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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 – October 2017 ISSUE, copyrighted George Morrissey/PSI
written by George Morrissey, Real Estate Broker, Investor, Tennis Player, Property Manager,
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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!**

WE HAVE HEARD A LOT OF TENANT HARD LUCK STORIES...

We had a tenant whose mom died “three times” so she could not pay rent on
time when this happened! She originally was very late and under eviction
and told my office manager her mom had died which is why she was so late!
She solved her eviction problem that time but... about 5 months later. she

was under eviction again and this time my staff was in the office (not the manager or me) and she told the staff member her mom had just passed away (again!) which is why she was late (again!) She solved that eviction problem too. But about a year AFTER that when she was 24 hours from being locked out she met me and caught up telling me her mom had just died which made her not be able to pay on time, because she had to pay for the funeral etc.

The owner (who is still a client) got tired of this tenant and finally had had enough and was ready to change managers. But he had not looked at what we had one for him with this “problem tenant” over time. This tenant had been there about 2.5 years and I had to show him some things. The owners were tired of the tenant. This tenant was a single woman who worked full time in a construction company office – and who could afford the rent - and in the 2nd year or so she began to pay LATE each month! She also paid in bits and pieces – meaning she would owe \$1,000 and pay \$750. Then she would owe the \$750 and have new eviction notice charges making her balance higher and then she would pay about 70-80% of what she owed. She caught up but never paid in full or on time. It got to the point that we were collecting a (partial) payment from her and then serving her an eviction notice every time after each of her payments! This went on and on and on throughout her 2nd year of occupancy. So, in one year we gave her about 18 eviction notices! The owner was concerned because of all the filing fees, eviction notice costs and late charges – thinking that this was costing the owner a lot of money! That owner was incorrect! After we went through the records this is what the reality was that we showed the owners:

- 1) All the eviction costs and filing fees the tenant HAD to pay when catching up or they could not stay – cos the owner NO MONEY! That That’s right - this cost the owner NOTHING. This did cost the tenant a lot though! One year I estimated the tenant paid about \$1,800 for the cost of eviction notices, filing fees, late charges etc. because of her constantly paying late. Since the rent was \$900 (and affordable) this was “nuts” as she ended up paying about two months of rent in extra costs over that one-year period! Remember, this did NOT cost the owner a dime as the tenant paid for these costs!

- 2) We had raised the rent each year (for 3 years) slightly – so the owner Was making more money in Year #2 and in Year #3 then when the tenant first moved in!
- 3) All the owner saw was what they thought (a husband and wife) was a lot of trouble, and the tenant owing the owner more money than the rent due. However, this was not true! I will explain why...
- 4) With the rent increases each year the annual totals of rent the owners made increased \$240 for the second year (with an increase of \$20 and $\$20 \times 12$ is \$240). And in Year Three we raised the rent another \$30 (why not? Making the yearly rent go up another \$360 or $\$30 \times 12$) - plus the \$240 from the year before. So now the owner was making \$50 more per month.

I had to show the owner “on paper” and, the owner had this position ...

During this crazy “not on time” tenant. With us doing all the “heavy lifting”, with talking to the tenant, serving notices, going to the bank on a non-bank deposit day, communicating to all, updating the books etc. the following:

- A) The owner had no vacancy for 3 years! Considering vacancy can be from 7% to 12% this is Good! (if not great!). This saved the owner money!
- B) The owner had increasing cash flow for years 2 and year 3! So, the owner’s income went up!
- C) The owner did not pay one dollar, not one dime for any eviction costs! No charges, filing fees, driving, notices, time spent talking, writing letters, communication time, reviewing leases, reviewing payments, bookkeeping or anything else regarding these uneven payments the owner had to do or pay for! We did all the work and enforced the lease and the owners’ rights. All the extra costs – and all this pressure – was put on the tenant! The tenant paid for it all! This would have gone away had the tenant moved, but then the tenants deposit would be at risk to pay for these charges also.

Now the owner did not collect any late fees which we keep because we do all the work and take all the “heat” from the tenants. This “insulation”

from tenants who don't talk (or yell, cuss, threaten etc.) is worth the "price of admission" for the owners as they are insulated from dealing with the tenants. Besides without knowledge of the law and customs, how we work, how the tenant's personality "is" – the owner could very easily say the wrong thing, do the wrong thing, maybe even break the law when trying to enforce the payments of rents. Dealing with tenants is one of the toughest things we do in the property management business and one of the great benefits an owner gets – is having us handle the problems not the owners. This save the owner some liability, time, and from making mistakes. Sure, we can try a strategy that does not work out like we thought, we can make mistakes too, but we will make LESS mistakes, with LESS problems than an owner without having our experience. Considering with Bill, Robyn, and myself adding our experience together – we find we have over a Century - that's right 100 years! of full time experience dealing in this specialized service business known as the "Property management" rental business. We do all the work – and this is random and unscheduled – when dealing with tenants not paying on time. We insulate the owner from having to deal with this, and save the owner headache, time and trouble. We earn the late charges since we do all the work. It takes a lot of work and thick skin to do so. Heck, in my career dealing with bad tenants I have personally:

Been threatened to be beaten up.

One tenant grabbed my shirt and me pulled across a front office desk when an evicted tenant showed unannounced and wanted his refrigerator back! Note – We know the law – and one is that we must store any evicted tenant's "Stuff" for at least 30 days and notify the tenants about their "stuff" left behind and how we can dispose of it – allowing the tenant to come get his stuff if he wants to. So, I reminded that "tenant" that we did not WANT his stuff, what the law was, and I arranged (personally) to show up at the property and "get" his refrigerator. He had said earlier we could "keep" his deposit (we did to help pay for the eviction) and I told him about how to get his refrigerator back. He calmed down and was professional (but stern) and got his "frig" back in 24 hours with my help. (No, he did not hit me, just grabbed my shirt, and I had 2 witnesses) and yelled about how I could not steal his "frig". Once I told him the rules we worked it out. But saying or not knowing the right thing may have caused a bigger problem!

A private owner may not realize that when that owner evicts a tenant He/she “no longer knows where the tenant lives! But the tenant still knows where the owner lives!”. That’s why I have a public and private “face” to the world. Tenants (and others) do NOT get my home address and other private things about me. Sure, they know where my office is, my email, and other professional ways to contact me, but not normally where I hang out, travel, or family background – so they can’t mess with me as much as others.

Besides I had my Identification STOLE TWICE at gunpoint – both times in Las Vegas in parking lots! Yep! And since I have practiced some good if not great measures of privacy for many years, the bad guys go pretty much nowhere with MY ID. The last robber had them get my credit cards, my ID, \$400 cash (I carry much less now), Some personal checks (very rare that I had personal checks on me). They did NOT get my iPhone (as I had it slip out of my pocket on purpose when they made me get and my companion out of the car. They did get my companions iPhone though. We were in our car in the Red Rock Casino Parking Lot with security on a bike about 40 yards away. The bad guys (two of them) were in an orange truck and pulled up next to us and hopped out with guns – they were prepared and ready we were not. We were sitting and talking in my friend’s car (two of us). They said if we looked in their eyes, or talked any more – we could only shake our heads – or if we had the “guard on the bike” come over that they would shoot us. God was on our side as it came to me anyway, to just do what the asked – we did – and all they wanted was our wallets (which they got) and to go away (which they did). They also made my friend give them his car keys and phone. The cops told us later that was, so we could “not chase them” after they drove away – by using our car.

Anyway, my address on my Driver’s License was NOT my home address, my utilities are NOT in my name, my ownership of my home is in an entity and NOT my name, and so they could not “show up” on my doorstep to rob me again – as they will not find me. I get no mail where I live (on purpose) and have used P.O. Boxes and secondary addresses with friends and offices also for safety.

We make the phone calls, hear the stories, talks to the tenant, arranges for the evictions, files the paperwork, coordinates the notices, checks the

lease terms, cancels the evictions (when tenant pays), does the extra bookkeeping, goes to the bank on a “non-banking day” because we now have a deposit to make for our owner – to catch the tenant up when they did catch up – thus we keep them.

Back to the not “on time” tenant.... I had met with this tenant three or so times personally and tried to counsel her about budgeting and advice and such about how to pay in full and ON TIME to avoid all these charges. I found out on our 3rd meeting – I remember all this because it is just “nuts” – THAT SHE SAID SHE HAD \$2,000 to \$3,000 savings account ALL THIS TIME TOO! I asked her if she could take money from the savings account, transfer it into her checking account and pay us on time and in full? THEN when she got her paycheck she could put THAT BACK into her savings account and be ready for the next month’s rent? She did not want to do that because it would interrupt her saving pattern she said. I showed her how she had paid \$1,800 in eviction fees and charges and she still did not change or do this strategy or solve this problem!

We heard this next (same tenant) whole story because we hear what tenants tell our vendors (who are loyal to us), what they tell the eviction process servers, and what they tell our staff. One of our vendors dated her awhile too and tried to tell her we were trying to help her quit having all these crazy charges apply each month! She did not pay much attention and felt it was just the cost of doing business!

The irony is this. Many people do not change. Change can be good and not changing can be expensive. At the end of her 3-year tenancy, she was under eviction again – of course. We had heard later that she was put in jail (which was weird) and that is why she could not pay. So, we found out this was true, and we ended up finalizing her eviction and locking her out. You see from what we found out.... she had changed jobs and had been working for a NORTH LAS VEGAS judge in his office for about six months. She also lived in North Las Vegas. Guess what that Judge specialized in? You got it, EVICTIONS and Tenant/Landlord cases. You see she had taken a day off for personal reasons and was vacationing in California and ended up coming back on the freeway speeding. She was pulled over by the Highway Patrol. They were going to write her a ticket, and she said ‘DON’T YOU KNOW WHO I WORK FOR? I WORK

FOR JUDGE ZZZZZZ!” The patrolman was not impressed and called the NORTH LAS VEGAS COURTHOUSE himself, and she got immediately FIRED and put in jail (temporarily) for breaking some type of rules about abusing her authority and/or trying to bribe a patrolman, or lying or something. Anyway, she got evicted from us and we finalized it all with the Sheriff/Constable and locked her out, change the locks and began to store her stuff for thirty plus days etc. She did end up coming back to get most of her stuff back – which of course we let her do – and she let us throw away the junk (and signed off on this too).

We ended up getting new tenants, and that house we still manage today! And the owner is happier when tenants DO Pay in full and on time, but realize we do our job trying to protect the owner and handle the problems!

That house is now renting for \$1,125.00 a month. And that house is years closer to being free and clear.

The owner is one of our long-time owners! That owner has had some great tax shelter and now great growth as values are going up strongly in Las Vegas. Some estimate houses are going up \$500 to \$1,000 a month right now in 2017! The owners are now seeing a lot more benefits adding up in owning that house vs. of having to sell it during the (low price) years. He/she did not panic and now have higher rents and more equity and are “looking good” with this asset in their life. They wish they would have purchased two – many times a regular thought that comes up when people look backward. It is tough to look forward as buying a 2nd house today may seem like it would be a stretch or expensive! But many believe – including me – that owning a rental house for a long time makes you look smart later and give you lots of financial advantages – more so than a short-term owner.

Remember to compare investments using the word IDEAL. This allows you to look at different investments and see how they stack up.

Let’s compare a rental house, vs. a Saving account/CD, vs. Gold
And the word I.D.E.A.L. which means Income, Depreciation, Equity Build up, Appreciation and Leverage.

I IS FOR INCOME!

RENTAL HOUSE - YES and this income can grow and be strong.
SAVINGS ACCOUNT -YES but this income is usually weak (low) and be fixed.
GOLD – No income while owning it. None whatsoever.

D IS FOR DEPRECIATION OR TAX SHELTER AND WRITE OFFS!

RENTAL HOUSE – YES. You get a paper “loss” and can write off expenses!
SAVINGS ACCOUNT/CD’s – NOPE. No tax loss, no write offs!
GOLD – NOPE. No tax loss, no write offs owning gold!

E IS FOR EQUITY BUILDUP!

Rental houses do get equity buildup. Just by having a loan and letting the loan pay down, allows an owner to build equity (with no appreciation). So great equity buildup is available.

Gold can be borrowed against to buy also, but usually only 50% can be borrowed to own it. Thus, less equity buildup is available.

A savings account or CD one usually pays cash for, and the face amount “value” of that CD or savings account stays the same. Thus a \$100,000 house may go up in value, but \$100,000 savings account only earns interest and that \$100,000 CD is just that a \$100,000 CD which they give back to you when you cash it in. Besides to borrow to buy a CD or invest in a Savings account may cost you MORE than the account or CD pays you in interest – so actually NO a Savings Account and/or CD do not have equity buildup.

A IS FOR APPRECIATION!

RENTAL HOUSE – YEP! These appreciate! And yes, they can go down in value as we have seen during the Las Vegas foreclosure years. But rental houses also go up for a lot of other factors such as inflation, cost of goods going up (wood, roof tiles, carpet, drywall etc.), cost of services going up (plumbers, electricians, cement workers, framers, etc.) all make the cost of replacement go UP! So, the house goes up too!

GOLD can go up too! But one cannot control the price of Gold! One CAN control the price of a house... how you may say? Well, a house owner can improve the house on their own, but a Gold owner cannot. A house owner may upgrade appliances, carpet, add an alarm/security bars, pool or landscaping; upgrade carpets, lower the rent etc. An owner can do many things to change the value of their house, but cannot with a CD or savings account or Gold! Especially Gold. They can only watch!

L IS FOR LEVERAGE!

Equity, if it can grow, depends on the terms of how you own something (Borrowing or paying cash?) so a further explanation is in order.

Many investments (not all) can be purchased with loans and by borrowing money.

A house can be purchased by an owner right now usually with only 3.5% of the purchase price AS THE TOTAL AMOUNT OF A DOWN PAYMENT NEEDED. This means the “leverage” amount would be borrowing the rest which would be at 96.5%

Gold can be purchased using Leverage too but most institutions (like stockbrokers or bankers) will ONLY loan you 50% of the cost of the asset (the Gold). And if the Gold value DROPS below the value of what you paid for it, the lender may ask you to pay back the difference faster! Thus, if you buy \$100,000 of gold, and borrow \$50,000 to pay for it – that’s fine. If the gold falls in value to \$90,000 then you are “over borrowed” and the lender may (usually does) require you to pay down your loan to equal (again) the same 50% level.

So, in this example to be at a 50% ratio of leverage (\$100,000 x 50% is \$50,000)

At \$90,000 x 50% would be 45% so you would have to pay down your loan \$5,000 ASAP or the lender could make you SELL your asset to pay back all the loan. This is called a MARGIN CALL and yes, I was a stockbroker years ago (part time) while I was still a full time Real Estate Broker at the same time.

A look at the above shows that a Rental house has many more features of the IDEAL investment as compared to many others. Using this word to compare all types of investments comes in handy.

Owning a rental house is like a forced savings program. If you have a mortgage each month you make a payment and paying down that principal balance you are gaining equity – just from that – which is called Amortization. Appreciation over time usually happens more for the long-term owner. Cash flows can tend to go up in growing markets – which Las Vegas is now, and tax shelter never hurts giving you some paper losses to have you possibly pay lower taxes.

We appreciate your business and hope you see the long-term benefits of owning rental property here in Southern Nevada!

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