

# Leasing Your **HOUSE**

By Emily Fagan #99408

**A big question many people face when they contemplate long-term RV travels is what to do with their house. In today's soft real estate market, renting it may be the best solution.**

I have unintentionally been a long-distance landlord for 15 of the last 17 years, not by choice but because every time I wanted to sell my home, the market took a nose dive.

Working with seven different sets of tenants over those years, I have learned a lot.

First is that most tenants will care for your home almost as well as you did if they know that you care about it yourself.

Second is that tenants come from every income level, have many reasons for renting, and most will pay the rent in full and on time every month.

Last is that, even though all three of the homes I rented were radically different in size and location, and I always lived at least 1,000 miles from the house, I never needed a property manager and always found new tenants in a few weeks.

### **Prospective Tenants**

My first home was a small, older home in the rural suburbs of Boston, Massachusetts; the second was a large,



“Renting our homes wasn’t part of a pre-planned financial strategy and certainly was never my first choice. However, it has worked out far better than I would have expected.”

new home in a subdivision in Austin, Texas, and the third was a small, older townhouse in Phoenix, Arizona.

The free-standing houses attracted families, all of whom had been homeowners but were in a state of transition. Either they had sold their house sooner than expected and weren’t ready to buy yet, or they were building a house nearby, or they had been transferred for work and weren’t sure how long they would stay.

At times I signed leases for people who earned a lot more money than I did. The townhouse has attracted two young couples just starting out and an older couple who is experimenting with downsizing before they sell their family home.

The advantage of renting to former homeowners is that they know how to care for a house. The disadvantage is that they don’t stay. Usually they are using the rental home as a stepping stone to a more permanent situation and will leave when they find it.

An advantage of renting to younger people is that not only will they stick around if they like your home, but they are often building their credit in hopes of buying a home themselves. They may use you as a credit reference and want a good rental payment history. The one disadvantage could be that they may not know much about home maintenance and yard upkeep.

### Selecting New Tenants

Whenever possible, we have located new tenants ourselves. A “For Rent” sign in the yard and daily ad postings to [www.craigslist.com](http://www.craigslist.com) have been sufficient. If we are at the house doing work on it, we put an “Open House”

sign in the yard. This is most effective, as people driving by are much more likely to stop in than to call and make an appointment.

When we “interview” prospective tenants, simply chatting in the kitchen, we try to get a feeling for the kind of work they do, why they want to rent our house and what their long-term plans are for staying in the area and in our house.

The tenant/landlord relationship is a substantial business agreement. A simple \$1,200/month lease added up to \$43,200 by the time one set of tenants had finished three years of living in our home.

In choosing tenants, we have found a credit report is not that valuable. As a realtor once told me, the official credit worthiness of a prospective tenant isn’t nearly as important as the relationship you establish with

them. If they understand that you are financially dependent on their paying the rent on time, they may be more likely to make the extra effort to do so. If they are happy with you as a landlord, they may take better care of the place.

One of our best tenants had a bankruptcy in their history. Unlike an apartment building landlord who keeps a professional distance from the fleet of units and tenants, the relationship between a homeowner and a tenant is quite personal. After all, they will be sleeping in your bedroom.

A few times when we couldn’t return to the property, we have had a friend find new tenants for us. They put a sign in the yard and handled the showings and paperwork. In return, we paid them a full month’s rent for helping us out. We have then made arrangements to meet our new tenants the next time we were in town.

### Visiting Rights

Each state requires a different amount of advance notice for the landlord to pay a visit to the property, generally ranging from 12 to 48 hours. You can’t get much of a detailed look at the

*Continued on next page ⇒*

## Get the Most out of Your Batteries

Did you know that 80% of lead acid batteries fail prematurely due to the buildup of lead sulfate crystals on the battery plates? Batteries become unusable at approximately 1/3<sup>rd</sup> of their natural life.

### WE HAVE THE SOLUTION!



- ✓ Rejuvenates Old, Weak Batteries
- ✓ Maintains Batteries in Optimal Condition
- ✓ Extends Battery Life
- ✓ Only One BLS Needed Per System
- ✓ Helps to Protect the Environment
- ✓ Saves You Money

**Call Now for a Free Information Packet**  
727-446-8400 or 1-866-301-8835  
Website: [www.BatteryLifeSaver.com](http://www.BatteryLifeSaver.com)  
Email: [BLS@BatteryLifeSaver.com](mailto:BLS@BatteryLifeSaver.com)

**120 Day Money Back Guarantee**  
**5 Year Limited Warranty**

**USA** *ingenuity for  
the benefit  
of the planet*



“I have unintentionally been a long-distance landlord for 15 of the last 17 years, not by choice but because every time I wanted to sell my home, the market took a nose dive.”

house when visiting, but you can get a sense of who is living there and impress upon them how much you care about the house, sharing memories and explaining upgrades you installed or how you might have used certain things. It is also a good time to review anything that needs fixing and fix it right away.

One area we have been very strict about is our “no dogs” policy. Our first tenants had a small dog that destroyed the back door, pawing it mercilessly each time he wanted to come in. I love animals, and my husband, Mark, is a true dog lover, especially big dogs. However, not all dogs are well cared for or well-behaved and it is impossible to assess that ahead of time. Several of our tenants have had cats, and that has been fine, but we advertise our property as “No Pets.” We miss out on about 60 percent of potential tenants because of our no-pet policy, but we have still been able to find tenants without a problem.

### **Contracts and Rental Terms**

We have a rental application form and lease form from Staples that we fill out before we show the place, and we have the prospective tenants fill out their portion and pay the first month’s rent plus a full month’s rent as a refundable security deposit when we agree to lease to them.

We explain that all future correspondence will be via e-mail (we don’t travel with a cell phone). The most critical part of this process, in my mind, is getting as much personal information about them as possible. We get

the names, phone numbers and e-mail addresses of several friends and relatives, some of whom serve as personal references before signing the lease. This contact information is critical, as I learned the hard way. If the tenant quits paying the rent and abandons the property, you have no way to find them if you don’t have friends and family of theirs that you can contact.

Because we are absentee landlords, we give our tenants the contact information for a local friend and a local family member so they have someone in the area to call in case of emergency. We also give them our bank account information as we require our tenants to pay the rent electronically into our checking account.

This is not as risky as it sounds. Banks will allow anyone to make deposits to any account, but to withdraw funds you have to be a signer on the account, which, of course, our tenants are not.

We also impose a hefty daily late fee. We figure the daily late fee at about two percent of the monthly rent. The first few months of electronic deposits can be a little rocky as the tenant, their bank and our bank get it all together. If our tenants are a few days late at this stage, we let it pass with kindness but firmness. Once they have sorted it out, we simply check our account online each month when the rent is due.

### **The Lease Form**

The lease form is quite intimidating because it spells out all the situations where you will end up in court.

We have never been to court and are hopeful that all disagreements can be worked out by both parties giving a little. We have also never returned anything less than the full security deposit to a departing tenant, as it seems petty to squabble over minor repairs. Three of our tenants have broken the lease early, and all have agreed to pay a half month’s rent to make up for it, although we did not specify those terms in the lease contract. In one case, the departing tenants showed the house and found the next tenants for us, and they did a great job.

### **Absentee Home Repairs**

For home repairs, we carry an American Home Shield home warranty policy and give our tenants the contract number and phone number, stipulating that they are responsible for the service fee if they place a service call. This has worked exceptionally well. Our two sets of young tenants who had never owned a home called AHS 10 times during their four years in our home. Each time they called, we got an e-mail from AHS indicating which appliance was broken and the service company that would fix it. Most of our older former homeowner tenants have chosen to undertake repairs themselves rather than pay the AHS service fee, and that has worked out well, too. We have reimbursed them for parts.

Each of our homes has had a yard, and we have requested that the tenants maintain the yard. Families renting houses usually have mowers and yard tools; however, we left some simple



garden tools in the townhouse as renters of that kind of home may not have those tools already. We also have a few big trees that need professional trimming, and we ask the tenants to arrange and pay for the trimming, which we reimburse afterwards.

### Rollover, a Delicate Time

The changeover between tenants is sensitive. The departing tenants know there is a security deposit out there waiting for them if they leave the place clean, and the incoming tenants are excited to make the home theirs. It doesn't make any sense to rile the departing tenants, as they could easily trash the place on the way out the door. We try to let them get mostly moved out before trying to show the house.

The incoming tenants may want to paint and do other things. We allow tenants to paint but require that the original color be restored before they leave. Of course, if the place needed painting to begin with and the colors they choose are pleasant, there's no need to have them change it back.

During our most recent tenant rollover a few months ago, we saw our townhouse up close for the first time in four years. We moved back in temporarily, sleeping on an air mattress and eating off of paper plates. We were absolutely amazed that, in just 10 days of scrubbing, tidying the yard, painting and doing minor repairs, the place looked better than when we had lived there ourselves.

We have our tenants put the utilities in their name and pay the utility bills directly. The only tricky part is coordinating the dates for utilities to be turned off and on. As happened in this most recent period of re-leasing, the utilities went back into our name for a few weeks while we were between tenants.

### Property and Income Taxes

At tax time, the rental property winds up on our tax form on Schedule E. In


essence, there is a big income from all the rent we received and a big expense in the form of depreciation on the home (for very rough estimating, this is around four percent of the amount we paid for the house plus the cost of any improvements we added before renting it). Other expenses include mortgage interest, property taxes, insurance, homeowners association fees and repairs. We use TurboTax and keep all receipts. We have consulted a tax accountant a few times as well. We lived in the first two houses for two of the last five years before selling them, so they were treated like regular home sales with no capital gains tax due. However, if we don't move back into the townhouse before we sell it (or the tax laws change), we will have to pay capital gains tax if we sell it at a profit.

The profit will be the difference between the sale price and the value the house has depreciated to, which gets lower with each year we rent it out. However, with the market the way it is, profits aren't on the near horizon.


Renting our homes wasn't part of a preplanned financial strategy and certainly was never my first choice. However, it has worked out far better than I would have expected. Horror stories about bad tenants and unhappy rental situations abound, but we have found that if we treat our tenants as paying house guests, they respond in kind.

If "What do we do with The House?" is keeping you from living your RVing dreams, consider renting it.

It may work out better than you ever could have imagined. 🏠



## The #1 Resource for Workamping



Join Workamper® News to take your RVing lifestyle to another level with:

For info and to sign up for a free Ebook visit [www.workamper.com](http://www.workamper.com)

Call for a free brochure **800-446-5627**

- Thousands of Workamping positions to help you see America - One Job at a Time
- Articles and online resources to make your Workamping lifestyle successful
- Connection with like-minded RVers to gain perspective, unique expertise, and friendship
- Online tools to help you market yourself to potential employers, and do research to find a Workamping experience that's a match
- Education and support for part-time or full-time RVers just like you!