

## **Landlording: Is It Really the Monster Under the Bed?**

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Pete Finger, renowned German fingerstyle guitarist, once wrote a song titled “Sinn Ohne Worte”, which is translated as “Sense Without Words.” Sense without words, you say? Does that even make sense???

The same principle can be applied to landlording. Is there any sense in it? Is it sense without words? Or words without sense, possibly? Whatever your view, one thing is for certain: landlording represents almost every investor’s greatest fear - the fear of failure through placing poorly qualified or unqualified tenants that then wreak terror on you, your property, and your family(and your wallet).

Is it really the monster under the bed that we make it out to be though? In my experience, certainly no, but maybe I have just been lucky over the past 13 years. The fear of landlording can become so strong that it actually deters potential investors from getting in the game – and that is a mistake. Let’s look at some urban myths that are often associated with landlording – fears that you probably have heard somewhere before.

### **COMMON URBAN MYTHS ABOUT LANDLORDING**

- Tenants don’t pay on time
- Tenants will move in, not pay you, and are impossible to evict and will stay forever.
- I won’t be a good landlord because I hate unclogging toilets
- I won’t be a good landlord because I hate 2 am calls.
- Tenants will turn my house into a meth lab
- Tenants will have fighting dogs that will ravage neighborhood children and I will get sued
- I will get robbed when I show the house
- My cousin tried rental property and went bankrupt
- I will go bankrupt if I buy rental property
- I might die if I buy a property
- My wife(spouse) doesn’t want me to buy property because she(he) thinks I will fail

The list is, essentially, endless.

Now, could all of these things happen? Well, theoretically, yes – you could rent to some people who have neighborhood dogs who THEN go on a rampage ravaging all of the local inhabitants, but that is pretty unlikely. You could also, technically, get robbed – really, any of these things could happen to you. Yet, the likelihood of them taking place is miniscule, if only you follow these three basic steps:

- 1) Only buy in areas where you feel comfortable sending your spouse to pick up the rent.
- 2) Ask at or slightly above market rent to discourage unqualified tenants from applying.
- 3) Employ a strict set of property management rules(read: a system) that you follow or employ a property management company that does so.

Owning rental property is one of the greatest treasures of real estate investing, and yet so few people take the plunge because of one issue: fear. The strength of the urban myths overpower us at times, and the primal fear of tenants ‘trashing’ our homes can prevent us from ever taking forward action. I guess for me, as a landlord with a moderate number of rental homes, I have had few problems with the tenants that I have had over the years – and the reason for this is because I use effective systems. Consider the difference between landlord A and landlord B, as follows:

**Landlord A:**

- Accepts the first tenant who applies for their home, and places them, accepting a personal check which has not been cashed at the time of move in, and without a lease.

**Landlord B:**

- Accepts several applications during the showing period
- Screens all tenant prospects using a credit and background check
- Consults two previous landlord references on each tenant prospect
- Listens to his or her instincts about who would be the superior fit for the property
- Sets down ground rules, including rental due dates and applicable penalties should the rent not be delivered in a timely fashion
- Uses a lease approved by their attorney
- Explains to tenants that they are responsible for certain repairs and negligence that may arise over the lease period
- Is firm but fair
- Asks the tenants what questions they have and if they are able to commit to the rules

Now, who has the better chance of success? Simple question, right? Yet, so many people who have rental property choose to not run it as a business and implement effective systems. In this way, those people encourage the monster under the bed to come forward proudly, and indeed shamelessly.

If you are considering landlording and investment property, congratulations – that is step one.

Step two is simple – are you asking the monster to emerge from under the bed?

The choice is yours.