



The Property Management Firm
3590 East Patrick Lane Suite #1
Las Vegas, NV 89120-3259
702-597-9635 / Fax 702-740-4172
www.ThePMFirm.Com / GeorgeM@VegasRentalOffice.com

MORRISSEY MONEY MATTERS
The Property Management Firm
By George Morrissey Real Estate Broker / Property Manager
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**WE HELP PEOPLE BUY AND SELL HOUSES TOO AND HAVE
FOR DECADES.**

MORRISSEY MONEY MATTERS RENTAL HOUSE NEWSLETTER

Las Vegas Rental Newsletter –Since 1981 - August 2017 ISSUE, copyrighted George Morrissey/PSI
written by George Morrissey, Real Estate Broker, Investor, Tennis Player, Property Manager,
GRI, E-Pro Certified, Bachelor of Science in Finance, NARPM, UNLV Alumni, Alpha Kappa Psi

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after consulting with appropriate advisors. Written entirely by George Morrissey (this is not a "purchased" letter from a
provider like many others have).

**WE SELL HOUSES AND HAVE FOR DECADES. AND WE ARE
DISCOUNT REAL ESTATE BROKERS TOO – SO OUR FEES ARE
MUCH LOWER AS COMPARED TO THE LOCAL FEES OTHER
BROKERS CHARGE. We have been involved with hundreds of sales in
our careers overseeing a variety of agents also under our wings too!**

**SOME RENTAL APPLICATION INFORMATION, STRATEGY, TIPS AND
WHAT MAKES US DIFFERENT**

**Most of you probably don't know but it is estimated that an Amateur
Owner/Landlord -one who rents the house out on their own without a property
manager helping them - about 60-80% of the time - does NOT run a credit check on**

a potential tenant applicant. Why? Here are some reasons with my comments in (parentheses):

- 1) **They have not setup an account to run credit checks.** (They don't know how to do this, they don't have the proper procedures to do this, and don't know why they should).
- 2) **They don't want to spend the money to run a credit check.** (Very bad idea as this is money well spent to avoid those "professional bad tenants who can drive you crazy, cause lots of vacancy even though they are in possession and can cost you lots of money" and other credit disasters. Someone applied with me in the far past who had 37 lines of UNPAID CREDIT BALANCES – who we turned down as we figured we would be #38)!
- 3) **They don't get enough info to run a credit check ! ...** Like the applicants ID, work history, landlord history, why moving, credit rating etc. We do!
- 4) **They don't get the applicant to fill out a rental application!** (They don't have an application easily available – ours is online, and in PDF format for emailing, and of course we have an office a tenant can show up at to fill it out. With no application filled out, the owner has no recourse (or permission) to recheck things later, to "chase" an evicted tenant etc.
- 5) **They don't have good "strong" language in it** – as many use a generic – which is bad to use – application. So, some of the items that protect both the management company – and the tenant – and the owner – should be in the application formally. One wants to treat an applicant fairly and explain the process so they won't misunderstand what they must do to be approved. We can take passports from foreigners, and other ID if they don't drive etc. But we DO make sure they are a real person as we are trying to avoid renting to "ghosts" – not real people with real histories etc.
- 6) **They are happy enough to only "hear the story" from an applicant and make their decision based on that "story" – (a very bad idea)!**

We have some advantages others don't with our application process:

A) They can apply on line 24/7.

This makes it easier and timely for tenants to apply.

- B) **Their application information (online) goes straight into our software.** This saves us duplicate typing sure, but also allows us to track that tenant/applicant easier and from any computer in the world! This saves us time and allows us to keep on top of multiple applications easier, which is better for our owners so we can get the properties rented faster most times than others. Tenants who must wait to apply with another manager in person only, or during working hours only may choose to apply with us FIRST online ANYTIME – thus again we have a competitive edge and can get properties rented faster. Tenants like faster answers too!
- C) **We charge the same fee per person to avoid discrimination.** So, if 4 college kids apply, there will need to be 4 applications. If 2 people apply, married or not, we will need 2 applications. We don't care if someone is married or not, and of

course abide by doing business with others regardless of their religion, race, color, sex, national origin, disability, or familial status.

TRUE STORY OF AN OWNER WITH A RENTAL HOUSE HERE IN LAS VEGAS WHO DECIDED TO DO IT HIMSELF INSTEAD OF HIRING US. We had a California owner who had purchased a home in Summerlin who was referred to us to manage his house as other agents know our reputation. The owner however was in town for one week – so he decided to try it himself instead of hiring us to get it rented. He was trying to “save money”. We kept track of him and found out he rented it his last day that he was in Las Vegas. So, he told us he was fine and didn’t need us and went back to California! Six months went by.... Then we heard back from him.... He called us for help! It seems that the last Sunday he was in town after his ad in Craig’s List was posted, he got a reply from a contractor who told the owner he was an independent contractor, had drove by and wanted to rent the house. The rent should have been about \$1,600.00 but we found out later, the owner kept the furniture (that he had purchased from the previous owners) and kept his asking price at \$1,600.00. He did not consider that a FURNISHED house in Summerlin like his would go for \$2,400.00. Thus, he made his first **mistake (#1)** which was not renting it for market price of \$2,400 in this example (a common mistake for amateur owners). **Answer #1?** Rent it just below market price to get the most action, and do your homework (or have someone else do it) to find out what the actual market asking price is.

Interesting Note – we have owners contact us saying the following (a lot!) which is: I have a rental house (another true story) owner who did become a client and hired us - that the owner rented to their cousins (family or friends is common) for \$650. Well... we did our homework and found out this house rents normally for \$995. His reasoning was... Well my cousins are guaranteed to NOT beat up the house, thus I have lowered my risk! (he thought). His additional mistake was that he was using a two-page generic lease (which basically represented nobody) and thus did not have ANY specific or strong language to protect him in case something took place, an incident occurred, repair responsibility, pets, move out conditions etc. all were NOT covered! I had to tell him... which I tell all owners in this position – which Many DO NOT GET OR UNDERSTAND! The following.....

I told him he was basically paying his “cousins” \$350 a month to live in his rental house. “No, I’m not” is the typical reply! I educated him that he could have the SAME risk (maybe lower risk with our paperwork and “better lease”) and could hire us – paying us (in this example) about a \$100 a month – where we would do ALL the work! So, after the rent was paid, he the owner, would get a check (in this example) for \$900 AFTER paying us and we would do ALL THE WORK since the house should rent for \$1,000 not \$650! Thus, he would make \$250 a month MORE than his current situation.

And we have many more tools to help him with which would be included in our services to him –including:

Accurate to the penny monthly accounting (thus the owner does not have to do any bookkeeping)

Online access to his account 24/7 (a tool most owners cannot supply to themselves)

Tenants can pay online 24/7 (another tool most owners cannot supply)
Tenants can pay at any 7-11 in the USA (another tool most owners cannot supply)
Access to our list of vendors we already have experience with for faster service (most owners don't have all the vendors needed to do everything).
80 plus years of experience to solve problems.
A team and staff trained to help all the rental situations.
Syndication in marketing where we send the rental house terms and photos to over 100 websites when turnover occurs.
Utilities turned on (power and water) saving the owner time.
This monthly newsletter! Etc.

Back to our Summerlin owner.....He lost \$600 monthly potential rent for six months or \$3,600.00. He called us for help because his tenant had not paid rent after first moving in. The tenant paid the owner IN CASH (**another mistake #2**). **Answer #2** – we don't want cash because – A) it's harder to track B) it could be lost C) it means the tenant may be a cash person only (and not actually representing himself) accurately (drug dealers and other criminal type elements only pay cash).

And of course, the tenant did not (and had not) filled out a rental application (**mistake #3**). **Answer #3** – With an application filled out, you now have more information on the potential tenant – and can see if they fill it all out (or not), and if the information given to you is true (or not). And the language in the application (ours has it) allows us to check a variety of sources, report poor credit as needed, and allows us to “chase” a tenant if we must. And of course, we see an actual credit report on this potential tenant too which always helps.

You see, the owner told us, the tenant paid the \$1,600 deposit in cash (**mistake #4**) **Answer #4** We have our deposit be a different amount than the rent – even \$5 off – so the tenant in court can't convince a judge that he paid “last month's rent” and not a deposit. This helps us get more money sooner from a tenant contesting an eviction.

The owner also had the tenant pay one month's rent in advance (this is a good term) - but the rent was prorated it so only half a month was paid – (**mistake #5**). **Answer #5** – we most times have the tenant pay us the FULL deposit and FULL rent up front and we prorate the 2nd month, making it harder (and better for our owner) of getting MORE money up front – testing the ability of the tenant to pay in full – which we like. This is a qualifying factor!

The owner told us more of the story - which was the owner did not get ANY rent for the next five months from the tenant! (**Mistake #6**). **Answer #6** is to serve an eviction notice during the first month they don't pay in full and on time. This causes the clock to start ticking for a final eviction (good for us). This does not allow a tenant to get behind by 5 months. A pro would not take “no action” for five months. Sure, we do talk to the tenants... here the sad reasons (we have hundreds of stories) but we STILL ACT to get the clock ticking. Rarely a tenant fights us and delays the eviction.

So, the owner came back to town and we went with him to the property. The owner had ID and his deed and we knocked on the door. A “stranger” answered the door and the owner said “Hello, I am the owner where is the tenant Jeff”. The stranger said. “I don’t know. I never heard of Jeff.” “What is your name?”. The stranger said “Fred, and I don’t know you so go away!” We asked who do you pay rent to and he said, “I pay rent (someone named) Paul”. The owner had never heard of Paul. Now, the next-door neighbor came over to us to say hello also. The neighbor said, “I’m glad you are here! The police come here almost every day! Many people come and go all the time (sounds like drugs to us). Come into my back yard so I can show you something!”. So, we went to his backyard, and he had us look over the fence to see the owner’s property view from the side yard in the back. We saw the blinds open and about 12 mattresses laid all over the floor of the living room (we could see through the windows) where all the people were living.

The owner was depressed. He did not know what to do. He had heard stories for five months and was not getting any money during this time – so the tenant got to live there for five months FREE. So, we counseled him on how to evict his tenants for nonpayment of rents, and told he could hire us to do this service (for a fee of course). The owner decided (again) to NOT use us and go and do this himself! We were also in touch with his current Buyers agent (it was all friendly) so we (especially me) as curious how this was going to turn out. Well it seems the owner did not do the eviction notices properly – and the tenants were making accusations of harassment etc.

Oh, did I say they did not have a written lease? Did I mention anyone who ONLY Pays cash as a tenant is a (bad) suspect tenant? And that drug dealers and other criminals only pay CASH and don’t want to sign anything?

Our office STILL gets phone calls sometimes where someone asks us “Hey, do you guys actually do a credit check?”. We say yes! And they hang up! We know they are going to go find an owner like the one in this example – to prey on. The pro tenants go and do deals with those landlords who don’t follow the rules (mainly amateurs).

So on with our story... The owner had to HIRE AN ATTORNEY for the eviction. Now we use eviction services as needed, which are MUCH Less expensive than attorney’s. But if one keeps making mistakes one could get in trouble – like this owner – so he was kind of forced to hire an attorney. (I have only hired an attorney for advice for evictions in my 40-year career not ever having had to have an attorney lock someone out for us).

The owner FINALLY did get the tenants out the buyer’s agent told us (the owner was too embarrassed to tell us). The owner was so sick and tired of this “rental house” that he immediately sold it for a loss and said he would never invest in a rental house ever and especially not in Las Vegas. And the main reason the owner did not hire us was because he was trying to save that (in this case) \$160-\$240 a month fee and doing it himself.

Owners in this position of renting a property long distance I always ask:

- 1) Is the week you stay in Las Vegas costing you a week away from your work and/or a week of your vacation? Almost all say yes. I ask them how they can afford to take that week off (which costs them a week's pay) or waste one of their precious weeks of vacation getting their house rented? Most being from out of town have the additional expense (and time) of trying to get here from another state, and having the cost of driving, gas, hotel rooms, food, airfare etc. I would MUCH rather be spending my vacation doing something else than renting a house in another state. And I can prove this... My family owns some rental houses in Austin, Texas. And YES, we have hired a property manager from DAY ONE to manage our houses for us.

One more thing...

Nevada has a Law that states that for any long-distance owner they have some additional communication responsibilities. Here is part of that law...

NRS 118A.260 Disclosure of names and addresses of managers and owners; emergency telephone number; service of process.

1. The landlord, or any person authorized to enter into a rental agreement on his or her behalf, shall disclose to the tenant in writing at or before the commencement of the tenancy:

(a) The name and address of:

(1) The persons authorized to manage the premises;

(2) A person within this State authorized to act for and on behalf of the landlord for the purpose of service of process and receiving notices and demands; and

(3) The principal or corporate owner.

(b) A telephone number at which a responsible person who resides in the county or within 60 miles of where the premises are located may be called in case of emergency.

2. The information required to be furnished by this section must be kept current, and this section is enforceable against any successor landlord or manager of the premises

End of law.

Basically, the State of Nevada wants an owner to have a local address and phone number where a tenant can pay rent, call someone locally for support, and to show up – or write – to complain locally. Part of this law became because of all the foreclosures that took place a few years ago here – and many foreclosures still are “happening” but not as many as before. You see, out of town landlords were keeping a tenant's security deposit – and the owners were far away – when the house got foreclosed on! Many owners did not tell a tenant it was foreclosed until it was too late. And even if the tenant deserved the money back in full, it was very difficult for a tenant to chase an out of state owner by going to another state's small claims court to get their money back. Thus, Nevada came up with this law to try and protect some tenants. Whether it does or not is another opinion.

Let's do some math for this owner who “did it himself”

- 1) Lost \$3,600 (\$600 x 6) by charging less than market rent
- 2) Lost \$8,000 (\$1,600 x 5) by not evicting the tenant within one month of nonpayment (sometimes a tenant can fight an eviction and get another month free but this is rare – as allowed by a judge).
- 3) Lost \$20,000 by selling below market for a quick sale (the buyer's agent, now seller's agent told us)

- 4) Had to pay \$3,000 or so for an eviction attorney as the owner did it all wrong, made some mistakes, and had to fix them
- 5) Lost \$4,000 in value of (estimated) personal property missing, dirty, broken etc. that he left in the house.
- 6) Had to pay \$750 (estimated) for the cost of a hotel for 7 days (plus food)
- 7) Had to miss one week of work (unknown owners pay)
- 8) Had to use one week of vacation time (value unknown)

Was it worth it? I think not. And this is all from an owner “trying to save money” by managing a property long distance. If an owner was “in town” I could see this as a maybe, but then again, I see owners who live here NOT doing the proper job, NOT having the tools they should, and NOT using the tools they have (like running a credit check) when managing a property!

Most don't know this but here are some facts...

- 1) A property managers competition are the private owners who manage themselves – not other property managers! It is estimated that 60-85% of all rental houses and condos are managed by the owners themselves in this country. (In Australia 90% of all residential property is managed by property managers however!).
- 2) Since most “private landlords” make the most mistakes it makes our job tougher.
- 3) About 70% of our tenants (the good, neutral and bad) NEVER have their new landlord contact us to get a reference or check their tenant history! This one statistic I find AMAZING! We run a credit check every time! For an owner to rent to a stranger and NEVER do a credit check or check with their last landlord (that would be us in this example) is just poor foolishness. They are loaning a \$200,000 (or better) asset to a perfect stranger. One would think a landlord would want to know who they are dealing with.

There are courses, seminars (I have spoken at a couple), books, and great methods to learn – from a variety of sources – to help you become a good property manager – should you do this yourself. But doing it “on your own” with no training can get you in big trouble where you could end up breaking the law, applying a bad practice

On a fun note, find the movie **PACIFIC HEIGHTS** released in 1990 starring Melanie Griffith, Matthew Modine, Michael Keaton, Mako, Laurie Metcalf and others. Directed by John Schlesinger, Music by Hans Zimmer, it runs 108 minutes.

This movie is about a couple (Melanie Griffith and Matthew Modine) who have a house in San Francisco and decide to rent the downstairs to a tenant (who turns out to be a tenant from hell!). They make every mistake in the book, and the tenant is a Certified PRO BAD TENANT. I stopped counting the major mistakes after NINE.. If you want to see how NOT to rent a residential tenant, and WHY you want to have your paperwork lined up – watch this movie. I liked the movie (I'm biased) but it is a fun rollercoaster of what happens when one lets the “wrong tenant” in...

THE LOCAL NEWSPAPER the Review Journal a few weeks ago REPORTED THAT IN THE LAST 12 MONTHS all housing went up 7.9% (Seven-point Nine Percent) in Southern Nevada (this came from various sources).

Many feel that we are on a steady climb in prices right now which should continue for the near future. I feel we are priced much lower than other big cities with many more advantages – which people know about – so many continue to buy here.

There is no state tax, no unitary tax, no franchise tax, no estate state tax, and it is a right to work state. With 70 showrooms, Nellis Air Force Base, Lake Mead Naval Base, Lake Mead, 125,000 plus hotel rooms and 12,000 people (still!) moving here every month – Growth shall continue.

We have had a few owners sell their houses and/or try to but I think they will be missing the strong appreciation for the next 12-36 months. So, my family and those who listen to me are not selling! If your house is going up \$500-\$1,000 a month, remember this is NOT TAXABLE until you sell. And ask yourself, are you personally saving \$500 to \$1,000 in cash monthly somewhere? Most are not! So, this is a forced savings program for you. Besides, each month you make a mortgage payment, you are gaining equity too. So, if your mortgage balance goes down \$150 a month (most do this or more) this is like saving \$150 a month also! Add to these numbers your depreciation (on average about \$3,000 per house per year – but ask your CPA or look on your Schedule E tax form to be sure) and an owner gets some great benefits.

Years ago, in the early 80's, my dad and I figured out (then) how much he was paying down on a group of mortgages and the answer was \$550 a month! And we knew the next month that figure would grow as with more paid down, less interest is charge, thus more goes towards the principal. It is hard for most to save \$500 or more per month, so pro investors and those in the KNOW LOVE to pay down principal naturally over the course of time by making the payments. This is called AMORTIZATION. And the mere fact that you own a rental house with a mortgage, or one you live in, allows you to GET this investment advantage by just making the mortgage payments.

One of my seminar mentors PETER FORTUNATO bought a triplex in his early 20's with the express intent of ONLY getting ahead by paying down the mortgage naturally over time. He knew at the least since the rent paid his mortgages, that he would have a free and clear property in his early 50's just by owning it and hanging on. He was not counting on it to go up – but it did – which was a bonus.

Over time, my mom's properties have continually become FREE AND CLEAR just by owning them – and so her CASH FLOW HAS GONE UP with no more mortgage payments to pay! A GOOD problem to have. Remember a rental house is like a chicken that lays eggs (of rent). We should use the eggs (rent) for whatever we want. But if we kill (sell) the chicken, we will have a healthy meal for a few days, but the eggs will no longer be there and we may have to go and get or buy another chicken, or become hungrier. So, my family and my philosophy over time is to NOT kill (sell) the chicken

(rental house) but own it for a long time getting lots of benefits for a long time. Those who own stuff the longest seem to get the most benefits in life too. A great stock like Google did double when it came out (I used to own Google) from \$85 to \$170 a share. Today it sells for \$926 a share. I made a profit but sold mine at \$620. I would have done much better by holding a winner for a long time! Save the winning Asset and use the income is a fine strategy. The tortoise gets the prize many times more than the rabbit! Look around and see the wealthy families/groups are ones that continue to operate and own fine assets (think property, businesses, restaurants, products, services). We are (usually) long term holders of income producing assets which has helped my family.

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