



RENTING YOUR HOME GUIDE

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The California rental market is hot. Your property is move-in ready. Now all you need is a tenant, right? If only it was that simple. Being a landlord isn't just one full-time job—it's several! You could be a lawyer, a marketer, a janitor, a housekeeper, a bouncer, and a banker and still need the help of a professional property manager. If you're considering doing it all yourself, here's a helpful guide for the DIY property manager/landlord.

HOW MUCH DO YOU CHARGE FOR RENT?

Covering All the Cost

You made sure the rent you charge covers your monthly mortgage. But the mortgage isn't your only home-related cost. You'll still have to pay for maintenance, repairs, taxes and insurance. If you don't charge enough rent, you may be forced to pay out of pocket every month to cover all expenses. Make sure you charge enough rent to pay for your monthly carrying costs.

Pricing Competitively

Start by researching comparable rentals in your neighborhood. If you're renting a 3-bedroom with a pool you should charge more than a 2-bedroom without one. At the same time, you don't want to charge too much and be the most expensive rental on the block. Remember, renters are looking at lots of homes. If you overprice your rental, chances are you won't get a lot of interest.

WHAT LAWS DO YOU NEED TO KNOW?

Federal Requirements

The Fair Housing Act protects people from discrimination when they are renting a home. It prohibits discrimination because of race, color, national origin, religion, age, sex, familial status, and disability.



Tips for avoiding discrimination lawsuits? Never describe the type of tenant you're looking for. Your one-bedroom house may be "great for a single renter" but saying that in an ad could get you sued for discriminating against families.

You can't reject all tenants with criminal records, either. The "disparate impact" rule was enacted to prevent discrimination against minorities who would be disproportionately impacted. Yes, you can reject an applicant if they've been convicted of murder or arson. But maybe not if they were busted for pot possession in the 90's.

The Fair Credit Reporting Act tells landlords how you may and may not use a tenant's credit history. Under this act, you must get an applicant's signed permission to run a credit report, provide information on the credit reporting agency used, and inform the applicant if information contained on the credit report was the basis for denial. The information may not be used for any other purpose than for screening a tenant, and it must be stored securely.

State Requirements

In California, you are legally required to keep your rental property "livable." It's called the "implied warranty of habitability." If you don't take care of important repairs, such as a broken heater, tenants have the right to withhold rent or "repair and deduct." California also has laws governing the way landlords impose fees and collect rent, as well as show and when landlords can enter properties for repairs and emergencies. From advertising for



applicants to collecting deposits to writing leases to evicting tenants, there are laws landlords need to know—and there are lots of them!

Safety and Liability

Did you know California landlords are required to disclose risks and hazards to tenants before they move in or apply—even if they aren't an issue on the property? You must tell tenants about the Megan's Law website, where they can go to see if there are registered child molesters in the neighborhood. You must also disclose things like bed bugs, lead-based paint, mold, asbestos, flood hazards, and if someone has died on the property. The list is long, and as a landlord, it's your responsibility to know what must be disclosed, and do so.

HOW DO YOU FIND THE BEST TENANT?

Craigslist Dangers

It might be a great place to buy a used lawnmower, but landlords aren't likely to find quality tenants from Craigslist ads. That's because Craigslist doesn't run credit or background checks—you must still do so yourself. In fact, an applicant may be using Craigslist because they have failed previous background checks and are counting on you not doing one. For what you save using an inexpensive marketing tool like Craigslist, you could end up spending thousands of dollars dealing with a problem tenant.

Professional Marketing

How do you market your property like a pro? Social and traditional media are musts. For online marketing, consider using Oodle, Zillow, Hotpads, RentalHouses.com, Realtor.com, and Padmapper. When describing your listing, don't be afraid to use adjectives. Words like "green" and "energy efficient" appeal to certain renters, while "private, exclusive, casual and appeal to others. Use a professional photographer and don't forget drone shots to show off that big back yard. Stage your rental with furnishings and lighting in the style of the renters you are hoping to attract. Even if you are renting place unfurnished, consider renting staging furniture for the showing. Play-up amenities like a pool, patio, or garden. If you intend to maintain the yard or the pool, be sure to mention it. That way, you won't eliminate renters who don't have the time or interest in outdoor upkeep.

HOW DO YOU DO CREDIT AND BACKGROUND CHECKS?

Getting the Tenants Permission

Rules on how landlords collect and screen rental applications are listed in the Federal Credit Reporting Act. They regulate how a landlord or property manager use, store, and dispose of the information they receive on a rental application form and any tenant credit reports. You must get written permission from the applicant to collect and view their private information in a rental application and credit report. Your rental application should include a statement of permission with signature lines for each applicant. You may not use the information for any other purpose other than for screening your tenant. It also must be stored securely.



Using a Service

Credit, income estimate, and eviction reports plus criminal background checks are available to all landlords when vetting prospective tenants. You can choose from online services such as RentPrep, SmartMove, Experian Connect, and Lease Runner. Each of the three credit bureaus offers a tenant screening process which allows you to pull a credit report on potential tenants. There is no fee for landlords to run a tenant credit check using Experian. A good credit score is considered to be 700 or higher. Credit scores typically do not show up on a background check. Most background checks for employment don't seek credit information, only criminal history.

WHAT IS REQUIRED WHEN WRITING UP A LEASE?

Using a Standard Form

In California, you are required to create and sign a written agreement for any rental that exceeds 12 months. If you are renting for just a few months, you don't need more than a verbal agreement, but you may prefer a written one to keep yourself protected. You may be tempted to find a simple rental agreement pdf online. While rental agreements should be easy to understand, one-page rental agreements put may leave out important information. With most one-page agreements, your tenant is agreeing to little more than a monthly payment. The bottom line? You could end up losing money if you don't do a more comprehensive rental agreement!

Using an Attorney to Review The Lease

Google "How to sue my landlord in California" and you'll get nearly 4 million results. Having a real estate attorney review your rental agreements may be the smartest investment you can make. Like any business, you want your rental to be profitable while avoiding any liability. Whether you are writing a month-to-month or long-term rental agreement, a proper lease includes provisions for security deposits, pet rules, damages charges, committing illegal acts on your property, illegal sublets, and more. A real estate attorney will be sure to include provisions to protect you from what could go wrong down the road.

WHAT DO I DO WITH SECURITY DEPOSITS?

Determining the Deposit

While some states require that you collect a security deposit, California does not. However, it is highly recommended that you do. A security deposit protects you if a tenant damages your property or doesn't pay rent. Most landlords in California ask for a security deposit that's equal to one month's rent, but you are permitted to ask for up to two month's rent in most cities in California. If your rental is furnished, you may collect up to three months' rent for the security deposit.

Commingling Funds

Do you know your state laws regarding security deposits? Most property owners don't. Dropping a tenant's security deposit into your personal bank account could be illegal where you live. If anyone accuses you of misappropriating a security deposit, you could find yourself in legal trouble. California does not have specific laws about where to keep a security deposit, but you may want to keep yours in a separate account regardless.



Withholding the Deposit

There are three main reasons that you can withhold a security deposit in California—the tenant owes you rent, caused damages beyond normal wear and tear, and/or left the unit dirty. However, it's not as simple as just keeping the money. You must provide the tenant with an itemized list of what costs are being covered and include copies of paid receipts with this list. You'll need to take photos of all repairs in case a tenant challenges the tenant along with their remaining withholding. And you must send the itemized list to the tenant within 21 days of the tenant moving out. You'll have to make the repairs within those 21 days, so you have receipts to provide. If the repairs take longer, get a quote on the cost of repair from a contractor.

WHY DOCUMENT THE CONDITION OF YOUR HOME BEFORE RENTING?

Getting Photos

Before a tenant moves in, you'll want to document the condition of your property. Take pictures of the outside and inside. Be sure to capture the condition of the lawn, sidewalk, driveway, home siding, roof, doors and windows. Document every room; every wall, window, ceiling, floor, door, appliance, and closet interior. Take close-up photos of any existing damage. After the tenant moves out, take another set of pictures to compare and determine if the tenant is responsible for cleaning or repairs.

Doing a Walkthrough

California landlords can perform walk-through inspections. This gives you the opportunity to point out any issues, and give the tenant time to fix them, before you withhold any money from the security deposit. If the tenant fixes the damages before he or she moves out, you can return their full security deposit. If they don't, this inspection lets the tenant know you'll be deducting the cost of repairs from their security deposit.



HOW DO YOU DO MAINTENANCE ON YOUR HOME?

State and Federal Timelines for Repairing Items

In California, a landlord must repair defects in the rental property to comply with state and local building and health codes. The landlord is not responsible for repairing damages that were caused by the tenant or the tenant's family, guests, or pets. Landlords are responsible for making sure the property has hot and cold running water, plumbing in working order, is weatherproofed, heat in cold weather, trash receptacles, fire exits, smoke detectors, dead bolts, and mailboxes, to name a few.

Tenants must give you a reasonable period of time to make the needed repairs. The law usually considers 30 days to be reasonable, but a shorter period may be called for, depending on the situation. For example, if it's winter and the heat isn't working, two days may be considered reasonable. If you don't make the repairs within a reasonable period of time, your tenant may either make the repairs or hire someone to do them, then deduct the cost of the repairs from the rent when it is due.

Entering the Home for Repairs

California law requires that you give reasonable advance notice, in writing, to the tenant before entering the property. It also states that a landlord can enter a rental unit only for the following reasons:

- In an emergency
- If the tenant has moved out or has abandoned the rental unit
- To make necessary or agreed-upon repairs or other improvements
- To show the rental unit to prospective tenants, purchasers, or lenders
- To provide entry to contractors or workers who are working on the unit
- To conduct an initial inspection before the end of the lease

WHAT ARE THE LAWS FOR DEALING WITH TENANTS?

Raising the Rent

California law states that you provide tenants with at least 30 days' advance written notice of a rent increase, if they have a month-to-month periodic rental agreement. Under the law, you must also give at least 30 days' advance notice if your rent increase is 10 percent (or less) of the rent. You must give you at least 60 days' advance notice if the rent increase is greater than 10 percent.

Extending a Lease

If a tenant wants to stay on past the lease agreement date, you may allow them to extend the lease. California law requires tenants who pay monthly rent to provide you with at least 30 days written notice prior to vacating. Tenants who pay rent on a weekly basis must provide written notice of intent to vacate at least seven days prior to vacating.



Evicting a Tenant

There are multiple steps a landlord must follow to evict a tenant in California. The only way to legally evict a tenant is by filing a lawsuit. California calls eviction lawsuits “unlawful detainer actions.” First, you must have a just cause to evict your tenant. Then, you must provide three-day notice for tenants to “pay rent or leave.” Wait for tenant to remedy the situation. File an unlawful detainer action. Serve the tenant. Complete the court process. And store the tenant's belongings. You should expect the entire process to take about one month.

WHY CHOOSE A PROFESSIONAL PROPERTY MANAGER?

There are many mistakes you can make when renting your home. Not hiring a professional property manager is arguably the biggest. A property manager anticipates and prevents problems you may not think of. With a professional manager, you save time, money and aggravation. Not to mention lawyer’s fees, frequent repair bills, and the loss of rental income if your place sits vacant. A professional property manager can lease your property, qualify tenants, collect rent, handle repairs, prevent legal hassles, and more. You’ll get better quality tenants who stay longer, cause less damage and repairs, and your property will be better cared for.

**What’s landlord problems keep you up at night?
Call and tell me. I’ll let you know how I can help.**

WHO IS GRANT GERHART?



Grant Gerhart is a certified Property Management Master (PMM), with over 15 years of real estate and property management experience, puts him in the top 5% of all property managers Statewide. As the Broker Owner for Integrated Realty Group it has become one of the fastest growing property management firms in all of Orange County by focusing on exceptional client service and building a high caliber professional management team. Grant is hands on in providing guidance to homeowner and developers in all facets of property management. His experience working with all sizes and types of associations enables him to provide key insights and direction in setting long-term goals and developing the strategies to achieve them. He has received numerous awards including a Visionary Award for Creation Solutions for Problem Solving, the prominent Circle Visionary Award and the Visionary Award for Excellence in Service. Grant is an active member of the National Association of Realtors. Feel free to contact him with any property management questions or concerns you may have.