



Collecting Rent

A LANDLORDS COMPLETE GUIDE





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Introduction

Renting is at an all-time high. In fact, research shows that **more U.S. households** are renting now than at any point in the past 50 years. **The Rental Protection Agency** estimates 2,654 renters enter the market every single day. Landlords are earning more than ever. Rental rates have increased **across virtually all demographics** and almost all of them are **paying more to rent**. Furthermore, this **“Great Housing Reset”** has shown that areas with more renters “have higher wages, higher productivity (measured as economic output per capita), and greater concentrations of high-tech firms.” All this is to say: It's a great time to be a landlord.

IN THIS GUIDE YOU'LL LEARN:

- How to make rent collection simple for you and your tenants
- How much you should charge and what to charge for
- How to properly screen tenants to find responsible renters
- How to take legal action, should it be necessary
- How to protect your business

Renting 101

Let's start with the basics, shall we? You've got a job to do: Provide tenants with a place to live and provide a means of living for you and your family. That means setting a rent price that attracts tenants and ensures a profit. It helps to be realistic here; your market determines rental prices, so do some due diligence by utilizing various methods of research and resources.

Setting an effective rent price is a crucial step to creating a viable business plan. Guessing how much to rent your property for is an imperfect science that can lead to frequent vacancies and loss of profit — so, in short, don't do it. **Rental calculators** will help you determine the right price and make sure your rental price stays competitive. Consider these factors as well:

Value

In order to turn a profit, you'll need to ensure all of your tenants' rent payments cover your mortgage payment; maintenance and

You have a lot to handle, a lot to learn, and a lot to gain. Renting property is a business. If a tenant misses rent, your cash flow is interrupted. If your cash flow is interrupted, your business and your tenants' living space is threatened. As such, you need to make sure your tenants pay their rent in full and on time. Your rent collection process should be easy and painless for both you and your tenant; simple to maintain, manage, and document. If you make it easy for your tenants to pay rent, they'll actually do it — some will even thank you for the simplicity. This in-depth guide will help you choose and develop a strategy to get your rent in on time each and every single month.

repair costs; vacancy costs; taxes; and other basic expenses. Rent should also leave you with enough to put between one and six percent back into your own pocket.

Size

The number of rooms, bathrooms and square footage will all play an important factor in determining how much you charge. Naturally, more space means higher cost.

Amenities

Perks like in-house clothing washers and dryers, gyms, dishwashers and other amenities that make life a little bit easier for the tenant should be taken into consideration when setting a price. Evaluate the neighborhood and consider applicants who would prefer updated amenities in more established/historical neighborhoods along with those who prefer the nostalgic amenities common in the neighborhood.

National Eviction Records

This search includes eviction records on a national level. The records will show the name of the plaintiff that filed the eviction, when the eviction was filed, the address involved in the eviction and any court/judgment information available.

Location

Review the renter data for your city and state first. Proximity to public transportation, popular dining and shopping areas, schools, and more will also affect your asking price. Rental calculators are especially handy for this part.

Season

Studies show that across the country, more people sign leases in the early spring and Summer months, May through June and other summer months — so you can charge more than you would in winter, when renting tends to take a dip.

Utilities

Utilities make your rental space habitable. You're legally obligated to provide them. Renters will almost always cover services like internet, cable, and phone services themselves, but you will need to decide how to handle electric, gas, water, garbage, and sewage. If you include utilities in tenants' rent, payments are easily streamlined. Renters who don't want to deal with outside companies might be more attracted, and it could result in a profit if utility costs are lower than expected in a month.

Alternatively, you could charge a separate fee for utilities on top of your rent price. This makes your property easier to market, as your rent price will appear lower. Be sure to consult an attorney

or other qualified professional to advise you on what you can charge for utilities in your area. There are Federal restrictions that can prevent you from charging more than what you actually pay for utilities.

Will you charge a fee for late utilities? Is this fee in addition to the utility company's late fee? Be sure to consult an attorney or other qualified professional to advise you on what you can charge for utilities in your area. There are Federal restrictions that can prevent you from charging more than what you actually pay for utilities. Regardless of how you decide to split or assign utilities, make it explicitly clear in each and every lease to avoid confusion and overdue balances.

IN ADDITION TO UTILITIES, YOU SHOULD ALSO CONSIDER OFFERING STORAGE AND PARKING — ARGUABLY THE TWO MOST APPEALING AMENITIES.

People want places to store their belongings, whether it's under their stairs, in a large closet, or an outdoor shed — if they have enough storage, people will never want to leave. Be sure to provide secure storage and avoid common storage areas.

Parking operates on a similar mentality: People want to park close to their home and protect their vehicles. Consider a garage or building a small covered area where residents park. Be sure to provide a separate garage lease to mitigate your liability if the lease doesn't state terms or conditions for separate garage/carport parking. Especially if availability is provided on an "as available" basis.

FOR DECIDING ABOUT UTILITIES, CONSIDER THE FOLLOWING:

- Does your rental property operate on individual meters or a master meter?
- Will the accounts be under your name or your renter's?
- Will there be a fixed price or variable price?
- If you choose to split the charge among all your tenants, how will you do so?
- Which utilities, exactly, do you want to cover — if any?
- Will you use a third party to handle utilities?
- Will renters be able to control their own temperature?
- Where are the breaker panels and the hot water heater located in each unit?

Pets

According to the [American Pets Products Association](#), 68 percent of American households own a pet. Of those households, 48 percent own a dog and 38 percent own cats. That means allowing pets is going to attract more potential renters. If you allow [pets in your rental properties](#), it's in your best interest to cover your bases with some form of pet protection.

REGARDING PETS, ASK YOUR TENANT THESE QUESTIONS:

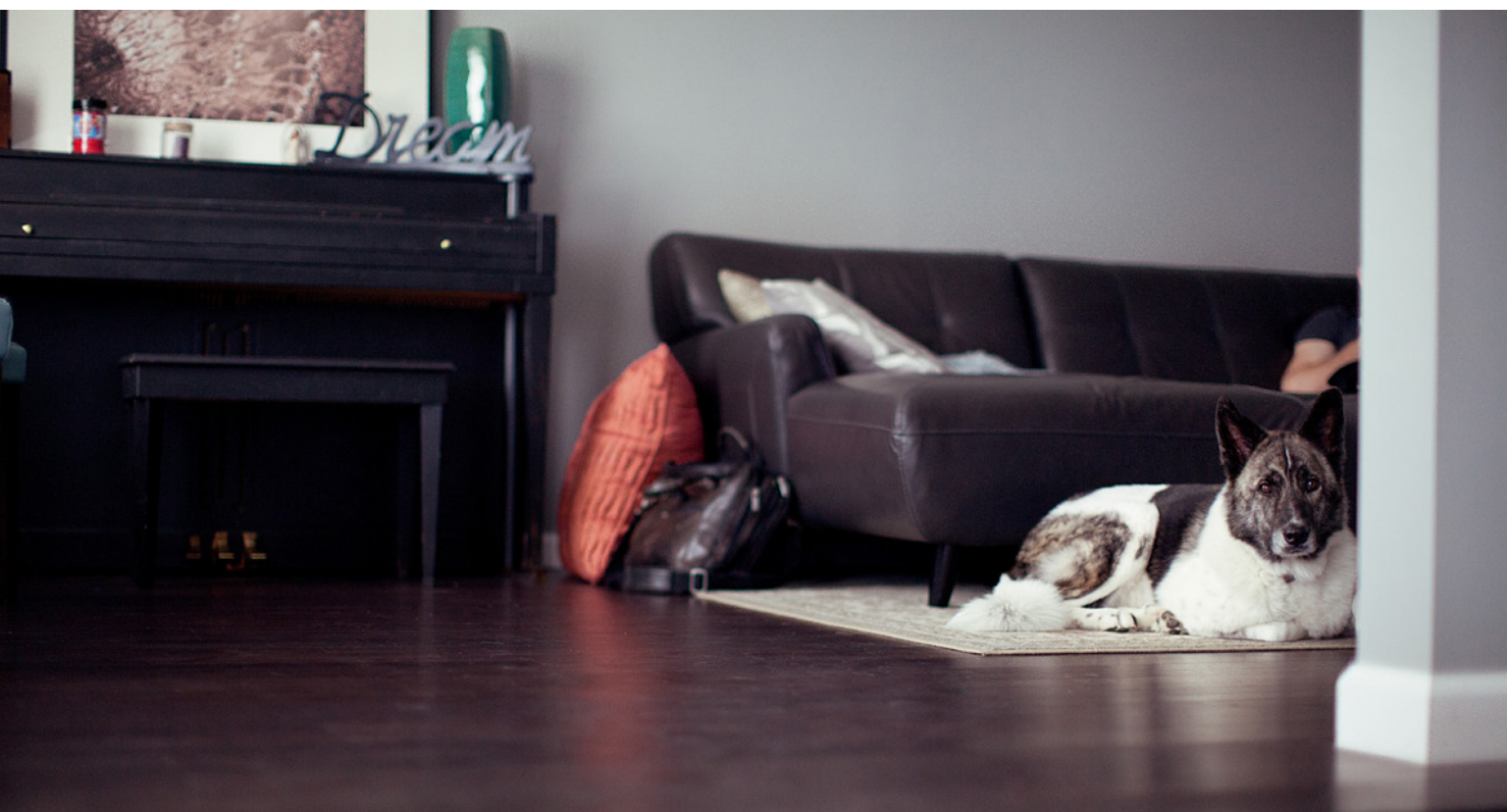
- How long have you had the pet?
- Is the pet correctly registered and are all its vaccinations up to date?
- Has the pet caused any property damage or other problems?
- Who will look after the pet when the tenant is away?

It's important to carefully consider not allowing a pet, after you've initiated a lease. It's not uncommon to have a great tenant who always followed the rules, rescue a new pet, say from a shelter, begin to have continued issues training a new pet to not bark or have other bad behavior, suddenly your great tenant becomes the worst tenant you've ever experienced. New pet owners can

become more attached to their pet and not the rental unit. Be sure you discuss the options for training a new pet, i.e., bark/citronella/pheromone collars prior to allowing a new pet in the rental unit, after the lease has been initiated. It also doesn't hurt to meet the pet before signing a lease.

You can choose to charge your tenant a one-time refundable deposit or a monthly fee, but be aware that there are some restrictions with both options. Rentler's [free property management software](#) allows you to include a one time or monthly fee when tenants [pay rent online](#). Like most landlord laws, guidelines for pet fees and deposits can vary from state to state. One word of warning: charging a pet deposit can limit you when it comes to paying for the damage. Legally, a pet deposit can't be used to pay for anything other than damage caused by a tenant's animal.

If you're concerned about damage, it's also within your rights as a landlord to restrict the types of pets you allow. But if your tenant has an assistance animal (i.e. a service animal, emotional support animal, comfort animal, etc.), ensure you're following state laws by checking with [this guide](#).



Raising rent

During your time as a landlord, there will be opportunities where it becomes appropriate to raise your rental prices. Don't worry — you shouldn't feel guilty about it. Here's what you need to know:

ADD A CLAUSE IN YOUR INITIAL RENT AGREEMENT

If your tenant signed a lease, you must wait until the original lease expires, before you raise prices. If that tenant is paying month-to-month, give them 30 days notice. Depending on what state you live in, an oral confirmation might be legally binding, but you're better off putting the rent increase in writing. Telling tenants ahead of time that rent will increase 2-3 percent each year is a good way to alleviate any shock that comes from raising the rent when their lease expires. If they ask, explain that a small increase each year helps cover taxes, insurance and minor repairs. Rentler makes available unlimited access to lawyer-written rental agreement forms in addition to other common landlord forms for a one-time fee of \$25.

INCLUDE DETAILS IN A LETTER

Landlords typically send out a letter at the end of a lease to renew or change the terms to month-to-month. This is a good time to introduce the new rent price and explain your reasons. Did you install new countertops or upgrade the storage in your building? Make sure your tenants know that! Pointing out

improvements can help take away the sting a price increase, and helps tenants feel confident that their money if going back into improving the living conditions.

KEEP RENT RAISES TO A MINIMUM

According to legal experts, there is **no limit** on the amount your landlord can increase the rent — unless you live in an area that mandates rent control — but no landlord may raise a rental price on a whim. In the case of owner-occupied buildings, many landlords choose to take a low maintenance and reliable tenant over a small increase in rent. If you're in it for the long-haul, it might not be worth it to potentially drive good tenants out. However, if you make the yearly increases small, there's a very good chance they'll stick around even if you do periodically raise prices.

DISTRIBUTE THE COSTS

If you feel uncomfortable about raising the rent with a monthly fee, you can always consider changing how you charge for utilities. For example, if you currently cover water and electricity, inform the tenants that they will now be in charge of paying the bill and include it in their new lease. This is an especially good option if part of the reason you need to increase rent, is higher utility bills.

PRORATING FORMULA

$$\frac{\text{TOTAL RENT AMOUNT}}{\text{NUMBER OF DAYS IN THAT MONTH}} = (\text{TENANT DAILY RENT}) \times \text{DAYS THE TENANT WILL BE IN THE SPACE THAT MONTH}$$

PRORATING RENT

When a tenant moves in or out mid-month, it's typical to charge them less than the full month's rent. This is called prorating. A simple formula can help you figure out how to charge a tenant fairly. First, determine the tenant's daily rent rate by dividing the total rent amount by that month's amount of days. If rent is \$900

and there are 30 days in the month, the tenant's daily rent is \$30. Next, determine the prorated rent amount by multiplying the daily rent amount by the amount of days the tenant will be in the rented space. If they move in on the 12th of the month, they will need to pay for 18 days. Eighteen multiplied by \$30 is \$540 — and that's how much they owe for the month.

THINGS TO KEEP IN MIND WHEN PRORATING:

- Leap year
- Day on month billed (Rent due date)
- If the rent spans months.
- Number of days in the first month
- Number of days in the second month
- Amount per day in the first month
- Amount per day in the second month
- Number of billable days in first month
- Number of billable days in second month
- Different amount per day depending on month

How to Collect Rent

Now you'll need a payment method to suit you and your tenants' unique needs. If you so choose, you can designate a particular type of required payment method for your tenants. This needs to be done in the lease or by addendum to be enforceable though. Tenants might pay their rent in one of the following ways:

CASH

Cash payments are difficult to document and trace — especially if you don't accept each payment in-person. If you do choose to accept cash payments, you should always provide the renter with a receipt and deposit the cash as quickly as possible.

PERSONAL CHECK

While personal checks are becoming less popular among younger tenants, some may still want to use them. Personal checks can be mailed in advance, but there's no way to ensure it won't be returned for insufficient funds.

CERTIFIED CHECK

These are like personal checks, but signed by a banker says the account has enough money to make the payment. There's still a chance, however, the account may be overdrawn before you cash the check. Many younger tenants (who make infrequent trips to the bank due to the convenience of online payments) may be resistant to this method.

CASHIER'S CHECK

Cashier's checks are the most secure check you can accept for rent. The tenant's bank will remove the requested amount from

the account, guaranteeing the account cannot be overdrawn. Again, your tenant may find the process of monthly cashier's checks to be tedious and inconvenient. This type of certified funds can also cost the tenant extra, per check, depending on the type of bank account they maintain with the financial institution.

MONEY ORDER

The tenant must pay the exact amount for a money order, which is then given to you to cash. It's a secure method, but requires the tenant buy one each month — and a money order usually costs a small fee.

BITCOIN

Yes, cryptocurrency is making its way into rent payments. Bitcoin is still a relatively new currency many tenants won't have any interest in using. If you go this route, use caution: It can be difficult to tell who or where Bitcoin is coming from.

CREDIT OR DEBIT CARD

Accepting payments through credit or debit cards would likely incur more fees than it's worth. There are various property management tools that would streamline this process, allowing a tenant to make an online payment through credit or debit card.

ELECTRONIC FUNDS TRANSFER (EFT)/ DIRECT DEPOSIT

Electronic transfer and direct deposit are becoming the most popular way to pay rent because it is quick, easy and accessible. The landlord and the tenant can both access the payments online — a process we'll delve into soon.

Payment Delivery Methods

Once you've determined how rent will be paid, you'll need to select a method for collecting it. You should consider factors like number of units, how far you live from your property, how



Dropbox

Some landlords allow tenants to drop off rent in a secure location, offering both you and the renter the convenience of paying and picking up money on your own time. For safety purposes, you should not make your personal residence a drop-off location. Instead, many landlords install a mail slot into the leasing office.



In-person

Door-to-door rent collection is another option. It allows you to gather all your money at once, but can often be time consuming and tenants with odd schedules may be difficult to track down.



Mail

Allowing renters to pay you through mail would save you the time and hassle of collecting rent yourself. However, you risk payment delays and excuses like, "the check got lost in the mail." Also consider language in your lease that requires "no later than a postmarked date" for when the rent check is mailed.



Online

The easiest and most common way of collecting rent is online.

Collecting Rent Online

MONEY MAGAZINE FOUND THAT

MILLENNIALS PAY 61% OF THEIR BILLS ONLINE, AND OLDER GENERATIONS PAY AT LEAST 42% OF THEIR BILLS ONLINE.

PAYING ONLINE OFFERS MANY BENEFITS, INCLUDING BUT NOT LIMITED TO:

- Tenants can schedule recurring payments: It's much easier than going to the bank, store and mailbox every month.
- Automatic payments and reminders encourage tenants to pay on time: Tenants already handle most finances online, adding rent makes life simpler. And who doesn't need a reminder every now and then?
- You can see the status of a payment in real time: It saves you paperwork and allows you to get a handle on your finances at your convenience.
- It streamlines rent payments, maintenance requests, and other day-to-day operations: You can handle all your business

in one place, without waiting several days it takes for mail to arrive, if at all.

- It's the most secure payment method: For your benefit, online payments keep your personal account and your business account separate. For your tenants, they don't have to worry about stolen checks with their personal information printed on the front. [Read more about the benefits.](#)

Rentler's online payment tool is a good option that lets you do it all, including rent payments, late fees and tenant screenings. Plus, it also allows tenants to report on-time rent payments; which can be a bonus marketing tool for you if you're trying to fill vacancies.

At least one large property management company said 85 percent of people who pay their rent online continue to pay it on time each and every month, according to a report by the [National Multifamily Housing Council](#).

Encourage on-time rent with clear expectations and consequences

Your rental is an investment. Even though you're selecting trustworthy and responsible tenants, setting strict guidelines will help protect you financially. Remember that this is a business. Once you make an exception for one tenant, you open the door for other tenants and establish a pattern of leniency for any tenant that takes advantage of the exception. You may also expose yourself to fair housing liability if you make exceptions for some tenants and not others. Consistency and hard deadlines are recommended for your business interest and to avoid legal issues.

LATE PAYMENTS

We'll state the obvious here: Rent needs to come in on time. A late payment can affect your ability to manage a property, and even one missed payment can make it hard for a tenant to catch up. Furthermore, reports show at least **40 percent** of tenants are cost burdened, meaning their rent takes up more than 50 percent of their income. This can lead to late payments. To prevent late payments, you'll need to put clear consequences

and expectations in place. To do so, consider providing the following to tenants in writing or in their lease agreement:

GRACE PERIODS: While **not legally required**, some landlords offer grace periods to allow renters an extra day, or two, or sometimes three, to pay their rent. Typically, landlords offer a three-day grace period, i.e., if rent is due on the first of the month, you may start charging late fees on the fourth.

LATE FEES: Late fees are one way landlords can incentivize on-time payments. It's imperative, though, that you include the late fee—and any existing grace period—in your renters' leases. If a tenant's lease or rental agreement says nothing about late fees, you cannot impose one, no matter how reasonable it is. Depending on **which state** you live in, laws may restrict how much of a late fee you can charge. Generally, late fees should be between 5 and 10 percent of the tenant's rent payment and should vary based on how late the payment is.

Past-due Rent / Rental Disputes

Your main goal is to set yourself up for success so you don't have to deal with a tenant who doesn't pay. However, if it happens, have a set protocol in place and consequences at the ready.

PARTIAL PAYMENT

You will occasionally encounter a tenant who is unable to pay full rent up front. The **American Apartment Owners Association** advises against allowing these types of payments unless the tenant has an excellent history of making full, on-time payments.

LATE PAYMENT

While it would be nice if every tenant was on time with their payment, you will undoubtedly have to confront someone for continuous late payments. First, figure out why the rent is late.

Is the tenant having financial issues? Talk with him or her and determine if it's a temporary issue or more serious. If the renter refuses to pay, you will need to find out why and act accordingly.

NOTICES

Immediately serving/posting notices is key to eliminating or resolving an issue quickly. Far too many landlords choose to wait for one reason or another and you ultimately delay any legal action that is required to resolve your issue, should you delay serving/posting a notice.

One of the more complicated aspects of being a landlord is ensuring tenants are paying their rent and following any guidelines set forth in a leasing agreement. If they are not, it is up to you



to try and solve the problem. Eviction, which we discuss next, should be a final option. It's messy and expensive. If you find a tenant is not keeping up his or her end of the agreement, you can present them with a warning — or a notice — first.

You will need to write up a letter detailing the offense in question — whether it's late rent, noisy neighbors, or any other infraction. You should either attach a copy of their lease agreement with the point in question highlighted or cite it in your letter. The letter should include your letterhead, contact information and signature. Like any document, keep a copy for your personal records. If one, two, or three (depending on your preference) letters don't work, it may be time to consider eviction.

EVICCTIONS

One of the most stressful situations a landlord can encounter is an impending eviction. Even if you [screened your tenants](#), things still happen, and an eviction notice might be necessary. If you're facing a possible eviction, it's crucial to make sure that you're doing it the right way. Otherwise, you could end up with astronomical legal fees and a big loss in profit while your rental isn't collecting income.

We're here to help. First, you'll need to become well-versed in your state's laws. [The Landlord and Tenant Act](#) is a simple outline that many states have adopted as their version of basic rental rights. [This free eviction law guide](#) for all 50 states will also help you determine if you have a case.

Once you have legal grounds for the eviction, you'll likely need to provide written notice. In a written letter addressed to the tenant in question, include the reason why they are receiving the notice and/or pay-or-vacate notice. To be safe, post one copy on the door of the residence, send one via certified mail, and keep one hard copy for your records. Some states also require you to have a copy of the eviction notice delivered by a regulated third-party. If your tenant fails to comply with the notice or move out by the date specified, you'll need to take the matter to court by filing an eviction lawsuit.

Make sure to have all the documentation ready for your eviction lawsuit, including a copy of the lease, payment records, [the eviction notice](#), and proof the tenant received the notice. If you win your case, the court will issue an order requiring the tenant to vacate or be legally escorted out and required to pay rent.

Evictions can be a **lengthy and expensive process**. If you have to take a tenant to court, you should be prepared. Knowing your legal rights, as well as those of your renters, will save you time, energy and money. We advise consulting with legal counsel when and if an eviction becomes necessary. Most states have attorneys that specialize in landlord representation and can assist with evictions in a cost effective and timely manner. Often times, the legal fees you may pay for assistance with an eviction outweigh the time, costs, and lost rents of navigating the eviction process on your own.

Play It Safe

Business owners must be financially stable in order to succeed — and renting out property is no different. Build a safety net so you're not up a creek without a paddle if a renter doesn't pay.

CREATE AIRTIGHT RENTAL AGREEMENTS: Include everything — and we mean everything — in your lease. Nothing should come as a surprise to your tenants. [Investopedia](#) recommends your lease include “the rental rate, the length of the agreement, how the utility payments are split up and the many other complexities that come with renting.” More details mean more protection. If your leases are not up to date with current legislative changes, you could incur unintended liabilities. It's also important to note, that if you include language that is not legal for your State, your lease may not be enforceable.

REQUIRE SECURITY DEPOSITS: A security deposit should be agreed upon at the lease signing and ensures you have money to cover expenses if your tenant decides to leave early or causes damage to your space. After the tenant leaves, you must quickly determine if the tenant will get the deposit back and let them know via letter. More and more new landlords are learning that a good rule of thumb is to ask for a security deposit that matches the rent amount.

DOCUMENT EVERYTHING: Just like your rental agreement, clear and specific documents should be made for most interactions with tenants. When you do walkthroughs in your rental spaces or discuss notices with tenants, keep extra files for yourself to refer back to.

DO NOT, WE REPEAT, DO NOT CONDUCT A “SELF-HELP” EVICTION, WHICH MEANS CHANGING THE LOCKS, THROWING OUT A TENANT’S BELONGINGS, SHUTTING OFF UTILITIES, ETC.—IT COULD RESULT IN A WRONGFUL EVICTION LAWSUIT.

BUILD AN EMERGENCY FUND: Building a “rainy-day” fund for your business is a good way to protect yourself when unexpected expenses pop up. It should be separate from any personal accounts and from your property or security deposit accounts. Financial experts like [Dave Ramsey](#) say you should have enough money in an emergency fund to last you three to six months if all hell breaks loose. [Suze Orman](#) says you absolutely must have enough to get you through a rough year. Determine how much you'll feel comfortable with, and then get to saving!

GET LANDLORD INSURANCE, AND REQUIRE YOUR TENANTS GET RENTERS INSURANCE: Having both types of insurance will help everyone sleep a little sounder each night and save you lots of money. Renters insurance will help cover tenants' costs if their belongings are damaged by weather, vandalism, flooding, fire or other similar events. Some renters insurance will also help cover theft for expensive items. Landlords insurance, [according to eInsurance](#), usually covers damage to the rental property caused by broken water pipes, water leakage, fire, smoke, theft, vandalism, extreme weather and vehicle impact.

TAKE GOOD CARE OF YOUR PROPERTY: [Maintaining your property](#) will keep your renters happy and ultimately save you time and money. Performing regular extermination, water heater, air filter, and smoke detector checks will help you keep your property pristine and marketable. Before a natural disaster strikes, Rentler has [five tips you should read](#).

Conclusion

That was a lot of information, we know. But you've made it through and are ready to go forth and succeed in your rental business.

Here's a quick recap on what you need to know:

- It's a great time to be a landlord. Renting is at an all time high and prices are favorable.
- Set a rent rate that fairly represents the value of the property, attracts reliable tenants, and is profitable for you and your lifestyle.
- Collect rent in a way that makes it quick and easy for both you and your tenants — asking tenants to make automatic payments online is likely your best bet.
- Select renters that will be honest and pay on time. Protect yourself and your property by screening tenants, clearly defining all grace periods and late fees, and doing so in clearly-worded rental agreements. Nationwide background searches are recommended.
- Reasonably notify and work with tenants to avoid evictions—it's stressful and expensive. But if you must evict a tenant, do it transparently and by the book.
- Protect yourself and your assets by requiring renters insurance, purchasing landlords insurance, contributing regularly to a savings account, and maintaining the integrity of your property. Also, know your laws.

Now, you're ready: It's time to collect your first month's rent!

CHECK BACK WITH [Rentler](#) FOR MORE TIPS, TRICKS, AND ADVICE ON HOW TO MAKE THE MOST OF YOUR RENTAL BUSINESS.

