courses, please visit www.landlordacademy.com

Our business relationship is formed in writing between you, the property owner, and **(Your Property Management Company)** through a document called the “Management Agreement”. All procedures, terms, services, and conditions spelled out in this “Property Owner’s Manual” are subject to change, withdrawal or modification at any time and could take place without notice. You should look solely to your individual “Management Agreement” for actual services rendered.

Our team in advance thanks you for taking the time to understand our business. We look forward to serving you and your business.



(Your Property Management Company) IS AN EQUAL HOUSING PROVIDER.

(Your Property Management Company) does business in accordance with the Fair Housing Act and does not discriminate on the basis of race, creed, religion, age sex, familial status, marital status, disability, color, national origin, sexual orientation or any other protected classes.

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***(Your Property Management Company)* Makes Investing & Owning Rental Property Easy**

How?

A big part of success in real estate, and in business in general, means forming the right types of alliances. Alliances increase strategic positioning and are used as a method to increase strengths, helping those parties involved reach their goals more efficiently and at a much quicker pace. At ***(Your Property Management Company)***, we are committed to this philosophy. In fact we built our name on it.

1. Each member of our team are Certified Property Management Specialists™.

One of our team's biggest strengths is that all team members have received their designation as a Certified Property Management Specialist™. This intensive training is only available from one of the most prestigious and recognized property management academies in Florida. This designation must be kept up to date annually, which keeps us current on legal and industry changes. This designation helps ensure that your property will be managed by a very elite group of well-trained property managers.

2. Comprehensive tenant screening & qualification.

One of the most powerful ways to reduce late rent, problem tenants and evictions is through proactive tenant screening. All prospective tenants will be screened using The Landlord Academy's tenant screening program. The academy's screening is one of the most comprehensive in the nation, including eviction, criminal, rental, credit, work history and more. To view a free demo of the tenant screening process we encourage you to visit our website (***insert your website name***). This demo will walk you through our entire tenant screening process from start to finish.

3. Efficiency through property management software.

Property management software is a cost saving tool for a rental investor owner. It provides accurate, efficient tracking of rents collected, late rents, vacancies, maintenance costs, and more. Rent Manager is the software of choice for our company. Rent Manager separates itself from other accounting programs because it is designed around rental properties. While off-the-shelf accounting programs may provide other property management companies with a balance sheet,

profit and loss statement, aged receivables and other financial reports, they do not include property-related reports such as a rent roll, vacancy listings or lease expiration reports. Rent Manager combines modern accounting and property management features to provide our team, and you, with an all-inclusive solution. This enables us to provide you with a wide range of detailed reports that will better enable you to track the performance of your investment.

4. Easy communication.

Available by telephone, fax, mail, email, or personal appointments our team is always ready to assist you.

5. Experienced service personnel.

Maintenance, repairs and other services are always performed by licensed and insured vendors. As part of our team's Certified Property Management Specialist™ training, we specific training to better monitor the work of vendors and also to implement our preventative maintenance program.

6. Detailed property inspections.

We can provide, as a special service, written comprehensive inspection reports including photos or video of your property during tenancies and after. These services are performed by our Certified Property Management Specialist™ trained in preventative maintenance detection.

7. Free Consultation and training.

Through The Landlord Academy™, we have arranged to provide you with advice about how to evaluate potential rental areas, how to invest in rental properties, how to prepare your property for rent and a detailed report called The Rent Maximizer™ which better assists you in understanding the current market rents. Also be sure to ask about our Owner Workshop Program. Some of the listed workshops like: Rental Investing 101™ (a comprehensive study of the current market conditions) and Building a Foundation in Property Management™ (an overview of all aspects of property management) provide you with industry knowledge to help better gauge property management services.

8. Owner friendly management agreement.

No restrictive clauses, no hidden fees for services, no difficult termination clauses. Just an easy to read and understandable Management Agreement.



Frequently asked questions about *(Your Property Management Company)*

► What makes *(Your Property Management Company)* different than any other?

This is a very common question and we provide a very easy answer. Our team is the most well trained staff in the business. We also offer our Owner Workshop Program, a very unique training program that involves providing seminars to all our owners, which will cover topics like: Rental Investing 101™ (a comprehensive study of the current market conditions) and Building a Foundation in Property Management™ (a comprehensive study of all aspects of property management). These workshops are used as a tool to help you stay up to date with any industry changes that may impact your portfolio. This program will also allow you to gain industry knowledge to better help you gauge a property management or real estate company's level of service.

As an investor, you may also take part in our Rental Portfolio Checkup, an analysis designed to specifically evaluate your rental portfolio, then strategically plan out your investment strategy according to the current real estate market conditions.

You may also choose to have your investment portfolio looked at from a legal stand point. We can refer our owners to one of the leading law firms that specialize in asset protection. They can evaluate and/or create corporate entities that may be used to protect your real estate portfolio.

► What types of properties does *(Your Property Management Company)* manage?

We primarily focus our services in the residential single family, duplex and midsize multi-family properties (a typical range of 8 to 80 units). This does not exclude our services for providing management to select commercial properties.

► What are the office hours of *(Your Property Management Company)*?

We are open for business from 9:00am to 5:00pm weekdays. After hours and on weekends we always have an emergency contact on call and available.

► How does *(Your Property Management Company)* handle emergencies?

A big part of good landlord-tenant relations is availability and a timely response. Our company provides an on-call person 24 hours a day to handle emergencies. We have a preferred list of service vendors who will respond promptly to all emergencies.

► **How does *(Your Property Management Company)* perform our bookkeeping and reporting to property owners?**

With our specially designed property management software we are promptly able to send you detailed property reports periodically. Such reports are:

- Detailed profit and loss statement and comparison
- Fiscal year budget reports
- Detailed rent roll reports
- Security deposit reports
- Late rent report
- Unit available reports

► **Will *(Your Property Management Company)* deposit an owner's checks directly into the bank?**

We will deposit your distribution check directly into your bank, either by mail or electronic deposit, and mail the monthly statement to you.

► **How much does *(Your Property Management Company)* charge for management services?**

We have several services available to fit the needs of any rental owner. You can pick and choose which services you need us to handle for you. Our fees are competitive in the market place; we charge a small percentage (10%) of the monthly rent as a management fee. Our leasing program's fee to find and place a qualified tenant is 50% of the monthly rent and our lease renewal fee to renew a lease with the current tenant is as low as 20%.

There are a lot of property management companies that will advertise lower fees, but offer inferior services and often have hidden costs. Keep in mind, *"there are some who know the price of everything but the value of nothing"*.

► **Does *(Your Property Management Company)* charge extra for overseeing maintenance repairs?**

No! This is part of our standard service to you, the owner, and is included in our management fees. We do not accept rebates from vendors, nor do we charge fees to tenants to oversee maintenance repairs.



One More Thing That is Unique About *(Your Property Management Company)*

Sometimes property owners will commit to obligations they later regret because they are unfamiliar with evaluating Management Agreements or they have not taken sufficient time to review the document. Our practice has been to provide a copy of the Management Agreement to you for review before setting up a consultation. There are several ways our Agreement is unique and provides confidence and flexibility to you, the owner.

Management fees apply only when rent is collected.

- We do not charge management fees when your property is vacant.
 - We do not charge management fees on uncollected rent.
 - We do not charge owners or tenants administrative fees to oversee maintenance repairs.
- Your success is important to us. Therefore, we only get paid when you get paid.

Easy termination policy.

(Your Property Management Company) is about as easy and flexible as you will find anywhere. There are three provisions:

1. If a Lease Agreement or a Move In Cost Sheet has not been executed by a tenant, you may terminate our Management Agreement, in writing, at any time and the only cost to you is any out of pocket expenses related to your property, such as an authorized marketing cost.
2. If the property has been leased, but we have managed the property less than six months, you may terminate our Management Agreement in writing, with sixty days notice, and the only cost is a nominal termination fee of \$300 (and management fees incurred during the time we managed the leased property including the 60 day notice period for services provided.)
3. If the property has been leased and we have managed it for more than six months, you may terminate in writing within sixty days notice without penalty. The only amount due would be the management fees for the time period our services were provided.

No management fees after termination.

Many Management Agreements stipulate that if you terminate the agreement and the tenant remains in the property, you could owe fees to the former property manager as long as the tenant remains. The *(Your Property Management Company)* Management Agreement has no such clause. We will assign the Lease to you, the owner, or another property manager at no charge. We will only accept payment for the time period that our services were rendered.



Frequently Asked Questions About Qualifying Tenants & Marketing the Rental Unit

► How long will it take to rent a property?

There are several factors that influence the rental market, such as location, condition, rental price, demographics and psychographics. Demographics tell us who will rent from us and psychographics tell us why they rent. *(To help our property owners better understand the importance of how to evaluate a target rental area and market, we provide a free seminar that covers how to locate and buy rental property.)* The demand for affordable housing will only increase over the next few years due to such economic indicators as higher interest rates, less affordable rental housing stock being available to an increasingly large middle income population, specifically due largely to the effect the condo conversion craze has had on supply and demand in our submarket. The ability to find ‘blue chip tenants’ will only increase. Typically the time frame to rent a unit should take no more than 30-60 days.

► How will the **(Your Property Management Company)** market your rental unit?

Getting your property rented as soon as possible to a qualified tenant is one of our highest priorities. Lost rent because of unnecessary vacancies is cash-flow typically never recovered. Therefore, we use many methods of advertising to give your property the widest possible exposure. These include, but are not limited to:

- Yard signs

One of our **(Your Property Management Company)** yard signs will be placed on the property *(if permitted)* between two and four weeks prior to a vacancy, or immediately if your property is just being placed on the rental market with our company. *This service is provided at no additional charge to our Leasing Service.*

- Voice Mail

We will provide professional and trained answering services and voice mail to take inquiries about your property. This is more than just someone answering the phone. Our team has received specialized training to help us relate to a caller, identify their rental needs, encourage the caller to schedule an appointment at the property, pre-qualify the caller, and do all this in accordance of Fair Housing Laws. *This service is provided at no additional charge to our Leasing Service.*

- News Paper Ads

A classified ad will be placed in the rental section of the local news paper where the property is located with owner's written approval. One of our trained Leasing Specialists will create and design the ad to match the demographics and psychographics in your rental area. It will also comply with Fair Housing Law. (Some of the most common Fair Housing violations are in advertising.) You, the owner, will only be responsible for the hard cost of the newspaper ad. You will have the opportunity to pre-approve this amount. *This creation and coordination of the ad is provided at no additional charge to our Leasing Service.*

- Internet

Photos and a full description of your property will be placed on our website. Prospective renters can access this site and search by area to find exactly what they want. A flat rate of \$25.00 per property will apply.

- Rental spotlight list

Your property description will be added to our rental list. This list of available or upcoming rentals is updated daily and available free of charge to all who come into our office. This list is also faxed and emailed to other offices throughout our company and alliances upon request. *This service is provided at no additional charge to our Leasing Service.*

- We market with other real estate offices and rental locator services.

Your rental information will be shared with other real estate offices looking to locate rentals for their clients. Your property can be shared with rental locator services to attract as much interest as possible if you wish. *Additional fees may be due to the locator service.*

► **How does *(Your Property Management Company)* qualify prospective tenants?**

(Your Property Management Company) uses one of the most comprehensive tenant screening services in the nation. Powered by The Landlord Academy, this screening program will evaluate the following areas of a prospect tenant's background:

- Rental records
- Employment verifications
- Court evictions
- Driving record
- Criminal background check
- Retail credit files
- Rental debt collection records

How in-depth you want your tenant screening process to be will be up to you, though we have recommended criteria. We can help you create a personalized screening criteria. We do suggest that all owners read the article provide in this handbook, "*Finding a Blue Chip Tenant*". This article will provide a more detailed explanation of the impact of finding a good tenant and looks at the liabilities a landlord AND property owner could face if not properly screening tenants.

How long will it take to qualify an applicant?

Depending on the level of screening, the process could take as little as 15-20min. or it could take as long as one business day. Our team is trained in techniques to close a deal quickly, even if approval is still pending.

Does *(Your Property Management Company)* guarantee our leasing services?

We are so confident of our tenant qualification process that we offer the following guarantee to owners: If a tenant qualified by our company breaks the original Lease Agreement within the first year for any reason, we will waive our customary lease fee and re-rent the property to new tenants for FREE!

What if additional persons move into the rental property?

This is a common and costly problem rental owners face. To proactively address this issue, this is prohibited in our Lease Agreement. If an unauthorized person moves in, a 7-day notice to cure will be served requiring this person move out or be added to the lease, after completing an application and being approved through our tenant screening process, within seven calendar days. Failure to comply can result in the termination of the Lease Agreement.

Does the rent stay the same until a tenant moves out?

Our management is designed to not only manage the day to day activities of your property, but to maximize its cash flow potential. One key to increasing a property owner's cash-flow and increasing the value of the property is the ability to increase the rents periodically to market rate. Approximately six weeks before the end of each lease period we evaluate the market rent of your property to see how much we should raise the rent to keep it in line with the current market conditions. A lease renewal is presented to the tenant with the new rent amount stipulated. Approximately eighty percent of our tenants accept the new rental rate and renew the lease. Of those who choose to move, it is rarely because of a rent increase. It has been our experience that the increase in profits owners receive through rent increases over time have more than covered the cost of our management fees. Our team constantly conducts market surveys to maintain the ability to keep pace with current market rent conditions. This not only includes an evaluation of rental amount, but also amenities offered, and other competitive factors.

What happens if the tenant doesn't pay the rent?

This is one of the most frequently asked questions by owners and the subject of greatest concern. The answer is that when a tenant fails to pay the rent and remains in the rental unit, we begin the process to quickly having the tenant removed. Our trained team knows how to file the Florida required legal notices to prepare for an eviction process. We work closely with premier and experienced eviction attorneys to not only make sure you receive fast, excellent service but competitive fees. For more details on how an eviction works, please review the eviction timeline provided in the legal section of this manual by one of our landlord-tenant eviction attorneys. Once the eviction is completed in the court system, the tenant is required to physically move from your property. We coordinate the required performance of the writ of possession by a local sheriff which puts our management company back in possession of the rental unit. Our trained team handles any abandoned property as required by Florida Law. (Left behind property is one of the most costly areas of landlording and where many law suits arise if not handled appropriately.) After that we quickly make the rental unit ready to show and lease again. In fact, at the time of the initial filing we would have begun to advertise and find a new tenant. The eviction process usually takes three to four weeks, "not months" as many would believe. Of course, it can take months if things are handled properly. For our clients, an eviction usually costs the owner an initial legal fee of only \$150.00. However, the more relevant question is..... How likely is it that an eviction will occur?

Although we can never be 100% certain, the superior property management training our staff receives as Certified Property Management Specialists™, coupled with our experience, industry leading management systems and tenant screening programs, has actually shown that evictions will be experienced significantly less often than by owners self-managing their property or using other management services who do not provide the services we offer, by the trained team we have.



Who is Responsible? Owner or Tenant?

*****The amount of owner vs. tenant responsibility is impacted by the number of rental units i.e. single-family rental or multi-family rental. *****

What happens if the tenant damages the property?

This is probably the second most frequently asked question by owners. Because of our comprehensive tenant screening program, our tenants are ones who consistently pay the rent on time and take care of the rental property. In the event the tenants do cause damage, they are instructed to repair the damage at their expense. A follow-up inspection by the property manager will determine if the work has been performed properly. If tenant caused damages are discovered at the time the tenant vacates the premises, a claim is made against the security deposit to cover the damage. This is a legal process that must be followed precisely to allow deduction of a security deposit. If not handled correctly and within the allowed time frame, the entire security deposit can be required to be returned to the tenant, regardless of damages.

Who is responsible for the heating/ air conditioning system?

This is a shared responsibility. The owner is responsible for the major operations of the system when things go wrong that are beyond the control of the tenant. However, the tenant is responsible for changing the filters regularly and keeping the drain line open. System maintenance or repair resulting from tenant abuse, misuse or neglect is the responsibility of the tenant. To help our tenants better understand the level of preventive maintenance we expect them to perform, we provide to them at the move in meeting a preventive maintenance guide that helps explain in detail various preventive maintenance techniques. These responsibilities are also spelled out in our Lease Agreement.

Who is responsible for plumbing repairs?

Once again, this is a shared responsibility. Owners are responsible for circumstances beyond the tenant's control, i.e. water heater failure, tree roots in the sewer line or worn out fixtures. **However, the tenant is responsible for clogged toilets or drains: toilet seats, flappers, and handles: jammed garbage disposals: and any problem resulting from abuse, misuse or neglect. If the premise has a septic tank system, owners are customarily responsible for septic tank pump-outs, sump pump failure and clogged drain fields.**

Who is responsible for windows and screens?

The owner is responsible through the property manager to ensure that these are in good condition when the tenant takes possession. After that, the tenant is responsible for the repair or replacement of broken glass or damage screens, including screen doors and sliding doors. One exception would be if damage occurred because of a natural disaster such as a major storm.

Who is responsible for pest control?

Our Lease Agreement makes this a tenant responsibility for single family homes and duplexes, except for problems beyond the tenant's control, i.e. termites, carpenter ants, pharaoh ants and rodents. Florida Statutes stipulate that for multi-family buildings larger than a duplex, pest control must be an owner's responsibility.

Who takes care of the yard?

Our single-family Lease Agreement makes this a tenant responsibility and requires the tenant to maintain the yard and shrubs in the same condition the yard was in during move-in, unless the owner chooses to provide complete lawn care for the property.

-Many owners now provide chemical lawn service: a quarterly fertilization, weed control, and insect control treatment for about \$25 per month.

-Hazardous work such as tree trimming is an owner's responsibility and is arranged and scheduled by or property manager. *The cost of this service would be the responsibility of the owner and pre-approved by the owner.*

Who is responsible for swimming pool service?

It has been our experience that it is best for this service to be provided by the owner to make sure that the pool is maintained properly. We contract with a pool service company to provide weekly pool services. *The cost of this service would be the responsibility of the owner and pre-approved by the owner.*

What is your policy on animals?

Whether or not to accept animals is always the owner's decision. Some owners allow animals, others do not. A non-refundable fee of \$100 per animal and an additional \$200 security deposit per animal must be paid by the tenant in order to have an animal in the rental unit. Where animals are permitted, only small to medium sized, non-violent, common domesticated animals would be considered. Certain breeds of dogs are not accepted because of liability considerations. Farm animals are not permitted. *(Due to Fair Housing Laws persons with disabilities will be allowed a therapy pet with out being charged a pet fee. For more information, please review the Fair Housing Act provided in this manual.)*

What does *(Your Property Management Company)* do when the rental becomes vacant?

To reduce out of pocket costs to the owner, we promptly conduct a move-out inspection of the rental premises. This allows us to make any appropriate claims against the security deposit for damages made by the tenant and then disburse the deposit accordingly. We immediately prepare the property for re-rent. This process is referred to as the "Punch Out". This typically includes cleaning the carpet, painting the walls, etc. As soon as we are notified the unit will become vacant, we begin advertising for a new tenant. This is often the best time to address major repairs, improvements or upgrades to the rental unit if needed.

What kind of liability insurance should a property owner have?

If you are converting your personal residence to a rental property, you should change your policy from a homeowner's policy to a landlord's policy (sometimes called a rental dwelling or dwelling fire policy). If your property is already a rental unit, you probably have the right policy, but please check just to be sure. The limits should be in an amount not less than \$100,000 per person and \$300,000 per occurrence.

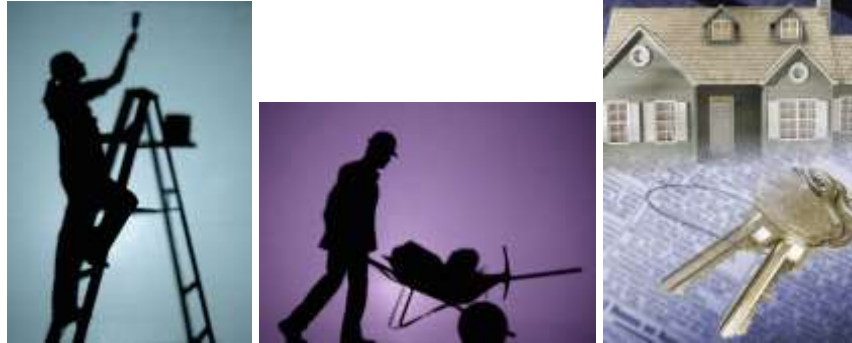
If your rental property is in a condominium or two home communities, please do not assume that the condo association policy for the community will adequately cover you or your property. "It will not!" You should have your own liability policy (separate from the association's policy) to make sure that both you and your rental property are adequately protected.

If you do not know an insurance agent we can recommend local independent insurance agents who will be glad to recommend the appropriate policy for you.

It is the policy of *(Your Property Management Company)* that you, the owner, request your insurance company add *(Your Property Management Company)* as an "additional insured" to your policy. Most companies make this addition at no additional charge. Some companies have a policy against adding coverage for management agents to your policy. In these cases *(Your Property Management Company)* reserves the right to charge the owner's account once each year a nominal insurance charge (\$50 for one house) when we are not covered under the owner's policy as an "additional insured".

What is *(Your Property Management Company)*'s Rental Inspection Program?

In addition to overseeing all maintenance, repairs and handling all tenant relations as part of our regular management responsibilities, we can conduct an annual inspection of the visual interior and exterior of a rental property's property, complete an inspection report and provide a copy of the report to you the owner. Due to the complexity of the inspection the annual inspection is not a part of our normal management services. For a reasonable investment of \$125 we gladly perform these very important services.



How to Prepare Your Rental Investment Property for Rent

- || Carpet should be professionally cleaned and in good condition with no pet odor.

- || Premises, interior and exterior, should be in “move-in clean” condition.

- || All windows and sliding glass doors should operate and lock properly with screens in good condition on all windows and sliding glass doors.

- || All appliances and other systems related to the premises should be clean and in good condition and repair: stove, refrigerator, stove, dishwasher, microwave, garbage disposal, air condition(s), heater(s) central heat/air system, automatic garage door opener, etc.

- || All plumbing and plumbing fixtures should be in good repair and working properly.

- || All bathroom tiles should be in good condition with no loose tile and all cracks, corners, etc. properly caulked or grouted.

- || Kitchen and bath counter tops and back-splash boards should be in good condition and seams properly caulked.

- || Window treatments drape, horizontal blinds, vertical blind, shades should be clean and in good working condition.

- || All electrical outlets, switches should be in good condition and have cover plates.

|| Interior paint should be newly applied.

|| Smoke alarms properly installed in bedroom areas and in proper working order.

|| Household rated fire extinguisher on the premises and properly serviced.

|| All light fixtures should have light bulbs and be in proper working order. Ceiling fans, if any, should be clean and in proper working order.

|| Lawn should be clean, grass cut, edged & trimmed, shrubs trimmed, and irrigation system (if applicable) in good working order. *(This is essential to the 'Curb Appeal' of the property which directly impacts the speed of leasing.)*

|| Well water system and any water softener system, if applicable, should be in good working order with appropriate chemicals added at proper levels.

|| House numbers three inches high should be properly displayed on the front of the house or apartment unit as well as any street side mailbox

|| Roof should be in good condition with no leaks.

|| All debris, trash and/or discards should be removed from the rental unit premises, including from the attic.

|| All exterior door locks should be changed after last occupant. Each exterior door should have an entrance lock and a single cylinder deadbolt lock.

|| Exterior paint should have good appearance with no significant fading, chalking, weathering or peeling.

|| Copies of all warranties, services contacts, and termite and/or pest control contracts should be provided to the ***(Your Property Management Company)***.



Your *(Your Property Management Company)* Team

Insert the name of your team members, their role or job title, and contact information here. Designate who is the emergency contact after hours and on weekends or provide a schedule if it rotates.

Be sure to include the CPMS designation and any other certifications they have.

It is a great touch to include a photo of each team member. This makes an owner more at ease when meeting someone at their property for the first time, as well as makes the relationship a little more connected.



The Property Owners Expectations - “Inspect What You Expect”

With our company you will always have the ability to inspect what you expect from us. This is accomplished many different ways. One common way is through our property management reporting system; your property’s performance can constantly be evaluated with these quick and easy reports. *(Please review the sample reports provided in the Forms section of this manual.)*

Now it’s time to make your rental portfolio work for you. This is accomplished by allowing ***(Your Property Management Company)*** to help provide the tools, knowledge, wisdom and proper “alliances” necessary to profitably invest in rental property. We do this in many different ways. One way is to provide constant up-to-date educational courses, consultation and market reports to help provide you confidence by acting as a guide to help those who are new to rental investing. And for those who are veterans in the business, think of our company as water - providing you the ability to adapt by being able to flow in any direction the current or future market may lead us.

Marketing and leasing.

As an Investor/Owner you can expect our normal Leasing services to include:

- Placing one of our ***(Your Property Management Company)*** “Now Leasing” signs on your property (if permitted) as soon as a vacancy is recorded, usually 30-60 days early.
- We will place a full voice description of your property in our voicemail system that provides information to interested renters 24 hours a day.
- We will share information to interested renters by using real estate, locator services, website full photo and description advertisement, and curb-advertisement. (Additional fees may apply for website and locator services.)
- We will have our trained leasing staff show your property to prospect tenants during rental touring hours.

- During the rental tour, when a prospect decides that they are ready to move forward with leasing we will immediately ask the prospect to fill out our prospect packet which includes our application. Our Team then begins the efficient, but comprehensive, applicant qualification process. This will ensure we have a qualified tenant and that the security deposit is received by money order for your financial protection. We can usually have a prospective tenant approved within 15-20 minutes of receiving their application. Our leasing team are trained Certified Leasing Specialists™.
- Not renting your property for an amount lower than what you have agreed to without first receiving your permission.
- We will conduct the move-in meeting with the tenant and have the tenant go over and sign a Move-In Move-Out Inspection Report. This will ensure the tenant and property manager agree on the condition of the rental unit before the tenant receives the keys. After the Move-In Move-Out Inspection Report is signed, we will review and sign the lease and Rules and Regulations Form, and then turn the keys over to the tenant. This move in process is a proven method for developing the trust and relationship needed for a successful tenant relationship, as well as providing the documentation and legal structure necessary to protect the owner if problems occur in the future.

Lease renewals.

As an Investor/Owner you can expect our normal Property Management procedures to include:

Our renewal program will allow us to be proactive in renewing the tenant's lease. We will have evaluated the current rental market to determine how much of an increase the current tenant can expect. If the tenant decides not to renew the lease, which is less than a 20% probability, we will be proactive in pre-leasing the rental unit at the current market rental rate.

Property inspection program.

As an Investor/Owner you can expect our normal Property Management procedures to include:

- Our team will inspect your property at least once each week when it is vacant.
- Our team will conduct our "Inspect What We Expect Check List" which consists of walking the whole rental unit with the "Move-In Move-Out Inspection Report" to detect any damage caused by the tenant that previously moved out. If damages are found caused by the previous tenant then we will follow our system to properly impose a claim against the security deposit.
- When authorized by the owner in writing, conduct of an annual visual interior and exterior inspection of the rental property. After completing the inspection report, a copy will be made available to the owner. *There is an additional charge of \$125 for these services.*

Why we are the top in our industry.

As an Investor/Owner you can expect our normal Property Management procedures to include:

(Your Property Management Company) will follow a very innovative system model. This system model enables us to provide very dependable and predictable services to our clients. All of our team have studied and received our distinguished designation as Certified Property Management Specialists™. Our team is required to maintain this designation annually and required to complete six continuing education classes in industry related courses, provided by The Landlord Academy™.

Day to day operations.

As an Investor/Owner you can expect our normal Property Management procedures to include:

- Our team will make owning rental property as an investment not only smart but easy. We will make every reasonable effort to collect the rent in a timely fashion; rent is due on the 1st day of the month and is considered late after the 5th.
- Through our experienced staff and our state of the art property management software we make responding to all tenant concerns and emergencies quick and efficient.
- Our team will make every reasonable effort to renew the Lease with the current tenant with an increase of rent to current market rental rate.

What if a tenant does not comply with the Lease Agreement or Rules and Regulations?

As an Investor/Owner you can expect our normal Property Management procedures to include:

- Our team will serve any applicable legal notice under Florida Landlord Tenant Law to ensure compliance with the Lease Agreement.
- Our team will make a follow-up visit to the rental property to determine wither or not the tenant has complied in a timely manner to any and all legal notice or letters, delivered by us.
- Our team personally deliveries all notices and letters including the 3-day notice (Florida's legal notice required before an eviction for a non payment of rent can be filed.)
- Our team also works with the top landlord tenant eviction attorney's in Florida. They will assist in any eviction action taken against a delinquent or non complying tenant. This procedure will always be done in a timely fashion, unless directed by the owner to allow a delay.

Reporting to owners.

As an Investor/Owner you can expect our normal Property Management procedures to include:

- Our team will prepare and email or fax a copy of any and all comprehensive statements along with the owner's distribution check no later than the 17th the day of the month.

- Our state of the art property management software allows for many useful, detailed reports. Our team will fax or email the owner key reports they request once a month. *(Please visit the sample reports provided in the forms section of this manual.)*
- We also provide copies of all vendor invoices for expenses charged to your account.
- We will deposit your distribution check directly into your bank account if we have mutually agreed in writing to do so.
- Our team will also send 1099 income Form and Profit & Loss statement at the end of each calendar year to assist you in your tax preparation.

What about maintenance and upgrades?

As an Investor/Owner you can expect our normal Property Management procedures to include:

- Our team will consult with you, the property owner, in advance regarding any expenditure to the property that would exceed \$250, **unless it is an emergency affecting the safety health of the tenant, or the integrity of the property.** We will obtain written permission to proceed with any property expenditure exceeding \$250, unless an emergency.
- Arranging and authorizing services, necessary to maximize the property's appeal to prospective tenants, thus expediting leasing a minimizing vacancy time. Examples would include: utilities, maid service, carpet cleaning, lawn service, pool services, painting and minor repairs.
- We will draw from any available forfeited security deposit funds to address expenses that were the previous tenant's responsibility.
- We will change the locks between tenants residency to decrease owners liability.
- We also will only use properly licensed and insured vendors who are highly qualified and have experience dealing with the rental industry to perform the work on your property.

We comply with local state and governmental regulations.

As an Investor/Owner you can expect our normal Property Management procedures to include:

- We comply with local, state and federal FAIR HOUSING laws and ordinances.
- We comply with FLORIDA STATUTES LANDLORD TENANT LAW.
- We also comply with U.S. EPA requirements regarding lead-based paint disclosure.
- We also comply with all other applicable laws and ordinances, whether local, state or federal, that may affect the management of residential rental property.

- We will also make it company policy for all “Team Members” to carry the Certified Property Management Specialist™ designation from The Landlord Academy™, an academy recognized as one of the top academy’s in Florida for providing landlord and rental investor courses. This insures that the above mention items are not only understood but carried out. This includes intensive and ongoing training in Fair Housing Law.



Brief Closing

Thank you for allowing us this time to introduce our revolutionary new property management company to you. We hope this Rental Owner Hand Book has helped you better understand how to evaluate a property management company, as well as provide you very important industry knowledge. At ***(Your Property Management Company)*** our main focus is to maximize your income and minimize your expenses through a strategic alliance between you and our team.

We would consider it a privilege to help you continue to grow your real estate portfolio.

Let's get started!

To move forward:

1. Please contact us at: ***Insert your contact info here***
2. Begin completing the Get Started Checklist on the next page.

And remember,

“Money clings to the protection of the cautious owner who invests it under the advice of individuals wise in its handling. The person who seeks the advice of wise individuals skilled in handling money soon learns not to jeopardize their money but to preserve in safety and to enjoy in contentment its constant increase.”



Get Started Checklist!

The following is a list of items we will need to begin management of your rental property:

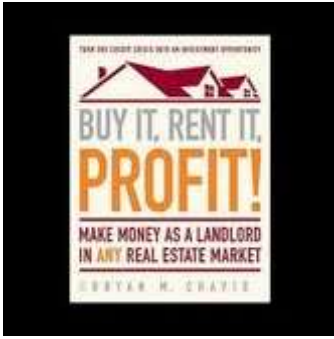
- A signed Management Agreement by all owners of the property.
- If applicable a completed Lead-Based Paint Hazard Disclosure form. This form only applies to homes built before 1978. Disregard this form if your property was built after 1978.
- All Keys pertaining to the rental property, i.e. house keys, pool keys, garage door opener remotes, and gate entry cards and /or remotes to the community. Four (4) sets of keys are ideal. If you don't have that many keys available we can make duplicates. For liability and security reasons, if the rental property has been occupied either by the owner or a tenant all locks should be re-keyed before a new prospect tenant moves in. Please do not duplicate keys unnecessarily.
- A copy of the home owner association or Condo Association Rules and Regulations where your property is located, along with the name and address of the governing association will be needed. (Disregard if your property is an apartment complex.)
- A copy of your insurance policy naming our company as an additional insured. The "Insurance: Owner's Liability" form letter at the back of this packet is provided to help you in making this request to your insurer. Please complete the form and send it to your insurance agent at your earliest convenience. Please return written confirmation that our company has been added as an additional insured to us.
- If applicable, a copy of any current Lease Agreement and Assignment from previous landlord to our company. Tenant names, and contact information.
- If applicable, security deposits for any existing tenants or written information on where this deposit is being held.
- A completed and signed W-9 form providing your Social Security Number or Taxpayer Identification Number, or other applicable taxpayer form (i.e. W-8, 4224) for non-U.S. citizens.
- A check in the amount of \$250 to fund the rental trust account. Please make check payable to ***(Your Property Management Company) Trust Account***
- A completed "Authorization for Automatic Deposits" form with voided check attached, if you wish to have your funds electronically deposited into your bank account each month.

Thank you, we look forward to developing a successful strategic alliance with you!



Phase Three

Beginning Work With a New Property Owner



Excerpt from *Buy It, Rent It, Profit!* Buy your copy from where books are sold or Amazon.com.

The Due Diligence Action List provides you with a comprehensive checklist of items to complete. Additional forms can be found at thelandlordacademy.com.

Due Diligence Action List (Form 8)

Use this form once you find a subject property you wish to make an offer on to ensure that every major area of consideration (legal, tax, physical condition, and financial) is inspected and meets your approval. This form is critical to keep you organized as you execute your due diligence on a property and make sure nothing is missed.

LETTER OF INTENT

- Review and sign off by (date) _____
- Review and sign off by legal team

Make sure:

- Due diligence will expire without obligation by buyer
- Deposit release requires written action
- Sufficient time is allowed for due diligence
- Sufficient time is allowed for financing
- Pre-approval letter from lender
- Deposit goes hard on (date) _____

PURCHASE AGREEMENT

- Confirm investment commitment date
- Deposit goes hard on _____
- Sufficient time allowed for due diligence
- Sufficient time allowed for due financing
- Deposit release requires written action
- Due diligence will expire without obligation by the buyer
- Review and sign off by legal team
- Review and sign off by _____

FINANCING

- Select lender
- Send preliminary numbers to lender
- Calendar of any dates that were agreed to
- Prepare and send lender package
- Send all lender required documents to appropriate personal (i.e., rent rolls)
- Agree to and verify closing date and funding date

COMPARABLE PROPERTIES

- Complete economic rent comps
- Complete at least three market surveys along with shopping the target area

SALES COMPS

- Complete economic sale comps
- Tour sales comps of other like properties
- Check accuracy of market rents with third party sources (i.e., locator services)

MARKET SURVEY RENTAL INCOME CHECK

- Obtain the most current rent roll
- Verify rent roll totals by running a tape
- Compare current rents in place match up with the deal sheet
- Verify market rents on the street match up with the deal sheet
- Verify rents match up with the operating statements

LEASE AUDIT COMPLETED

- Check leases to make sure they match up with rent rolls provided
- Check deposits to make sure they match up with rent rolls and leases
- Check all move-out dates to make sure they match up to rent rolls
- Check tenant correspondence with current management and ownership to make sure no disputes
- Check leases for any side deals or concessions with tenants
- Check the cash deposits against the collected rents

ESCROW ACCOUNTS

- Check tenants' security deposits against owner's escrow account holding deposits
- Open escrow account for security deposits to be transferred before or at closing
- Check owner's reserves for replacement account

RENT GROWTH FORECAST AND MARKET SURVEY

- Verify by third party research
- Check reliable sources for rent growth
- Check to make sure that rent growth percent is used in financial projections for each year

VACANCY

- Check historic vacancy for the past three-years
- Calculate financial projections vacancy based on market survey info

BAD DEBT

- Check history of bad debt
- Check to see if bad debt is included in cash flows

OTHER INCOME

- Receive reports showing other income generated by property
- Review other income for accuracy

Note: Do not evaluate nonrecurring items, do not evaluate forfeited deposits.

LAUNDRY CONTRACTS

- Check to see when they expire
- Check to see who they are with
- Check to see last time renewed
- Check what the vendor and landlord splits are

OPERATING EXPENSES

General

- Obtain copies of all service contracts from Seller
- Review and make sure cancelable in thirty days
- Obtain list copies of all insurance claims for past year from Seller
- Obtain list of pending litigation (if any)
- Obtain a list of any government notices or code informant claims

ADVERTISEMENT COST

- Review all advertising contracts
- Make sure all contracts are cancelable in thirty days or less upon purchase

TOTAL PAYROLL COSTS

- Verify number of office personnel and payroll

GENERAL AND ADMINISTRATION COST

- Review equipment lease
- Verify all office leases are cancelable within thirty days
- Review supply list and pricing
- Review legal expenses (i.e., evictions)
- Review business permits and the renewal date of each
- Review pool permits
- Review janitorial costs

MANAGEMENT FEE COSTS

- Select property management company, if you are outsourcing management
- Agree to the fee you will pay company or if you are managing yourself, determine the fee you will pay yourself and add to financial projections
- Review pest control cost
- Review historicals for expense
- Examine any unusual items or indication of recurring items
- Include them in financial projections

LANDSCAPE COST

- Review historical costs
- Review general condition of existing landscape
- Check condition of irrigation system, clocks, and timers
- Budget fully for landscape improvements

APARTMENT TURNOVER COSTS

- Check historical turnover rate
- Check historical turnover cost per rental unit
- Factor turnover rate into operating costs
- Factor turnover costs per unit
- Evaluate any unusual turnover expenditures (i.e., wallpaper, stoves, etc.)
- Check maintenance checklist to see what items need to be budgeted for

REPAIR and MAINTENANCE COST

- Review maintenance checklist
- Check historical maintenance costs
- Review any unusual items that showed up on the maintenance checklist
- Pull out nonrecurring capitalized items
- Evaluate any work orders unit by unit (should show up on maintenance checklist)

UTILITIES

Evaluated historical cost

Service providers:

- Water/Sewer
- Gas
- Electricity
- Trash
- Other
- Speak personally with utility providers re: forecast rate increases (include in financial projections)

PROPERTY TAX

- Recalculate property tax based on sales price

PROPERTY INSURANCE

- Get insurance bids
- Include new bid in financial projections
- Receive personal property insurance quote
- Obtain hurricane insurance (if needed)
- Include all new quotes in financial projections

RESERVES

- Check historical capital expenditures
- Evaluate recurring items of concern
- Create adequate reserves amounts

THIRD PARTY DUE DILIGENCE

- Perform physical inspection
- Complete maintenance check on each unit performed and report reviewed. Use Subject Property Inspection Checklist (Form 6)

FINAL APPROVAL CHECKLIST

- Match executive summary with deal summary
- Complete financial review by accounting
- Complete rent growth assumptions supported and sign off on
- Review refinance option for accuracy
- Review exit strategy tax adjustment
- Check deferred maintenance numbers for accuracy
- Review annual return

CLOSING DEAL DETAILS

- Check that the closing rent roll was received and approved
- Check tax calculation
- Confirm purchase price on statement is correct
- Confirm seller credits on statement are in order
- Confirm payment of closing cost consistent with contract
- Check to see if financing amount is correct
- Check payment for points
- Check other finance cost and approve
- Check legal costs and approve
- Verify total cash due from buyer
- Transfer tenants' escrow deposits to buyer's account

Working with Vendors

If you don't feel qualified to handle your own maintenance, or you don't want to, be sure to hire someone who is skilled in the areas you need. Unless you know the person well and trust them, be careful of allowing them access to your supply accounts. Be sure to check receipts and invoices carefully. If you don't want to give people access to your accounts, you can have the handyman prepare a list of all needed materials and price them. (If they can't do this, beware of working with them. Any handyman worth anything should be able to think through all the materials needed for a job and price them out.) Purchase a supply store gift card with the total amount needed and let the handyman use this to purchase the items. This practice makes access to your accounts unnecessary and ensures no unauthorized items are purchased. A vendor is a person or a company who is a separate business entity. That contractor usually performs a specific service or task and is hired to perform jobs that are outside your comfort zone. It's good practice to make sure the individual or company knows exactly what's expected of them. A carefully prepared job specification list is essential (see the Work Order, Form 30). This helps you decide exactly what you want the contractor to do for you, because it requires you to be specific. It then helps you make this clear to the contractor, so there is no miscommunication over the details of what the job entails. It also forces you both to have a specific discussion about fees, and get it in writing. Lastly, it requires you and the contractor to agree on time lines. This lets you know what to realistically expect from them and lets the contractor know what you expect also.

A job specification checklist should include the following:

1. Detailed description of the work to be done, including preparation and application
2. Specific materials and equipment to be used
3. Location of the job
4. Time frame for completion
5. Licenses and permits needed
6. Insurance, warranties, guarantees, i.e., workers comp
7. Payment schedules
8. Cleanup required
9. List of references
10. OSHA requirements (Occupational and Safety Hazard Agency)

The Contract

Contracts are used to minimize risk to the property and its owners. The conditions for negotiating a contract and the people empowered to sign a contract are usually covered by company policy or the owner's policy. The scope of the project and the dollar amount may require that a company supervisor or owner sign a contract. All contracts are subject to local, state, and federal laws. An attorney should review contracts before they are signed to ensure compliance and reduce risk.

A contract should contain:

1. The scope and nature of the work to be performed, outlining the detailed specifications
2. The starting and completion dates
3. A remedies and cancellation clause
4. A hold harmless clause
5. Proof of workers compensation and proof of comprehensive general liability insurance
6. Total cost of work
7. A payment schedule, outlining retainage fees

Due Diligence Inspection

In chapter 4 we discussed in depth the due diligence of a subject property. Here I will outline the top ten most important things to check when buying a house or apartments. I've included my full Subject Property Inspection Checklist (Form 6) on page 208 of the Appendix.

1. Roof: Check when the roof was last replaced or inspected.
2. Water lines throughout building: CPVC or copper are good. If the lines are gray polybutaline you will encounter problems due to defects in the pipe. Make sure to replace or replumb the whole area.
3. Electrical lines: These should be copper. If they are aluminum, you could encounter problems. Aluminum expands and contracts with heat and cold, which will cause connections to be faulty.
4. Plumbing fixtures and pipes: Make sure to check these thoroughly by turning on and off all kitchen and bathroom taps. Check for leaks at the faucets. Also look under the sinks to see if the P- trap is PVC or metal. The P- trap is the curved pipe connecting the sink to the wall. If it is metal it may be OK, but I suggest changing it to PVC. Check to see if shutoff valves work under the sinks and beside the toilet. Be sure to flush the toilet and make sure that sinks and tubs hold water.
5. Electrical switches, outlets, and major appliances: Turn all switches on and off to check for proper operation. Check the fridge, stove, dishwasher, and any other appliances for proper operation. Also be sure to turn heat on to check for proper operation.
6. Security: Make sure the key for each unit operates all locks within that unit, especially on dead-bolt and keyed entries. Check any sliding glass doors for proper operation. For added security you can install a "Charlie Bar." A Charlie Bar is a security bar you can add to a sliding glass door. Check that all windows lock properly.

7. Carpeting: A new carpet, if taken care of, should last seven to ten years. Make sure to check for odor, fleas, and pet stains (particularly urine). The carpet can be fogged for fleas and treated/cleaned for smell and stains. If pets were kept inside, check the corners and near doors for damage.

8. Vinyl flooring: Brand-new vinyl can last two to five years, depending on wear and tear. Check edges for corners rolling up. Check for purple or black discoloration near the tub or toilet. Stains indicate that water has gotten under the vinyl, which will need to be replaced. For tile, check for cracks and for proper grout lines.

9. Physical aspects such as drywall, baseboards, and moldings: Make sure there are no large holes in the drywall or brown spots that would indicate water leakage. Check for missing baseboards or crown molding. Also, make sure there are no black or green spots on drywall near water leaks, this could mean mold is growing in the walls.

10. Windows and doors: Check all miniblinds and vertical blinds for proper operation by opening and closing them. While checking blinds make sure to check windows in all rooms. Also, check doors for a proper seal. You don't want any large gaps around the door sides, top or bottom. Remember to check all cabinet doors and drawers for proper operation as well. Maintenance will have a positive or negative impact on your bottom line. If you are not qualified to handle your own maintenance needs, or don't have the time or desire to, don't hesitate to find a great maintenance person. Look for someone who can be a key player on your team. No other person will have such an ability to impact your cash flow, positively or negatively, or represent you in interacting with tenants as your maintenance technician. As I said before, the one person I never do a deal without is William. He's like my Visa card, I never leave home without him.

**The guy who puts the ball through the hoop has ten hands.
—John Wooden, UCLA Bruins Basketball Coach**

Property Profiling Checklist (Form 4)

Use this form as a checklist of steps you can follow to collect more background information on a property.

- _____ Complete Property Snapshot Form (Form 3).
Be sure you get subject property address and addresses of any surrounding similar properties for sale or apartment complexes.
- _____ Take or request digital photos.

At home:

- _____ Look online at the Property Appraisers Office and get owner name and property info. Print out.
- _____ Run the owner's name to see how many properties he/she owns. Pay attention to when they purchased each. If several are recent, they could be cash poor. This also indicates how long they have been doing this and their level of experience.
- _____ Run the owner's name on State Division of Corporation website (individual or corporation) and get corporate name and owner name. Print this out. See how many corporations they own, if they stay active for long, how recently they were started, and how many people are a part of them.
- _____ If the owner owns a corporation, go back to the Property Appraisers Office website and see if they own any property under their corporation's name. All of this information helps you determine the type of investor you are dealing with and hints at their cash flow.
- _____ Go to the website for, or call, the County Tax Collector and get amount of Property Tax
- _____ Call and get asking purchase price: _____
- _____ Insert information into Property Profile Form (Form 5).
- _____ Complete the Property Profile Form (Form 5).
- _____ Go to the Property Appraisers Office and search for information on any surrounding properties for sale that you noted from the Property Appraisers Office.
- _____ Conduct Market Survey (Form 2) on property.
- _____ Compare the property you are profiling with the demographics and psychographics of the area.

At property:

- _____ Tour property with someone with maintenance knowledge to get an estimate of what needs to be repaired or renovated. Use Subject Property Inspection Checklist (Form 6).
- _____ (Take checklist) _____ (Take digital photos)

At home:

- _____ Take your Subject Property Inspection Checklist (Form 6) and fill in your Repair Budget (Form 7) with estimated amounts to make any repairs or improvements.
- _____ Use an amortization table to get your approximate mortgage payment if you were to purchase the property. _____
- _____ CHECK IF THIS MAKES SENSE TO PURSUE. If the total of your repairs is already making the price too high, filter out this property and move on.
- _____ Decide rent or selling price. _____

*THE LANDLORD ACADEMY™ offers a service to help you determine what rent you can command, see thelandlordacademy.com.

A PROFILE CONSISTS OF:

- _____ Profile w/ photo
- _____ Estimated Income & Expenses
- _____ Repair Budget (Form 7)
- _____ Subject Property Inspection Checklist (Form 6)
- _____ Market Survey (Form 2)
- _____ Map
- _____ “Comps” (other listings in area)

Subject Property Inspection Checklist (Form 6)

Use this form to physically inspect the condition of a property. (Can be used with tape recorder.)

Property Address: _____

Date: _____ Completed By: _____

Exterior of Home

Foundation:

Type: _____

Condition: _____

Comments:

Roof:

Type: _____

Shingles (*missing pieces, cracking, damage*)

Framing (*bowed, sagging ridge*)

Comments:

Windows:

Type: _____

Condition (broken glass, missing latches, missing screens)

Comments:

Trim:

Condition (decaying wood, missing sections)

Comments:

Siding:

Type: _____

Condition (decaying, cracked, dented, damaged)

Repairs Required (replace or repair missing sections)

Comments:

Entrances:

Condition of doors (fair, good, needs repair)

Condition of steps (decaying, deteriorating brickwork, unsafe for use)

Rails (yes/no)

Comments:

Porches:

Location: _____

Condition (decaying or damages wood, sips of wood-boring insects, needs repair)

Comments:

Skylights:

Damage (missing putty, cracked glass, decaying or damaged frame)

Comments:

Garage:

Attached/Detached

Condition (needs repair)

Comments:

Driveway:

Condition (cracking, decaying, heaving, needs repair—minor, major)

Comments:

Landscaping:

Overgrown shrubs (yes/no)

Ivy on house (yes/no)

Overhanging tree branches (yes/no)

Location: _____

Comments:

Fences:

Types: _____

Condition (rusting, decaying)

Comments:

Other:

Mechanical Systems

Plumbing:

Drainage (poor, fair, good)

Water pressure (adequate, inadequate)

Leaks (yes/no)

Septic or cess pool system works properly (yes/no)

Use of lead waterlines or lead traps (yes/no)

Sufficient amount of shutoff valves (yes/no)

Working (yes/no)

Comments:

Hot Water:

Type
Condition of tank (leaking, corrosion, needs replacement)
Type of fuel (electricity, oil, gas)
Safety valves working (yes/no)
Size of tank
Sufficient hot water (yes/no)
Location: _____
Comments:

Electrical:

Main disconnect (outside panel) working (yes/no)
Aluminum wiring (yes/no)
Comments:

Air Conditioner:

Condition (good, fair, needs repair)
Size of unit: _____
Type (split, integral)
Comments:

Other:

Attic

Installation:

Condition (damaged, needs to be replaced)
Comments:

Framing:

Condition (structurally sound, insect activity, decaying)
Comments:

Other:

Kitchen

Stove:

Type of fuel (electricity, gas, oil)
Unit working (yes/no)
Comments:

Sink(s):

Condition (poor, fair, good)
Piping (damage, leaks, needs replacement)
Comments:

Ceilings:

Condition

Comments:

Appliances:

Condition

Working (yes/no)

Comments:

Walls:

Needs repairs (yes/no)

Location: _____

Comments:

Floors:

Type

Needs replacement (yes/no)

Location: _____

Comments:

Cabinets and Counter Space:

Cabinet Type/Color

Adequate/Inadequate

Needs Repair (yes/no)

Counter Space Type/Color

Adequate/Inadequate

Needs Repair (yes/no)

Comments:

Other:

Bathrooms

Fixtures:

Type

Condition (poor, fair, good)

Leaks (yes/no)

Damaged or chipped fixtures (yes/no)

Location: _____

Faucets dripping (yes/no)

Comments:

Ceilings:

In need of repairs (yes/no)

Location: _____

Comments:

Water Pressure:

Adequate/Needs Repair

Comments:

Tile:

Condition (missing, chipped, broken, falling off of walls)

Comments:

Floors:

Type (Vinyl, Tile)

Condition (tile pulling up, needs replacement, deteriorating or decaying)

Comments:

Walls:

Condition (damaged walls from water, needs repair, loose plaster)

Location for repairs: _____

Comments:

Drainage:

Normal/Sluggish

Comments:

Other:

Interior Rooms

Walls:

Condition (needs repair, missing sections, holes)

Location for repairs: _____

Comments:

Windows:

Conditions (needs repairs, needs screens, general tightening up)

Location for repairs: _____

Comments:

Closets:

Sufficient size/Insufficient size

Need more closets or closet space

Comments:

Ceilings:

Condition (sagging plaster, water stains, cracks, damaged areas)

Location for repairs: _____

Comments:

Floors:

Type (carpet, tile, wood)

Condition (refinish, install new floor, replace carpeting)

Location for repairs: _____

Comments:

Doors:

Condition (damaged, needs repair, missing)

Location for repairs: _____

Comments:

Electrical:

Overhead lights/Need additional outlets

Location for repairs: _____

Comments:

Sample Letter of Intent (Form 9)

Apartment Investment Advisors, LLC
Address
Phone/Fax/Email

April 4, 2007

Re: Letter of Intent for (Property Address)

This Letter of Intent (hereinafter referred to as the "Letter of Intent") is intended to set forth the general terms and conditions under which Apartment Investment Advisors, LLC (the "Buyer"), or its assigns, successors, subsidiaries, etc., is proposing the acquisition, as stated below, of SAMPLE APARTMENTS, a 60-unit single-story residential apartment complex located at 3315 Main Street in Tampa, Florida 33609 (the "Property") from Florida APARTMENTS, inc. (the "Seller"). If the terms and conditions set forth below are acceptable to the parties, the Buyer is prepared to promptly begin its due diligence review and preparation of definitive documentation, including a Purchase and Sale Agreement (the "Purchase and Sale Agreement") under the following terms and conditions:

1. **Purchase Price:** The proposed purchase price (the "Purchase Price") to be paid by Buyer shall be Three Million Eight Hundred Thousand Dollars (\$3,800,000.00) for a one hundred percent (100%) interest in the Property. The Purchase Price is based upon information provided to date to Buyer by the Seller and is subject to both the Due Diligence Review (as defined herein) and a satisfactory inspection. This offer is based upon the accuracy of any information pertinent to the Property received by Buyer as of the date of this Letter of Intent; thus, any inaccuracy may affect and alter the proposed Purchase Price.
2. **Inspection Period:** The inspection period (the "Inspection Period") shall commence with the full execution and delivery of this Letter of Intent and terminate sixty (60) days thereafter. Buyer may, in its sole discretion and with or without cause and without penalty, terminate by giving Seller notice in writing at any time prior to the end of the Inspection Period. Should Buyer not terminate, then Seller shall furnish Buyer with those items in Paragraph 4 below within ten (10) days after the later of: (a) Buyer's acceptance of the Inspection Period; or (b) execution and delivery of the long-form purchase and sale agreement for the Property.
3. **Deposit:** An initial good-faith deposit of two hundred thousand dollars (\$200,000.00) (the "Initial Deposit") shall be paid to North American Title as escrow agent by Buyer following the full execution and delivery of this Letter of Intent, pursuant to mutually agreeable escrow instructions, and upon the expiration of the Inspection Period. The terms of this Letter of Intent shall be incorporated into the Purchase and Sale Agreement (the "Purchase and Sale Agreement") to be drafted by Buyer and negotiated by the parties.

4. Seller's Duties: Seller shall pay for and obtain (where applicable) state stamps on the deed, cost of fee title insurance policy in the full amount of the purchase price, new staked survey certified to Buyer and Buyer's lender(s), real estate commission, its attorney's fees, and acceptable new termite inspection report. Seller shall furnish Buyer with a Phase I Environmental Audit acceptable to Buyer and its lender(s). Should said updated Phase I Environmental Report dictate the necessity of a Phase II Report, then Seller shall promptly furnish same to Buyer at Seller's expense. Should Seller not be able to deliver the property free and clear from any environmental problems, Buyer may terminate the Purchase and Sale Agreement.
5. Buyer shall pay for Buyer's financing costs (including mortgage assumption, intangible tax, and transfer fee, if applicable), its attorney's fees, and recording fees.
6. Buyer and Seller shall prorate taxes, insurance, utilities, assessments, and net rents as of the date of closing.
7. Security deposits and all funds in Common Area Maintenance (CAM) account held by Seller shall be transferred to Buyer at closing.
8. Within three (3) business days after the full execution and delivery of this Letter of Intent, Seller shall deliver to Buyer and/or Buyer's broker(s) the following items, as well as such other information and documents as Buyer may reasonably request during the Inspection Period:
- Copies of or all access to all tenant leases encumbering the Property.
 - Copies of or access to all contracts of employment or consultancy affecting the Property.
 - Copies of or access to all management, maintenance, service, and other agreements affecting the Property.
 - An up- to-date rent roll showing the rental due under each lease, security deposits held, prepaid rentals, and the status of each tenant's rental payments.
 - Copies of all plans and specifications, reports, etc., used in the construction of the Property, and "as built" plans if available.
 - Copies of all insurance policies applicable to the Property.
 - Operating statements for the year-to- date and two preceding years.
 - Memoranda covering the terms and conditions of any unwritten leases or contracts affecting the Property.
 - Copies of inspection reports, existing notices, and due dates for same from any governmental agency having jurisdiction for or an effect on the Property, including any additional notices which may be received prior to closing.
 - Copies of the last three years ad valorem tax bills, and current bill, if available.
 - Copies of all documents relating to litigation or other disputes affecting the Property.
 - A copy of all permits and certificates applicable to the Property, including Certificates of Occupancy.
 - Copies of all warranty agreements for real or personal property, including roof bonds.
 - Financial statements on all tenants in the Property, if any.
 - Tenant delinquency reports for the past two years, if any.
 - Schedule of personal property to be transferred with the Property.

- Declarations certifying there are no tenant delinquencies (a) as of this Letter of Intent and (b) as of the date of closing.
- Copy of the Common Area Maintenance budget and ledger showing all payments and disbursements.
- All pertinent information of Seller's existing financing, if assumable.
- Copies of Seller's existing appraisals and environmental audits, if any.

9. The Purchase and Sale Agreement shall contain standard "prevailing party" language.

10. Seller shall be solely responsible for: (a) payment of any commissions with respect to leases on the Property through the closing date and for future contingent commissions for lease renewals of option periods applicable to said leases; and (b) completion, at Seller's or tenant's sole cost, for all tenant improvement work for pending or signed leases on the Property.

11. Financing shall be obtained to the satisfaction of the Buyer. **This offer is specifically conditioned, in part, upon Buyer's obtaining financing, on terms and conditions acceptable to Buyer in its sole discretion and judgment.**

12. If Buyer does not terminate during the Inspection Period, then Seller shall deliver those items described in Paragraph 4, all acceptable to Buyer in its sole discretion, within ten (10) days following the expiration of the Inspection Period.

13. Closing shall be thirty (30) days after the last item in Paragraph 4 is delivered and Buyer has obtained the financing described in Paragraph 11 (with all of the foregoing to be acceptable to Buyer in its sole discretion). Both parties confirm that time is of the essence and agree to make every effort to expedite a closing.

14. Seller shall hold Buyer harmless against all claims by brokers and agents for any real estate commissions due in this transaction.

15. Seller shall deliver to Buyer, within ten (10) days of full execution of the Purchase and Sale Agreement, an estoppel certificate, in a form and with content reasonably acceptable to Buyer, signed by each tenant in the Property.

16. In the event of Buyer's default after full execution of the Purchase and Sale Agreement and acceptance of the Property by Buyer following the Inspection Period and upon the securing of adequate and acceptable financing by Buyer, the Initial Deposit shall be forfeited by Buyer as Seller's sole remedy. In the event of Seller's default after full execution of the Purchase and Sale Agreement and acceptance of the Property by Buyer following the Inspection Period, with the exception of any change in financing by Buyer's Lender, Buyer shall have the option of: (a) having the Initial Deposit returned, including reasonable costs, expenses, and attorney's fees; or (b) pursuing specific performance of the Purchase and Sale Agreement. The Buyer's deposit will be refundable, if at any point, should Lender change any aspect of the financing of this transaction.

17. Seller shall not enter into any agreements (including any contracts of sale of the Property, or any letter of intent in connection therewith), lease amendment or extensions until the Purchase and Sale Agreement is fully executed or negotiations terminated. Should Seller enter into any such agreements without Buyer's prior written approval or should Seller not be able to deliver estoppel certificates from the tenants acceptable to Buyer and its lender, Buyer may, at its option and in its sole discretion, terminate this Letter of Intent and/or the Purchase and Sale Agreement and have any binder money paid returned.

18. Either party hereto shall have the right to treat the Property as part of a tax-deferred like-kind exchange under Section 1031 of the Internal Revenue Code and, to that end, shall have the right to assign or otherwise alter this Letter of Intent in order to accomplish that objective; provided, however, that the net economic effect (including exposure to liability) shall be essentially the same as under the original Letter of Intent.

19. Seller and Buyer shall keep the terms of and existence of this Letter of Intent strictly confidential and shall not disclose any of its terms or its existence to any third party other than to their respective brokers, consultants, attorneys, accountants, lenders, and engineers.

20. The last signature date below shall be deemed the effective date of this Letter of Intent. While this Letter of Intent is nonbinding, it is the intent of both parties to negotiate and execute within thirty (30) days of execution of this Letter of Intent a binding and definitive long-form Purchase and Sale Agreement along the above lines and with other terms and conditions customary for this type of transaction and mutually acceptable to both parties. The terms of this Letter of Intent shall be incorporated into the Purchase and Sale Agreement. If the general terms as outlined above are acceptable, please indicate by signing one copy of this Letter of Intent and returning it to the undersigned Buyer.

Agreed to and accepted:

BUYER

SELLER

By: _____

Apartment Investment Advisors, LLC

Date: _____

By: _____

Florida Apartments , Inc.

Date: _____

Section 1

Management Agreement

Step 1: Once you are hired by an owner to manage their property it is crucial that you get the **Management Agreement (Form 3a)** signed by ALL owners before you take receipt of any monies or begin any services. This agreement was prepared by an attorney to protect you if a disagreement develops.

The Agreement should be signed by ALL owners and by you. A copy should be provided to ALL owners and the original can be kept in a file you create.

Step 2: You should create one Owner File with a manila file folder. Create a label as follows:
Last Name, First Name (List all owners)
Management Agreement Date: (Date)

Step 3: You should also have the Owner complete the **Owner Disbursement Method Form (Form 3b)**. This form clearly specifies how the owner wishes to receive their disbursements from you for rent collected.

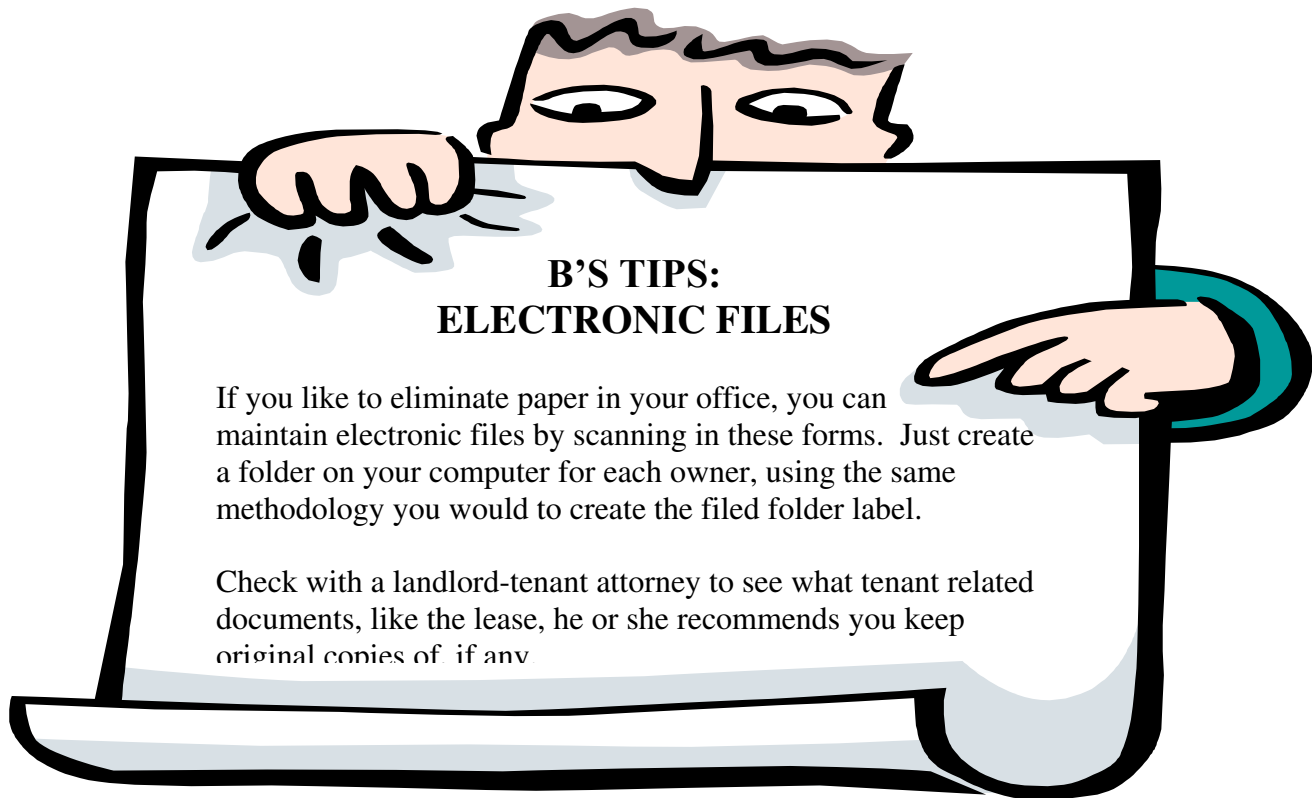
Step 4: Place the **Owner Disbursement Method Form (Form 3b)** in the Owner File.

NOTE: You will create additional folders for each rental unit you manage for this owner(s) that will contain information specific to each unit and that differs from unit to unit, such as authorized maintenance orders.

Step 5: Create files for each respective rental unit. To create this file, use a letter size manila colored file folder with two prongs on each side. (You can see the **Office Supply List (Form 3c)** for more specifics.)

Step 4: Place a label on the file accordingly to this example:
If the owner's name was Mickey Mouse and Donald Duck, the property address was 123 Disney Lane, Orlando, Florida 33111, and the date the Property Intake Form began was June 1, 2002, then the label would look like:

Mouse, Mickey & Duck, Donald June 1, 2002
123 Disney Lane, Orlando, Florida 33111



B'S TIPS: ELECTRONIC FILES

If you like to eliminate paper in your office, you can maintain electronic files by scanning in these forms. Just create a folder on your computer for each owner, using the same methodology you would to create the filed folder label.

Check with a landlord-tenant attorney to see what tenant related documents, like the lease, he or she recommends you keep original copies of if any

Section 2

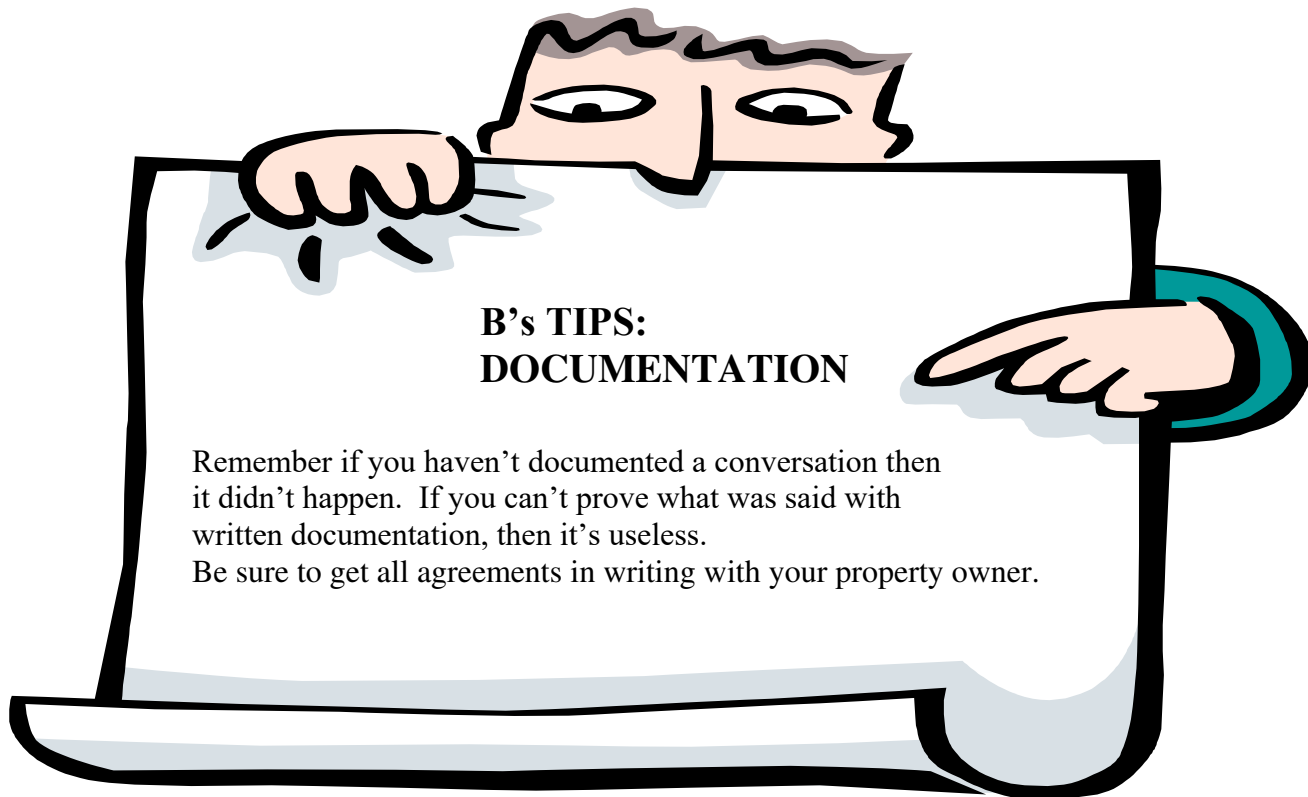
Collecting Escrow Monies

- Step 1: Once the Management Agreement is signed, you should collect minimally \$250 per property from the Owner. This money is a maintenance cost deposit and should be placed into your Escrow account. THIS IS NOT YOUR MONEY. It is for routine, minimal maintenance costs. Be sure to give the owner a **Receipt for Funds Collected (Form 3d)** and place a copy of the Receipt in the Unit File Folder.
- Step 2: As you complete the **Property Intake Form (Form 3e)** for each rental unit and it is determined if you are handling any leasing or marketing services, obtain escrow money for anticipated costs associated with these services. Be sure to indicate the escrow money collected on the **Property Intake Form (Form 3e)** and give the owner a **Receipt for Funds Collected (Form 3d)**. A good example of this would be money to run an ad in the newspaper advertising the rental unit. You can obtain the approximate cost and collect this money to be placed in your escrow account to pay the invoice for the ad.
- Step 3: As you handle Leasing and Marketing services throughout your relationship, you should collect money to cover hard costs associated with these services and place these funds into your escrow account. Each time you collect funds provide your owner with a **Receipt for Funds Collected (Form 3d)**.
- NOTE: You should carefully track the money in escrow for each owner. When the balance goes below \$250 use the **Escrow Replenish Request (Form 8c)** to request funds from your Owner to bring the balance back to a minimum of \$250.

Section 3

Agreeing to Responsibilities

Step 1: Once you are hired by an owner to manage their property, there are certain decisions that must be agreed to by the owner and you. If these decisions are not agreed to prior to taking over management, you stand to lose a lot of money, time and credibility with your client in the future. You can also become liable for actions that you have no control over, if you do not clarify your responsibilities now.



Step 2: Use the **Property Intake Form (Form 3e)** to clarify how each responsibility will be handled with a property owner. This form should be completed by you and the owner for each property, as the responsibilities may be divided differently for different properties. The form can either be completed by you to your liking and then verbally reviewed with the owner or you can verbally discuss each issue with the owner and mark on the form the decision you come to for each item. Either way, once completed, the form should be signed by ALL owners and by you. A copy should be given to ALL owners and the original placed in the Unit File.

NOTE: If the property you are beginning management on is multi-unit you can have one master file with the agreement, but you will need to set up each unit in your property management software so you can track tenant information and rent information individually. If rent and other items begin fluctuating between units, then you will need to fill out this form and create a file for each unit. You can fill out the information that remains the same from unit to unit, make photocopies, and then fill in the different information to save time.

Section 4

Beginning Management

- Step 1: If the rental unit you are taking on management for has an existing tenant, you should request the forms on **File Intake Checklist (Form 3f)** from the owner. Place these items in your Unit File, according to the file organization in the Landlording 101™ Operations Manual.
- Step 2: You should send the tenants a letter introducing yourself as the new management company. **Introduction of New Management to Tenant (Form 3g)**
- Step 3: This letter should include a new lease that you are requesting that they sign. (Use the lease provided in the Landlording 101™ Operations Manual.) It is imperative that this property you are now responsible for managing is operating on a well-written lease. Keep the duration of the lease the same as the existing one. The tenants are not “renewing” their lease, just signing a new one to replace the existing one.
- NOTE: If the tenants refuse to sign the new lease, note their file and inform the owner. Be sure when their lease is up for renewal that a new lease is signed. Read the existing lease and if you have any questions contact a landlord-tenant attorney.

If there is no existing tenant in the rental unit you should use the system and forms provided to you in the Landlording 101™ Operations Manual for your applicant screening, move in procedures and your lease and other forms. It is very important you manage with the forms and system we provided you. This system is a proven technique for efficiency and also complies with Florida law and the Fair Housing Act. It is a very bad practice to start allowing owners to force you to use their own leases, etc., as they are not trained in property management as you are.

YOUR PROPERTY MANAGEMENT COMPANY'S NAME HERE
Property Management Agreement

This is an AGREEMENT between _____ hereinafter referred to as “Owner,” and _____, hereinafter referred to as “Agent,” who agree as follows:

I. EXCLUSIVE RIGHT TO RENT, LEASE AND MANAGE:

Owner hereby employs Agent, giving Agent the exclusive right to rent, lease and manage Owner’s property (hereinafter called the “Premises”) known as _____ under the terms and conditions herein set forth. Agent accepts the management of the Premises for the period, and upon the terms herein provided.

II. TERM:

This Agreement shall commence on _____, is perpetual, and shall end when either Owner or Agent shall give the other party notice of intent to terminate according to terms stipulated in section VII of this Agreement.

III. MANAGEMENT AUTHORITY AND AGENT RESPONSIBILITIES:

Owner expressly grants to Agent the following authority, powers and rights, any or all of which may be exercised in the name of Owner, in Agent’s name alone, or in the names of both, and Owner shall assume all responsibilities for expenses in connection herewith, and shall reimburse or pay in advance all expenses incurred or to be incurred by Agent pursuant to this Agreement:

- A. Full management and control of the Premises with authority to collect all rent and other monies and securities from Tenants in the Premises, and issue receipts for same.
- B. The exclusive right to accept and qualify applications for rental and to perform credit checks and other screening services on applicants, and the exclusive right to approve or decline such applicants according to agent’s policies. Owner shall not be provided with the Tenants credit report and/or Application unless specifically authorized in writing by the tenant and the provider of the credit report.
- C. To prepare and negotiate new leases and renewals of existing leases in which Agent is authorized to execute leases and renewals for a maximum of one year at a time or for longer periods with Owner approval.
- D. To have repairs made, to purchase necessary supplies, to provide for all negotiation and contractual arrangements by suppliers or other independent contractors for all improvements, maintenance or repair services deemed necessary by Owner and/or Agent or to comply with applicable building, housing, and health codes, and to determine that such services were performed in a proper and prescribed manner. On each improvement, maintenance or repair item

that shall exceed two hundred fifty dollars (\$250.00) in cost – except for emergency repairs – Owner’s approval shall first be obtained.

- E. To change locks on Premises between tenancies.
- F. To place “For Rent” signs on the Premises unless prohibited by applicable bylaws or local ordinances.
- G. To advertise the Premises when vacant or in anticipation of vacancy
_____web site-a \$___0_____ charge is made for posting an ad on the website. The Owner shall have the right to limit advertising expenditures at any time by written request.
- H. To serve any and all applicable legal notices upon Tenants and to prosecute legal actions to terminate tenancies, evict Tenants and recover rents and any other sums due, and when necessary employing for these purposes a reputable attorney.
- I. To collect from Applicants or Tenants any or all of the following: application fees, late rent fees, non-negotiable check fees, re-leasing fees, lease modification fees, legal notice services fees, or any other fees that may now or in the future become a Tenant obligation. All such fees shall belong to Agent to offset Agent’s extra time and expense for handling additional work and responsibilities related to such fees, and Agent need not account for such fees to Owner. First funds collected from Tenant each month shall be applied to Tenant obligations chronologically beginning with the earliest obligation incurred. Any outstanding Tenant obligations at end of tenancy may be deducted from Tenant’s security deposit and/or last month’s rent.
- J. To submit all available properties for rent, including those of other Client/Owners Agent, to all interested parties.
- K. To resolve disputes over security deposits and any other sums due. Agent may use any lawful means to resolve such disputes. Agent is authorized to compromise and settle claims on Owner’s behalf as may be necessary or prudent in Agent’s judgment.
- L. To accept or decline checks for rental and other payments due from Tenants according to Agent’s policies. Agent shall not be held liable for bad checks or money not collected. Owner shall reimburse Agent for any sums disbursed on the faith of such checks should they be uncollectible for any reason. Owner agrees to hold Agent harmless for any failure to secure Tenants for the Owner, any cancellation by the Tenants and/or failure to collect any rents or monies due from the Tenants for any reason.
- M. To make every reasonable effort to collect rents and other monies from Tenant when and as they become due, however, Agent does not guarantee the payment of Tenant obligations. Agent may employ collection agencies, attorneys, or any other reasonable and lawful means to assist in the collection of any outstanding Tenant obligation.
- N. To render monthly statements to Owner of income and expenses and to disburse to Owner the net proceeds of such accounting. Statements and financial disbursements will be made customarily between the seventeenth (17th) day and twentieth (20th) day of each month, but in no case will disbursements be made until Tenant funds have cleared Agent’s bank. In the event disbursements should be in excess if income collected, Owner shall pay such excess promptly to Agent. Agent may reserve Owner’s funds to meet obligations that are or may become due thereafter and for which current income may be adequate.
- O. To deposit all receipts collected for Owner or held on behalf of Tenant in escrow accounts separate from Agent’s personal funds. However, Agent shall not be held liable in the event of bankruptcy or failure of depository (such as a bank or banking institution.) Agent may require releases from all parties in the event of a controversy before disbursing escrow funds.

- P. To receive interest on any Agent escrow accounts, and interest received, if any, above that which may be required by Florida Statutes to be paid to Tenant or others, shall belong to Agent to offset Agent's time and expenses of maintaining such accounts, and Agent need not account for such interest received to Owner.
- Q. To arrange for authorized individuals to inspect, survey or view the Premises as directed by Owner.
- R. To provide security deposit evaluations to Owner and submit recommendations and cost estimates, of any, to Owner at the expiration of a tenancy.
- S. To honor Owner's preference with respect to allowing pets to be kept on the Premises. Pets — other than animals trained or used for assisted living purposes — will be permitted only with prior approval of Owner.
- T. Agent is clothed with such other general authority and power as may be necessary or expedient to carry out the spirit and intent of this Agreement. Agent assumes no responsibility for any other services unless agreed to in writing.
- U. Rental Rates will be the current market rate as determined in the sole judgment of Agent or no less than \$_____ per month. Late charges or fees owed by any Tenants shall be collected at the discretion of the Agent and Agent shall retain any such charges and late fees.
- V. Agent is given the authority to sign all lease(s)
- W. Damages or Missing Items: Agent is not responsible for damage to the premises or items missing, switched out, lost or damaged under any circumstances, including but not limited to, theft, vandalism or negligence of Tenants or their guests. In furnished units, an inventory will be checked by Agent at departure. In the event Tenants damage the premises or owes any monies to the Owner, Agent is given the exclusive authority to determine in its professional judgment the amount due, charge the Tenants accordingly and/or settle with the Tenants upon advice Agent's legal counsel. Agent is given the power to make claims upon the security deposit on behalf of Owner and Agent shall not be held liable for any failure to make claims on any damages which were not readily apparent to Agent.

IV. OWNER PROVIDES THE FOLLOWING ASSURANCES:

- A. That he/she/they/ constitute all of the Owners of the Premises and will provide a copy of the deed if requested by Agent. That he/she/they have full power and authority to hire Agent and have the right to receive income proceeds from the Premises and that this power, authority, and right have not been assigned, or transferred to others.
- B. That all mortgages, and taxes, insurances and association dues are currently paid and are not in default, that the Premises is not now the subject of a foreclosure or pending foreclosure action. In the event a foreclosure action is filed against Owner, Agent shall be notified immediately in writing. Owner shall indemnify, defend and save Agent harmless in any foreclosure action.

V. OWNER ACCEPTS THE FOLLOWING RESPONSIBILITIES:

- A. To keep Agent informed of any changes of Ownership interest in the Premises.
- B. To be responsible for payment of the following recurring expenses: mortgage payments, taxes, fire or other insurance premiums, Homeowner/Condominium Association obligations, and any other recurring expenses unless that responsibility has been accepted by Agent in writing. Agent shall not be required to advance his own money to pay any Owner obligations, including recurring expenses, unless Owner has provided sufficient funds to cover the amount. Monthly income collected, if any, shall be applied chronologically beginning with the earliest obligation,

including Agent's compensation, and the remaining balance, if any, shall be available for remaining obligations and recurring expenses. Mailing of previous month's statement to Owner shall be sufficient notice to Owner of balance on hand and the need for additional funds. Owner assumes full responsibility for any consequences resulting from late payment or non-payment of any obligation or recurring expenses should Agent be unable to make said payments due to insufficient funds on hand, lack of income from the Premises, non-delivery or delay of mail, or for any other reason beyond Agent's control.

- C. To provide Agent with current and up-to-date copies of any applicable Condominium or Homeowner Association rules and regulations. In the event Tenants fails to comply with the rules and regulations and the Association or Board levies fees, fines, or assessments against Owner, Agent shall not be liable for the payment of such obligations.
- D. To keep Premises adequately insured, and shall immediately notify Agent in writing should insurance lapse.
- E. To keep Agent informed in writing of any changes of Owner's mailing address and phone numbers.
- F. To place in reserve with Agent **two hundred fifty dollars (\$250.00)** per property/unit, or such other amount as may be jointly agreed to by Owner and Agent, for the purpose of maintenance repairs, or other expenses that may arise, and authorize Agent to replenish this reserve from rents collected.
- G. To cooperate fully with Agent in complying with all applicable building, housing, and health codes, as well as applicable **Fair Housing regulations. The Premises shall be rented without regard to race, creed, color, religion, sex, national origin, age, disability, marital status, familial status, or sexual preference.**
- H. To indemnify, defend, and save Agent harmless to all cost, expenses, suits, claims, liabilities, damages, proceedings, or attorney's fees. Also included, but not limited to, are those arising out of any injury or death to any person or persons or damage to any property of any kind whatsoever. In addition to the above stated would be whomsoever belonging, including Owner, in any way relating to the rental, leasing and management of the Premises or the performance or exercise of any of the duties, obligations, powers, rights or authority granted to Agent. Owner agrees to and does hereby indemnify and hold harmless the Agent, it's employees, agents and assigns, from any and all claims, suites, damages cost, losses and expenses arising from the management of the property and from any injury to persons and/or property occurring on or about the Premises. Owner agrees to indemnify Agent for damages suffered as a result of any lapse in or failure by Owner to maintain insurance coverage.
- I. To carry, at Owner's expenses, such public liability, property damage, and worker's compensation insurance as shall be adequate to protect the interest of both Agent and Owner. Such policies shall name Agent as well as Owner as the party insured, and Owner shall provide Agent with a copy of insurance policy within fourteen (14) days of the execution of this Agreement. Additionally, Agent may carry insurance sufficient to protect Agent's interest solely and shall charge to Owner's premises and ten dollars (\$10.00) for each additional premises managed by Agent to cover cost of such insurance. Agent may waive this charge with copy of certificate in insurance policy from Owner showing adequate insurance coverage and Agent named as an additional insured.
- J. That Agent shall not be liable for any willful neglect, abuse or damage to Premises by Tenants or others nor for loss of or damage to any personal property of Owner by Tenant including loss due to exchange or theft by Tenants or others. Agent shall not be responsible for nonpayment of or

theft of any utility service by Tenant. Agent shall not be held liable for any error of judgment or mistake of law except in cases of willful misconduct or gross negligence.

- K. **Utilities:** If allowed by law and unless otherwise agreed to by the parties, Tenants are required to have telephone service, cable, electric service, water service and all other utilities in their own name. In any lease where the Tenants shall have use of the Owner's utilities and be responsible for all or part of the bills, Owner shall pay the entire bill in a timely manner and forward copies to this office for reimbursement. Under no circumstances shall Owner cause the termination of these services and Owner agrees to indemnify Agent for any damages or litigation fees/cost incurred by Agent if Owner improperly terminates a utility services. Agent will deduct bills to the extent of funds available and Owner agrees that Agent shall be in no way responsible for nonpayment of or theft of any utility service by Tenants.

VI. MANAGEMENT COMPENSATION: In consideration of the services to be rendered by Agent, Owner shall pay Agent each month any and all of the following forms of compensation as may be applicable as they become due:

- A. **FOR MANAGEMENT:** Ten percent (10%) of the gross monthly rents collected. Should a security deposit claim be made to cover any unpaid rent, management fees will be applicable to such rent also.
- B. **FOR LEASING:** A leasing fee in the amount of 50% of the rent due at the beginning of each new tenancy.
- C. **LEASING GUARANTEE:** If Tenant has been qualified by Agent and defaults on the original lease term, Agent will re-lease the Premises and waive the leasing fee (as long as default was without Owner approval).
- D. **RENEWALS:** A renewal fee of 20% of the rent due upon the renewal of lease. Any extension of the Tenant occupancy shall be deemed a renewal of the previous rental term for the purpose of renewal compensation.

VII. TERMINATION:

- A. Either Owner or Agent may terminate this Agreement by giving the other party sixty (60) days written notice of termination. Agent may terminate this Agreement immediately with written or verbal notice if Owner's actions or inactions appear to be illegal, improper, or jeopardize the safety or welfare of Tenants or others. Should Owner terminate this Agreement before Agent has managed the Premises at least six (6) months Owner shall pay Agent a termination fee of three hundred dollars (\$300.00) or 30% of monthly rent whichever is greater.
- B. Owner may terminate this Agreement in writing before Agent has committed to a Tenant for the Premises and shall reimburse Agent for any out of pocket expenses.
- C. All provisions of this Agreement that indemnify, defend, and save Agent harmless to any and all matters shall survive any termination of this Agreement.
- D. Agent may withhold funds for thirty (30) days after the end of the month in which this Agreement is terminated to pay any obligations; Owner shall pay Agent the deficit within thirty (30) days of termination date.
- E. In the event this Agreement is terminated by either Owner or Agent, regardless of cause, the parties agree that Agent shall have no further obligation to rent, lease, or manage the Premises.

VIII. MODIFICATION OF THIS AGREEMENT:

Agent may change the terms of this Agreement by giving ninety (90) days written notice to Owner. The ninety (90) days shall be counted from the date notice was mailed. Should no written objection be forthcoming from Owner within the ninety (90) days period, Owner’s acceptance of said changes shall be presumed. Any exception would be a change required by applicable statute or regulation in which case the change would become effective according to the time period required by such statute or regulation.

IX. OWNER AND AGENT MUTUALLY AGREE:

- A. That this Agreement shall be governed by and construed in accordance with the laws of the state of Florida. Should one or more of the provisions contained in this Agreement be held to be invalid, illegal, or unenforceable, that disability shall not affect any other provision of this Agreement
- B. That in the event legal procedures are necessary to enforce any provision of this Agreement the prevailing party shall be entitled to recover or receive an award for their reasonable legal fees.

X. OTHER TERMS OF MUTUAL AGREEMENT:

XI. NOTICES:

For purposes of this Agreement, all notices required herein shall be deemed to have been served upon the other party when mailed to the following addresses or to such other address as shall be changed in **Writing**, properly notifying the other party:

Agent:

Office phone: _____

Fax Number: _____

E-Mail: _____

SALUTATION || Mr. || Mrs. || Ms.

OWNER NAME: _____

SALUTATION || Mr. || Mrs. || Ms.

OWNER NAME: _____

MAILING

ADDRESS: _____

COUNTRY: _____

HOME PHONE: _____

CELL PHONE: _____

ADDITIONAL #: _____

EMAIL ADDRESS: _____

SOC SEC #/ TAXPAYER ID#: _____

OWNER NET CHECK/DEPOSIT MADE PAYABLE TO: _____

XII. ENTIRE AGREEMENT, SUCCESSORS AND ASSIGNS:

This Agreement embodies the entire understanding of the parties. All prior or contemporaneous agreements, understandings, representations, warranties, or statements, oral or written, are merged into this Agreement. This Agreement shall become binding upon the successors and assigns of Agent, and the heirs, administrators, executors, successors, and assigns of Owner, and may be sold or assigned by Agent to any person or entity legally qualified to fulfill its terms.

FACSIMILE SIGNATURES: The parties agree that this Agreement may be executed by Facsimile and such Facsimiles shall be binding as if originals.

OWNER: _____

DATE: _____

OWNER: _____

DATE: _____

OWNER: _____

DATE: _____

AGENT: _____

DATE: _____

Owner Disbursement Method

Date

Owner

Address

City, State Zip

Re: Disbursement of Owner Funds

_____ Please mail my disbursements to me:

Check payable to:

Mailing Address:

_____ Please electronically transfer my disbursements:

Name on Bank Account:

Bank:

Routing Number:

Account Number:

My SSN or EIN is: _____

Owner Signature

Date:

Office Supply List

Item	Brand/Color	Where to Order	Number to Keep In Stock
Printer Toner			
Copy Paper			
Manila Folder w/ 2 Prongs			
File Labels			
Yellow Folder w/ 2 Prongs			
Blue Folder w/ 2 Prongs			
Pencils			
Pens			
Hanging File Folders			
Business Size Envelopes			
Tape			
Stapler			
Staples			
Staple Remover			
Business Cards			
8x10 Envelopes			
Postage			

Receipt for Funds Collected
NO RESPONSE NECESSARY

Date

Owner

Address

City, State Zip

Amount Received:

For Rental Property Address:

Placed in:

_____ Escrow Account

_____ Operating Account

_____ Security Deposit Account

Property Manager

Date:

Property Intake Form

Owner Name	
Property Address	
Date Management Services Begin	
Existing Tenant	YES NO
Monthly Rental Rate	
Security Deposit Amount	
Last Month's Rent Required	YES NO
Application Fee	
Qualifying Criteria	
Approved with Last Month's Rent	
Pets Allowed (Indicate any restriction)	YES NO Restriction:
Normal Evictions No Approval Required	Non payment of rent Illegal Activity Drug Activity Other:
Security Deposit Held By	Management Company Owner If owner list bank account name, address and number for lease purposes
Owner Authorization for Lease Renewal/Non-Renewal Required?	YES NO
Secondary Contact Person For Owner:	Name: Number:
Repairs Less than or Equal to \$250 May Be Handled Without Authorization	YES NO
Security Deposit Deductions Must Be Authorized By Owner	YES NO
Agreed to Minimal Punch List (Requires No Authorization)	Interior Wall Paint Carpet Cleaning Cleaning Locks Changed A/C Filter Changed
SERVICES REQUIRED	
Management Services (10% of gross collected rent)	YES NO
Marketing/Leasing Services (1/2 of first full month's rent)	YES NO
Preventative Maintenance Program	YES NO

Suggested Marketing Actions	Cost – please remit payment
Place For Rent Sign in Yard	Included, no additional charge
List on Website	Included, no additional charge
Share with Network of Alliances	Included, no additional charge
Ad in Newspaper	\$
Online Ad	\$
Other	

OWNER SIGNATURE

DATE

OWNER SIGNATURE

DATE

MANAGEMENT SIGNATURE

DATE

File Intake Form

Item to Collect From Owner or Previous Management Company	Check as Received
Lease	
Addendums	
Rules & Regulations Form	
Move In Move Out Inspection Form	
Application	
Security Deposit Funds	
Last Month's Rent (If collected)	
Any Notices of Other File Contents	

Introduction of New Management to Tenant

Date

Tenant
Rental Unit Address
City, State Zip

Re: Management Services

Dear Tenant:

We are excited to announce that our company will begin handling the management of your residents on _____. Providing quality housing and great service is important to our company. We look forward to helping provide you a wonderful place to call home.

Beginning with the rent for the month of _____ please send rent payments to the following address:

We are also requesting you sign the new, enclosed lease. This lease provides you with important information like where your security deposit is now being held and how to contact us with maintenance and repair needs. The lease does not increase your rent, nor does it extend the length of your original lease term. It simply updates relevant matters now that we will be assisting you with your housing needs.

We are also enclosing photos of our team so you can recognize us next time we meet.

Please sign the attached lease and return in the enclosed envelope at your earliest convenience.

We look forward to working with you.

Sincerely,



Phase Four

Rent Collection &

Distribution To Owner

Section 1

Collection Rent

- Step 1: Use your rent collection procedures outlined in the Landlording 101™ Operations Manual.
- Step 2: Deposit rent into your Operating Account.
- Step 3: Be sure to keep accurate records of rent collected in your property management software.
- Step 4: The day after your grace period for rent due ends, generate a report showing the amount of rent collected and the amount of rent late and send to your Owner.
- Step 5: Follow procedures in the Landlording 101™ Operations Manual for late rent procedures.
- Step 6: On the 15th of the month, or whatever date you specified in your Management Agreement that you would disburse funds to the Owner, calculate the % of rent collected the Owner should receive. Remember all late fees and NSF fees belong to you.
- Step 7: Distribute the funded due to the Owner either by check or electronic deposit (as indicated in your Management Agreement.) You should include a report itemizing the rents that make up the distribution. (If you are depositing funds electronically, send the reports to the Owner via email.)
- Step 8: Also include a report of any rent or monies not collected. Again your property management software can provide this report for you. You can also visit the Forms section of this manual for samples reports.
- Step 9: You may continue to collect late rent and monies throughout the month. Update your property management software as needed. On the last day of the month, distribute the funds due to the Owner and include a report itemizing the disbursement and also a report of any monies outstanding.
- Step 10: When your three-day notices expire for tenants late on the rent, you can send those files to eviction as outlined in your Landlording 101™ Operations Manual. Send a **Notification of Eviction Proceeding (Form 6a)** to the Owner. The Eviction Section of this manual will give further instruction on handling evictions.



Phase Five

Issuing Notices & Handling Tenant Disruptions

Section 1

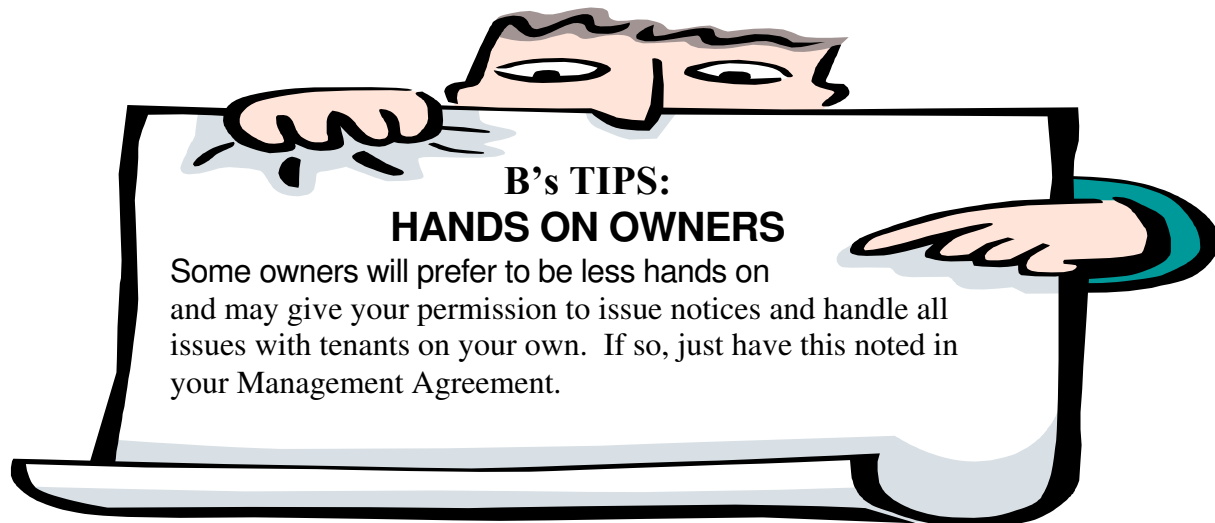
Issuing Notices

Step 1: You should clarify in your Management Agreement what notices you are allowed to issue without prior Owner approval. Generally these are notices clearly defined by law or in your lease. Examples are:

- a. Three Day Notice for Nonpayment of Rent
- b. Seven Day Notice to Cure for:
 - Illegal Occupant
 - Presence of a Pet (if no pet allowed or no pet disclosed upon move in)
- c. Seven Day Notice to Terminate for:
 - Illegal Activity on Property
 - Drug Activity on Property

NOTE: These notices and procedures for using them are provided in your Landlording 101™ Operations Manual.

Step 2: Always send your Owner a copy of any notice issued.



Discretionary Notices

Step 1: Other notices should be approved by your Owner prior to issue. When a circumstance occurs that you feel requires a notice send your Owner a **Recommendation for Issuance of Notice (Form 5a)**. Your Owner has 2 days to respond to your recommendation. If they do not respond, you can proceed at your discretion.

Step 2: Send your Owner of copy of any notice issued.

When a notice is complied with, you should always send your Owner a **Notice of Compliance (Form 5b)**. This just lets the Owner know that the tenant complied with the notice.

Recommendation For Issuance of Notice
Please FAX to (number) or EMAIL to (email address)
within 2 business days so I can handle this issue effectively on your behalf.

Date

Owner

Address

City, State Zip

Re: Recommendation For Issuance of Notice for (Rental Property Address)

Dear Owner:

Please be advised that I am recommending issuance of the following notice for the following reason:

Notice:

Reason:

Sincerely,

OWNER RESPONSE

_____ Please proceed with issuing notice.

_____ Do not proceed with issuing notice

_____ Please call me to discuss further.

Date: _____

Notice of Compliance
NO RESPONSE NECESSARY

Date

Owner
Address
City, State Zip

Re: Notice of Compliance for (Rental Property Address)

Dear Owner:

Please be advised that the above referenced tenant has completed with the notice (enclosed).
No further action is required at this time.

Sincerely,



Phase Six Evictions

Section 1

“Normal” & “Unusual”

Evictions

“Normal” Evictions

- Step 1: An Owner should have agreed in your Property Intake Form that ‘normal’ and ‘typical’ evictions can be initiated without their written consent. Normal and typical evictions are those clearly outlined by Florida Statute and really require no discretionary decisions. Examples are non-payment of rent, drug or illegal activity on property, expiration of a Seven Day Notice with no compliance (Owner may need to approve Seven Day Notice, but once a notice is issued you can follow eviction procedures for non-compliance without approval.)
- Step 2: When you do file for eviction, be sure to send your Owner a **Notice of Eviction Proceeding (Form 6a)**.
- Step 3: You should send the **Owner a Leasing Request (Form 7b)** clarifying in writing that you will begin marketing and leasing the unit and payment will be applied when leased.

“Unusual” Evictions

- Step 1: Unusual Evictions are evictions that are more subjective, like disturbances. To avoid controversy, we recommend you send your Owner an **Eviction Recommendation Notice (Form 6b)**. This form is your recommendation that eviction be filed for a certain circumstance. The Owner has two business days to respond to your notice. If they do not respond, you can proceed at your discretion.
- Step 2: Use the procedures outlined in your Landlording 101™ Operations Manual to issue the appropriate notices and proceed with eviction correctly.
- Step 3: Follow the instructions above for communicating with your Owner regarding eviction proceedings.

Notice of Eviction Proceeding

Date

Owner
Address
City, State Zip

Re: Notice of Eviction Proceeding for (Rental Property Address)

Dear Owner:

Please be advised that I have initiated eviction proceedings for the above referenced property for the following reason(s):

Pursuant to our Management Agreement, prior authorization is not necessary for this action.

The cost of an eviction of this manner will be approximately _____.

COST

_____ This cost will be deducted from your Escrow Funds.

_____ Please costs to me in the above amount.

Sincerely,

Eviction Recommendation Form

Please FAX to (number) or EMAIL to (email address)

within 2 business days so I can handle this issue effectively on your behalf.

Date _____

Owner _____

Address _____

City, State Zip _____

Re: Eviction Recommendation Form for (Rental Property Address)

Dear Owner:

Please be advised that I am recommending initiating an eviction proceeding for the above referenced property for the following reason:

The cost of an eviction of this manner will be approximately _____.

COST

_____ Check here to have the cost indicated above will be deducted from your Escrow Funds.

_____ Check here if you plan to remit costs to me in the amount above.

Sincerely,

OWNER RESPONSE

_____ Please proceed with the eviction.

_____ Do not proceed with the eviction

_____ Please call me to discuss further.

Date: _____



Phase Seven

End of Lease Term & Raising Rents

Section 1

End of Lease Term

- Step 1: By following your Landlording 101™ Operations Manual you will issue a Notice of 30 Day Notice Period. Be sure to copy your Owner.
- Step 2: At this point, also complete a Market Survey to determine if the rent should be raised to compete with market rents. If you do not know how to complete a Market Survey, The Landlord Academy has services to assist you in this area.
- Step 3: No less than 60 days prior to the end of a lease term, send your Owner a **Recommendation of Lease Renewal/Non-Renewal (Form 7a)**. This form shows the Owner your recommendation if a tenant's lease should be renewed or not renewed. It also includes your recommendation for a rent increase. Your tenant has 5 business days to respond to your notice or you can proceed with your discretion.
- Step 4: Once renewal or non-renewal, and rent increase, is agreed upon, proceed with your end of term procedures as provided in the Landlording 101™ Operations Manual. (Further instructions for handling move out procedures are given in this section.)
- Step 5: When a new lease term begins, update your Property Intake Form with new rent, etc.

Section 2

Non-Renewal of Lease

Step 1: If you are not renewing a lease, or if a tenant chooses not to renew a lease, immediately send your Owner a **Leasing Request Form (Form 7b)** to clarify that you are beginning marketing and leasing procedures and appropriate fees will apply.

Section 3

Move Out Procedures & Security Deposits

- Step 1: After a tenant moves out, you should complete your Move In Move Out Inspection Form provided in your Landlording 101™ Operations Manual.
- Step 2: Once completed, obtain costs for any repairs needed.
- Step 3: Complete your Notice to Impose Claim on Security Deposit as provided in your Landlording 101™ Operations Manual. Send a copy to your Owner.
- Step 4: Any monies deducted from the security deposit for repairs should be used for these repair costs. Any monies that are late rent should be divided appropriate between you and the Owner. Remember any late fees or other fees, as indicated in the Management Agreement, are yours.

Recommendation of Lease Renewal or Non-Renewal

Please FAX to (number) or EMAIL to (email address)

within 5 business days so I can handle this issue effectively on your behalf.

Date

Owner

Address

City, State Zip

Re: Recommendation of Lease Renewal or Non-Renewal for (Rental Property Address)

Dear Owner:

Please be advised the lease term for the above reference property will end in 90 days. I am recommended the lease be:

_____ Renewed

_____ Non-Renewed

Reason: If any

After conducted a Market Survey to compare current rental rates, I recommend the rent for the above referenced property be increased to _____.

Sincerely,

OWNER RESPONSE

_____ I agree with your lease renewal or non-renewal recommendation above.

_____ I agree with your suggested rental rate increase above.

_____ Please call me to discuss further.

Date: _____

Leasing Request Form

Please FAX to (number) or EMAIL to (email address)

within 5 business days so I can handle this issue effectively on your behalf.

Date

Owner

Address

City, State Zip

Re: Leasing Request Form for (Rental Property Address)

Dear Owner:

Please be advised that the above referenced property is scheduled to be available for release on _____.

Reason:

_____ Non-Renewal of Lease at Owner/Management Discretion

_____ Non-Renewal of Lease at Tenant's Discretion

_____ Termination of Lease at Tenant's Discretion

_____ Eviction Proceeding Underway

_____ Other

Please instruct me if you would like our company to handle the marketing and/or leasing of this property. Please note that hard costs involved in marketing will be your responsibility. Our Leasing Service fee equal to ½ the first full month's total will be applied.

Sincerely,

OWNER RESPONSE

_____ Please proceed with marketing.

_____ Please proceed with leasing services.

_____ Please call me to discuss further.

Date: _____



Phase Eight

Maintenance Issues

Section 1

Maintenance Requests

- Step 1: When you are notified of a maintenance need, you should complete a Work Order, as provided in your Landlording 101™ Operations Manual.
- Step 2: If the cost of the repair/maintenance work is under \$250 you can proceed with the work without Owner authorization (per your Management Agreement). You can use the funds in your Escrow Account for these costs.
- Step 3: You should immediately send a copy of the Work Order, along with a **Notice of Maintenance Action (Form 8a)** to your Owner.
- Step 5: If the maintenance cost will be over \$250 you must get Owner authorization prior to taking action on this issue. Send your Owner a copy of the Work Order, along with a **Request for Maintenance Approval (Form 8b)**. Your owner has 2 business days to respond to your request. If they do not respond, you can proceed with your discretion. HOWEVER, if you do not have sufficient funds in escrow to cover the cost we recommend you try to wait for Owner approval and provision of funds.
- Step 6: After the maintenance issue is handled, check the balance in Escrow for this unit. If these costs depleted their Escrow amount for this property to an amount less than \$250 send a **Request for Escrow Replenishment (Form 8c)** to the Owner, with a report showing an itemization of what the funds were used for.
- Step 7: When the maintenance issue is handled, also send your Owner a **Notice of Maintenance Issue Completed (Form 8d)**. This form just lets them know everything is taken care of.

Section 2

Preventative Maintenance

- Step 1: If your Owner has requested your additional service of Preventative Maintenance, you should do a preventative maintenance check as provided in your Landlording 101™ Operations Manual. If you are not qualified to do a Preventative Maintenance check, you can hire a professional to handle this. Make sure the cost of this professional is covered by the cost you charged your Owner for this service.
- Step 2: Remember, any repairs that need to be handled that are discovered in the Preventative Maintenance check should be additional costs to the Owner. You can use the same maintenance authorization forms indicated above to request funds and receive authorization.

Notice of Maintenance Action

Date

Owner

Address

City, State Zip

Re: Maintenance Action for (Rental Property Address)

Dear Owner:

Please be advised that I have coordinated maintenance services for the above referenced property as follows:

Type of Service:

Vendor Name:

In response to tenant complaint

Other:

Cost:

COST

The cost indicated above will be deducted from your Escrow Funds

Please remit funds in the amount of _____ to cover this cost.

AUTHORIZATION

According to our Management Agreement, permission is not necessary for this action.

Sincerely,

Request for Maintenance Approval
Please FAX to (number) or EMAIL to (email address)
within 2 business days.

Date

Owner
Address
City, State Zip

Re: Request for Maintenance Approval for (Rental Property Address)

Dear Owner:

I am requested approval for the following maintenance service for the above referenced property as follows:

Type of Service:

Vendor Name:

In response to tenant complaint

Other:

Cost:

COST

The cost indicated above will be deducted from your Escrow Funds

Please remit funds in the amount of _____ to cover this cost.

Sincerely,

OWNER RESPONSE

I authorize the above maintenance action.

I do not authorize the above maintenance action.

Please call me to discuss further.

Date: _____

Request for Escrow Replenishment

Date

Owner

Address

City, State Zip

Re: Request for Escrow Replenishment for (Rental Property Address)

Dear Owner:

Please be advised that the escrow funds for the above referenced property are: _____.

Per our Management Agreement, this amount should be no less than \$250.00.

Please remit additional funds in the amount of _____ as soon as possible to allow our company to handle the needs of your investment property efficiently on your behalf.

Thank you,

Notice of Maintenance Issue Completed

Date

Owner

Address

City, State Zip

Re: Notice of Maintenance Issue Completed for (Rental Property Address)

Dear Owner:

Please be advised that the maintenance issue below has been successfully completed.

Type of Service:

Vendor Name:

In response to tenant complaint

Other:

Cost:

No further action is needed.

Thank you,



Phase Nine

Working With Vendors

Section 1

Vendors

This section outlines recommendations for interacting with vendors. As a property manager, you should always send a **Notification of Vendor Services (Form 9a)** to your Owner to inform them of vendor use. Depending on the preference of your Owner, you may need to obtain written permission to use a vendor.

Further in this section is a directory of recommended vendors. These are vendors The Landlord Academy personally uses and can recommend. To view an updated list, visit the Member's Area of our website. Remember, Student Members receive discounts on most vendor services.

Section 2

Working With Vendors

A vendor is a person or a company who is a separate business entity. That contractor usually performs a specific service or work and is hired to perform jobs that are outside your comfort zone.

Step 1: When using a contractor you should always use a **Job Specification Checklist (Form 9b)**. This helps you decide exactly what you want the contractor to do for you, because it requires that you be specific. It then helps you make this clear to the contractor, so there is no miscommunication over the details of what the job entails. It also forces you both to have a specific fee discussion and gets it in writing. Lastly, it requires you and the contractor agree on timelines. This let's you know what to realistically expect from them and let's the contractor know what you expect also.

JOB SPECIFICATION CHECK LIST

A Job Specification Checklist should include the following:

1. detailed description of the work to be done, including preparation and application
2. specific materials and equipment to be used
3. location of the job
4. timeframe for completion
5. licenses and permits needed
6. insurance, warranties, guarantees, i.e. workman's comp.
7. payment schedules
8. clean up required
9. list of references
10. OSHA requirements (Occupational and Safety Hazard Agency)

Step 2: Contracts are used to minimize risk to the property and its owners. The conditions for negotiating a contract and the people empowered to sign a contract are usually covered by company policy or owner's policy. The scope of the project and the dollar amount may require that a company supervisor or owner sign a contract.

All contracts are subject to local, state, and federal laws. An attorney should review contracts before they are signed to ensure compliance and reduce risk.

THE CONTRACT

A contract should contain:

1. the scope and nature of the work to be performed, outlining the detailed specifications
2. the starting and completion dates
3. a remedies and cancellation clause
4. a hold harmless clause
5. proof of workmen's compensation and proof of comprehensive general liability insurance
6. total cost of work
7. a payment schedule, outlining retainage fees

Section 3

Vendor Directory

For the most current list of vendors, visit www.landlordacademy.com.

Attorney John McMillan
Florida Eviction Attorney
(813) 988-5135



Brier Grievés Agency Inc.
(813) 876-4166
brierg@bgains.com



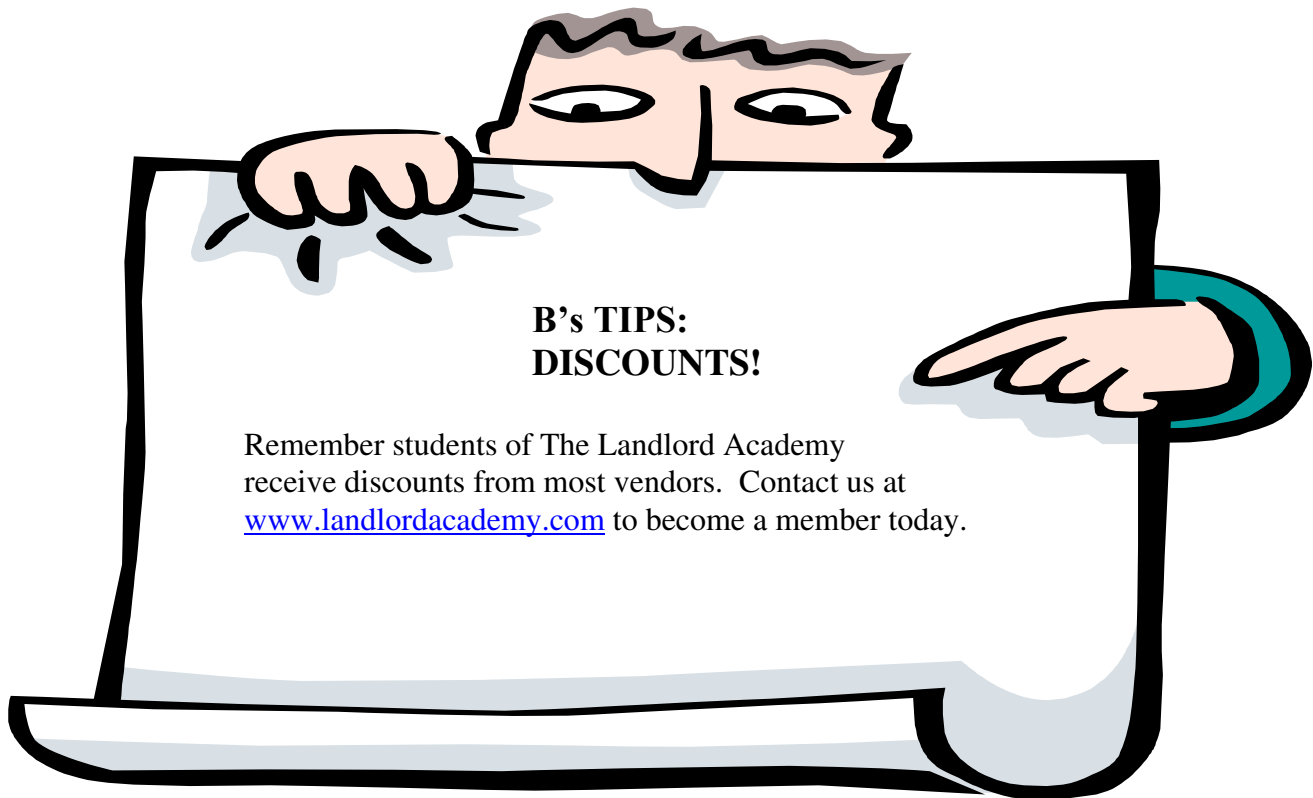
Octazon Management, LLC
(954) 674-2467
info@octazon.com



Atlas Construction Inc.
Remodeling/Construction/Maintenance
(727) 216-6944 info@atlasbuildsflorida.com

The Landlord Academy™ Tenant Screening
<https://landlordacademy.mysmartmove.com/>

For the most current list of vendors, visit www.landlordacademy.com.



Notice of Vendor Services

Date

Owner

Address

City, State Zip

Re: Vendor Services for (Rental Property Address)

Dear Owner:

Please be advised that I have utilized the services of the following Vendor for the following reason on your behalf:

Vendor Name:

Reason:

Cost:

COST

_____ The cost indicated above will be deducted from your Escrow Funds

_____ Please remit funds in the amount of _____ to cover this cost.

AUTHORIZATION

_____ According to our Management Agreement, permission is not necessary for this action.

_____ Please initial here to authorize this action on your behalf.

Sincerely,

Job Specification Checklist

(to be submitted to a vendor before work begins)

Date _____

Vendor Name: _____

Insurance: _____

Location of Work to Be Done: _____

Detailed Description of Work to Be Done: _____

Specific Material and Equipment to be Used: _____

Will Material be Provided by Vendor? YES NO

Additional Material or Equipment Cost: _____

Beginning Date: _____ Completion Date: _____

Timeline of Major Phases of Project: _____

Licenses or Permits Needed: _____

Who is Responsible for Acquiring These? _____

Additional Cost Associated: _____

Included in Total Cost Above or Additional: _____

Clean Up Required: _____

Additional Cost of Clean Up: _____

Total Cost (including material, equipment, licenses, permits, clean up and any other cost): _____

Payment Schedule: _____

OSHA Requirements: _____

Please provide three or more references.

Management



Phase Ten

Terminating Management Services

Section 1

Terminating Management Services

- Step 1: If you decide to terminate management services, issue your Owner a **Notice of Termination of Management Services (Form 10a)**. This is a 60-day notice, according to your Management Agreement.
- Step 2: You may withhold funds for up to 30 days prior to the termination of management services to cover any expenses that will come due during those 30 days for services rendered.
- Step 3: After these 30 days you must distribute funds to the Owner. You must also be prepared upon termination of management services to transfer all files to the Owner or a new management company, if notified of one.
- Step 4: We also recommend you send a **Tenant Notice of Termination of Management Services (Form 10b)** to the tenants so they are aware you will no longer be providing these services. This should be sent 30 days prior to the termination of these services. This should NOT be sent prior to notifying the Owner.
- Step 5: If an Owner owes you money at the termination of services, you should send a **Notice of Funds Due (Form 10c)** to the Owner. Do not make any final disbursement of rent payments to the Owner until your balance is satisfied. If the Owner does not satisfy the balance due within the 30 days after termination of services that you are allowed to withhold funds, deduct the amount due to you from their final disbursement or Escrow funds and send them an itemization of the funds deducted. REMEMBER, you CANNOT deduct from Security Deposits. These are technically still the tenants' escrow funds, not the Owners.

If an Owner terminates your services, you can follow the same procedures as above. The Owner must also give you a 60-day notice of termination, per the Management Agreement.

Notice of Termination of Management Services

Date

Owner

Address

City, State Zip

Re: Management of (Rental Unit Address)

Dear (Owner Name:

Please consider this correspondence as my sixty day written notice of cancellations of my management services for the above referenced property(ies). Our services will cease sixty days after the date of this notice. Please be advised that we are forced to cease managing your property(ies) due to the following:

LIST REASONS

Please be advised we will be sending a letter to all tenants advising them of this change within the next two weeks.

We are currently holding rental funds and escrow funds as itemized on the attached reports. We will maintain the escrow funds for up to 30 days after the date our services cease for availability of pending expenses on your behalf. All remaining funds will be transferred to you in no more than 30 days after the date our services cease.

According to Florida law, we may transfer any security deposit or advance rents to a licensed real estate broker or if permission is granted in writing by the tenant, we may transfer these funds into a separate Florida bank account which you have set up. Please contact us with instructions pertaining to the transfer of security deposits.

Note: You may continue to be liable to our firm for management fees/commissions as we have been forced to take this action due to circumstances beyond our control.

Sincerely,

THIS FORM IS A STARTING POINT AND LEGAL ADVICE IS RECOMMENDED BEFORE USE. Security Deposits have many legalities that impact their transfer.

Tenant Notice of Termination of Management Services

Date

Tenant
Rental Unit Address
City, State Zip

Re: Management Services

Dear Tenant:

Please be advised that we will cease to provide management services for the rental property you reside in on sixty days from the date of this letter. It has been a pleasure working with you.

You should receive notification from the owner of your rental property, or a management company on their behalf, instructing you where to make rent payments and to submit maintenance requests. We will be unable to accept any funds or accommodate any requests after sixty days of this notice.

You will also by law receive notification to where your security deposit will be transferred and held on your behalf.

Sincerely,

Notice of Funds Due

Date

Owner

Address

City, State Zip

Re: Funds Due for (Rental Property Address)

Dear Owner:

Please be advised that you owe funds to our company in the total amount of _____.

Itemization:

Expense	Amount
---------	--------

_____ Funds in the amount of _____ will be deducted from your remaining funds in Escrow for rental property located at _____.

_____ Please remit the amount indicated above upon receipt of this notice.

Sincerely,



Phase Eleven

Reporting To Owner

Section 1

Reports

The following reports should be provided to your Owner:

15th of the Month

Rent Collected

Late Rent Due

30th of the Month

Total Rent Collected

Total Late Rent Due

End of the Month

Total Monies Due

Vacancy Report

Leases Ending Within Next 90 Days

Maintenance Expenditures

Quarterly

Escrow Balances



Phase Twelve
Your Company Start Up
Budget & Job Descriptions
& Additional Forms

Section 1

Start Up Budget

The following budget is a typical budget of start up costs. (Start Up Budget – Form 12a) A copy of this budget is included in the forms supplied with this manual. You can customize the form by entering an approximate rent in your area to determine accurate service fees in your area. You can also modify expenses as needed.

Section 2

When to Hire an Employee

In the **Start Up Budget (Form 12a)** provided, an annual salary of \$35,000 a year is allocated for an employee. It is up to you if you initially wish to: a) pay this salary to yourself; b) do not pay the salary and allow the money to go to profit since you are the owner; c) or use the allocated salary to hire an employee.

Start Up Budget - Form 12 a

Total Capital Investing in Year One	\$100,000	
Annual Rate of Return on Invested Capital	25%	
Start Up Expenses		
Computer	\$ 1,100.00	
Incorporation	\$ 1,175.00	
Cell phone Activation	\$ 90.00	
Printer/Copier/Fax Machine	\$ 400.00	
Property Management Software	\$ 3,000.00	
Filing Cabinet	\$ 30.00	
Polaroid Camera	\$ 50.00	
Total Start Up Expenses	\$ 5,845.00	
Expenses Routine		
	<i>Annual</i>	<i>Monthly</i>
Property Manager	\$ 30,000.00	\$2,500.00
Payroll Tax	\$ 2,534.00	\$ 211.17
Office Rent	\$ 12,000.00	\$1,000.00
Cell Phone	\$ 1,080.00	\$ 90.00
Phone	\$ 600.00	\$ 50.00
Internet	\$ 600.00	\$ 50.00
Office Supplies	\$ 2,000.00	\$ 166.67
Insurance-General Liability and E&O	\$ 2,500.00	\$ 208.33
Annual/Monthly Expenses	\$ 51,314.00	\$4,276.17
Annual or Occasional Expenses		
Accounting Fees	\$ 1,100.00	
Annual Corporate Filing	\$ 150.00	
Computer Repair/Upgrade	\$ 1,100.00	
CPMS Training	\$ 487.93	per person
Occupational License	\$ 35.00	
Property Management Software	\$ 3,000.00	
Miscellaneous	\$ 2,000.00	
TOTAL EXPENSES FOR ONE YEAR	\$110,500.93	
TOTAL EXPENSES FOR ONE YEAR INCLUDING START UP COSTS	\$116,345.93	
Operating Income		
Management Fees - 10% of monthly gross rent		
Total rentals need to break even for annual expenses and start up costs	161.59	Est. avrg rent \$600/month
One month's expenses and ammortized annual expenses	\$ 8,552.33	
Total rentals needed to cover a month's expenses & ammortized annual exp	11.88	

Owner Notification of Mold Complaint/Issue

Date

Owner
Address
City, State Zip

Re: Mold Complaint/Issue for (Rental Property Address)

Dear Owner:

Please be advised that:

_____ Tenant has complained of mold

_____ We have noticed a possible mold condition

Regarding the above referenced property.

We have taken the following actions regarding this matter:

Mold can be extremely dangerous to the health of the tenant and any guests they may have. It is our professional opinion and the opinion of our legal counsel that you take whatever steps necessary to have the property evaluated and tested, fix the situation and remove the mold/mildew from the premises.

We strongly recommend that you allow the tenant(s) to break the lease without penalty as remediation can often create a more hazardous situation if the tenants are still residing in the unit.

We will take no further action regarding the mold situation until further written notice from you and upon receipt of sufficient funds to cover such action. Please take this matter seriously.

Please note that your tenant may withhold rent, call code enforcement or other governmental authorities, possibly attempt to deal with the mold themselves, break the lease and/or hold you liable for damages or sue you if the situation is not corrected.

Sincerely,

Response to Owner Repair Refusal

Date

Owner
Address
City, State Zip

Re: Your Refusal for Repairs for (Rental Property Address)

Dear Owner:

This correspondence is in response to your refusal to authorize the following repairs for the above referenced address:

It is our professional opinion and the opinion of our legal counsel that these items are your responsibility and should be repaired/replaced immediately at your expense.

We will take no further action regarding this repair/replacement until further written notice from you and upon receipt of sufficient funds to cover such repair/replacement. Our company will not be held liable for any litigation which may arise out of the failure to make the repair/replacement.

Please note that your tenant may withhold rent, call code enforcement or other governmental authorities, possibly attempt a repair themselves, break the lease and/or hold you liable for damages or sue you if the repair/replacement is not made. In the event of a lawsuit, Florida law provides that the prevailing party may recover all attorney's fees and costs, thus you will have to pay both your attorney and the tenant's attorney.

Your success as an investor is important to us and we feel this decision may cause you to incur liability as well as appear unprofessional to your tenant.

We encourage you to reconsider.

Sincerely,

Response to Owner Security Deposit Request

Date

Owner
Address
City, State Zip

Re: Your Security Deposit Request for (Rental Property Address)

Dear Owner:

This correspondence is in response to your request for deductions from the security deposit for the above referenced address.

It is the opinion of our legal counsel that these/this amount(s) (are only wear and tear, are not legally deductible, should not be deducted, etc.)

By deducting these amounts you will expose yourself to a potential lawsuit by the tenant. In the event the tenant is able to prove you were not legally permitted to make the deduction you may be held liable for the disputed amount, your attorneys fees and those of the tenant plus any costs of suit.

We will make the deductions per your request unless we are immediately notified to do otherwise by you in writing. Time is of the essence as we are under a strict 15 day time period from the date that the tenant vacated.

Your success as an investor is important to us and we feel this decision may cause you to incur liability as well as appear unprofessional to your tenant.

We encourage you to reconsider.

Sincerely,

Vendor Detail Checklist

Legal Company Name _____

d/b/a _____

Contact/Representative _____

Address _____

Phone _____ Cell _____

Fax _____

Email _____

Federal Tax I.D. Number _____

Business License Number(s) _____

Type Of Entity: Corp _____ LLC _____ Partnership _____ Sole Prop _____

Liability Ins. Carrier _____

Policy Number(s) _____

Workers Compensation _____