

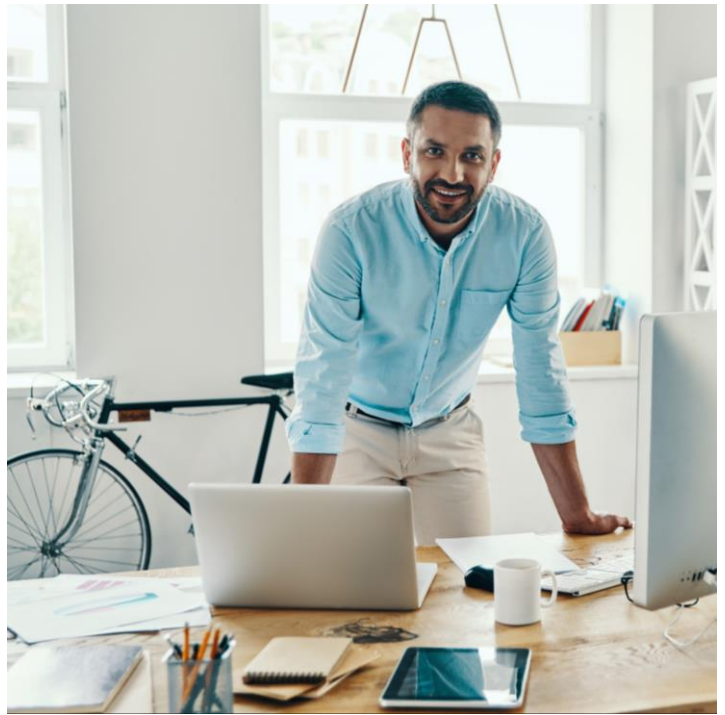
How To Properly Self-Manage Your Rental Property



“Don’t ask a barber if you need a haircut”

Have you ever heard the expression “Don’t ask a barber if you need a haircut”? The same goes for Property Managers. I would say over 90% of the property managers I spoke with when I first started buying rentals advised me to get professional management help. Well, I’m in the 10% group. I believe you should start by self-managing your first few properties so you know what to expect and develop an understanding about the overall process.

My best owners self-managed when they started then, as their portfolios grew, they wanted to focus on other things and handed their properties over to us.



Top 10 Tips

The following points will help those of you who are starting out self-managing your rentals in Texas. These are the things I wish folks had told me instead of “just hand your property over to a property manager”.

1. Educate yourself on the property code and the law.

Besides being a good person and providing safe housing to your residents the main document you'll want to fresh up on is the [Texas Property Code](#) - specifically [Chapter 91](#) and [Chapter 92](#).

The property code is a collection of rules that we as Landlords must abide by, especially if we want to avoid liability.

The other document was published by Texas A&M Real Estate Center in 2016 - [Landlords and Tenants Guide Special Report 866](#). This document organizes the Texas Property Code and several other Codes, along with case studies, to help Landlords (and Tenants) better understand the Texas rental property laws.

Now, by no means am I saying these are going to be entertaining reads, but they will be useful for you when starting out and serve as a reference when you have questions.



Firm But Fair

2. You're not the owner!

Some owners may have a problem with telling the tenants they are just the manager, but it definitely helps, especially when solving disputes. When you're just the manager, you can blame everything on the owner. But if you let the tenant know you're the owner, then you'll be the final decision maker, which means sometimes being the bad guy or gal.

Once you sharpen your skills you can tell the tenants whatever you want, but when starting, just trust me on this one - you're the manager.

3. Stick to policies and procedures.

New landlords think they are being nice by letting their tenants slide on changing the air filters or not enforcing late fees. This is a big mistake! Not only are you teaching the tenants bad habits but you're treating tenants differently. As an owner or manager, you want to treat every the same, as per your agreement or lease.

If you don't hold up your end of the lease then why are the tenants holding up their end? You don't want to get to court and say that you were just letting the tenant slide as a favor. Did you provide that favor to all your residents or just certain ones?

You see how easy this can turn into a fiasco or Fair Housing issue? Do yourself a favor - enforce your lease and be firm but fair.

4. Be ready to enforce.

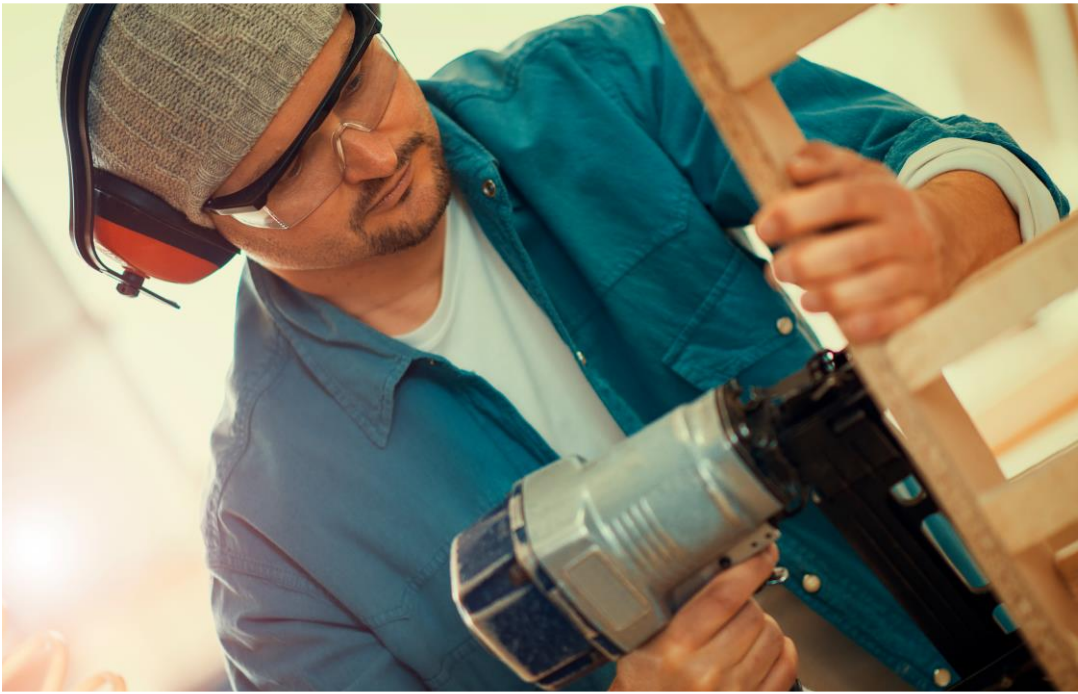
Some tenants will unfortunately test you. Be ready for what you're going to do when they don't pay rent or refuse to pay for punching a hole in the wall.

What are the consequences in your lease? Highlight that section to the tenant and enforce it.

"Eviction" might be the most feared word by new landlords, but I can tell you they're not that bad (and I was scared of them when I started too)!

You must have a plan for how you're going to enforce your lease. I served all the 3-day notices to my residences when I started but now we use [Texas Eviction](#) (no affiliate) - a local company that has processed thousands of evictions. They know the law and all the details of how to get the resident out efficiently.

While I suggest starting as your own manager, never be your own attorney. You don't want one word or phrase to have your case thrown out, allowing your tenant another two months or more in your property.



Contractors Are Key

5. Select a few solid vendors.

Unfortunately this is much easier said than done. When you're starting and don't know much, contractors seem to be hard to find and harder to trust. I've seen contractor bids range from half to double what it actually costs. And continued maintenance and repairs are one of the most important parts of increasing the value of your rental over time.

So, how do you find good contractors?

I really wish this was an easy answer. Here are the best ways I know to find honest and reliable contractors:

- Referrals from your network. Ask everyone you know who they use or would recommend, especially those folks that are doing a lot of deals. You'll have a few that end up being bums but you'll find someone.
- Search Angie's List, HomeAdvisor, etc. This is how we found our most recent maintenance guy and he's awesome!
- Contact a management company and ask for their contractor list. Some companies protect their maintenance people but some will let you contact them. It doesn't hurt to ask!



6. Get a basic property management software

Just as technology has changed communication, transportation and how we date, it has changed property management. The days of driving door to door to collect rent, signing leases with a pen and sending carrier pigeons with eviction papers are long gone. If you're not using a software, you might as well be riding on a horse and buggy when it comes to managing your property (no offense to my Amish friends!).

As mentioned earlier, a solid property management software can help you handle repairs, collect rents, store documents and overall keep you and your properties more organized. The problem with most softwares is they can be complicated and expensive. You don't want to own one property making \$200/mo and end up paying \$100/mo for the software - that's 50% of your profits!

There are expensive options with all the bells and whistles - like Buildium and AppFolio - as well as free/cheap options with the basics - like Cozy and Tenant Cloud. I have no affiliates with the companies mentioned and with how quickly things change, you need to do your research before selecting the best software for you.

Tip: Ensure your software allows for online rent payments and automatically charges tenants late fees when they don't pay ontime. This alone will save you hours!



Keep Up On The Latest

7. Brush up on your accounting and bookkeeping.

If you don't use a software to manage your properties (again we use Buildium but it's usually too expensive for 1-5 properties), then you're going to have to be diligent about keeping your personal expenses separate from the business.



- a. It's a common misconception that you need an LLC to write off all property expenses so don't run out and create an LLC for just this reason!
- b. To keep things simple, I would open a separate checking account with your favorite bank for each property. You can name each account the property address. Then put \$1,000-\$2,000 into each account and run ALL property expenses through its respective account, and I mean ALL expenses - mortgage, taxes, insurance, repairs, maintenance, etc.
- c. This way, without any fancy accounting, you'll be able to print out the monthly statements and hand them directly to your accountant.
- d. What expenses qualify as deductions? [Here's an article](#) from the IRS explaining rental property deductions. For simplicity here are the current 2020 expense categories (from the IRS Schedule E Form 1040):

- | | |
|-------------------------------------|--|
| ▪ Advertising | ▪ Mortgage interest paid to banks, etc. |
| ▪ Auto and travel | ▪ Other interest |
| ▪ Cleaning and maintenance | ▪ Repairs |
| ▪ Commissions | ▪ Supplies |
| ▪ Insurance | ▪ Taxes |
| ▪ Legal and other professional fees | ▪ Utilities |
| ▪ Management fees | ▪ Depreciation expense or depletion
(calculated from Form 4562) |

- e. By running all the property expenses above through that property's own checking account, you dramatically simplify the accounting process. Don't forget to put the monthly rent checks in the account as well! If you do this diligently throughout the year, you'll love me come tax time!



8. Work with a great lease agent.

Finding great tenants is one of the keys to successful management. The better the tenants, the easier the management. Unfortunately, finding good tenants is also one of the most time consuming parts of property management.

When you're starting out I highly recommend you find a good leasing agent to work with, preferably this person will specialize or focus on leasing. They should have dozens, if not hundreds, of leases under their belt. You don't want to work with someone that's just starting out because you're new and don't have the time to learn yourself, and teach your leasing agent.

A good leasing agent should have developed robust criteria to screen applicants and share this information with you. If they don't want to provide you the criteria, then move on until you find someone that wants to build a long term business relationship with you.



9. Have a plan for handling situations when you are not accessible.

Almost every person on the planet, whether they want to get into real estate or not, has heard the horror story of a landlord having to get up at 2am to fix a leak or unclog a toilet. If you're the only maintenance person, then what do you do when you want to go out of town or on vacation?

This is much easier if you have a solid team of vendors/contractors (see above for how to find them). Talk with your team and see if it's okay for the tenant to call them directly, if not then maybe you can pay one of your handymen \$100/mo to take after hours calls.

The other option is to use a property management software that allows the residents to submit requests online and automatically contact your maintenance person or team. We currently use Buildium but it's too expensive for just one or two properties. I have heard good things about Cozy but have never used it myself. Learn more about the benefits of using a property management software mentioned on pg 5.



10. Figure out how you want to spend your time.

If you're like me when I started I didn't value my time very much because I was hungry to learn the business. I was also 23 years old, single, with a full time job that didn't require much attention outside of business hours. And thankfully I had partied enough during college so I didn't go out much. This allowed me to focus on buying and managing my rental properties on nights and weekends.

However, if you're a parent or doctor/attorney then you really need to determine what's the best use of your time. If you have a lot of free time, or you just spend your time playing video games, then by all means managing your own property is more valuable. But if you're already stretched thin, and managing your rentals will take time away from your family or your \$200-\$300/hr work, then you may be best served to spend your time with your family and work.



It's that simple!

Armed with the information above, I have no doubt in my mind that the majority of readers, with basic problem solving skills and a little determination, can successfully manage their properties. If I had the information above when I first started, I would have saved myself countless hours and at least an inch of my hairline.

I hope this will serve you in creating wealth through owning rental property.

- Cameron Tope



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