

Why Landlords Should Use Rock Solid Lease Agreements

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A couple of days ago I got a call from a guy (we'll call him Bob) who was desperate to sell his investment property. He wanted to meet me within the hour. Bob's voice quivered and cracked as he spoke. He was an emotional basket case.

We met for lunch at the Highway 41 diner in Adairsville. Bob looked worse than he sounded. His hair was messed up. He was wringing his hands. He had big black circles under his eyes. Poor guy looked like he hadn't had a good night's sleep in weeks.

Turns out Bob was a new real estate investor. Six months before, he had bought his first investment property. It was a five year old three bedroom, two bath house in Eurharlee. When Bob bought the property, he had painted the interior, installed new carpet, and landscaped the yard.

Four months before, Bob had rented this property to what seemed like a nice family. That is when things went wrong and life as he knew it changed for the worse.

The property Bob had spent many days and lots of money rehabbing was trashed. The tenants were a month and a half behind on their rental payments. One of the kids had a waterbed that had popped and flooded the kid's bedroom as well as the basement. When this investor went by the property to try and repair the damage, he discovered the tenants had changed the locks so his key no longer worked. They also had two large dogs in the house that weren't supposed to be there.

It gets better. The day before Bob and I met, he had gotten a letter from the tenants demanding that he replace their big screen TV. Turns out the TV had been damaged by water. You'll love this; the TV was in the basement. Want to guess where the water came from?

Poor old Bob. Now I understood why he was an emotional wreck. From the word go, he had lost total control of the tenants and of the situation.

I asked Bob if he had taken any Landlording courses. He hadn't. I asked how he learned to be a Landlord. Bob said he had thought that there was nothing to it. You put a "For Rent" sign in the yard, sign a Lease Agreement with a tenant, and each month collect the monthly rent checks and deposit them in the bank. How hard could that be? Guess Bob was finding out.

Next I asked to see Bob's Lease Agreement. It was two pages of small print that seemed to be written in Latin. I asked where the rest of his Lease Agreement was. He said, "That's all there is."

Let's learn some lessons from Bob's misery.

First, Landlording is a learned thing. You don't simply wake up one morning and know all there is to know about Landlording. If you own or plan to own rental property, you should take at least one Landlording course each year.

Second, Bob was using a generic off-the-shelf Lease Agreement. He had gotten it from one of the big office supply houses. Bob's Lease Agreement gave him about zero protection. It didn't say anything about pets, waterbeds, or locks being changed.

We're Property Manager's for North Georgia Real Estate Investors. One of the biggest lessons we've learned is that investors who own rental property should only use rock solid Lease Agreements.

The Lease Agreement our company uses is twelve pages long, written in understandable English, and didn't come out of a Cracker Jack box. It keeps investors from going through the things that were happening to Bob.

One last thought; it doesn't matter how good the Lease Agreement is, an investor must still actively manage the property. Think of it this way: There is a state law that says you must stop at stop signs. But what if the police never enforced this law. Do you think people would actually stop at stop signs? Heck, even with the law, Kim thinks they are "slow down" signs.