

TIME

September 20, 2009

VPM: 11,300,000

Accidental Landlords: Renting What Won't Sell

By BARBARA KIVIAT Saturday, Sep. 19, 2009



From the front lines of the Great American Housing Bust: people who want to sell their houses but can't are turning their homes into rentals. Yes, there are early signs that home sales are steadying and prices are picking up, but some owners have been waiting for years to sell — to move to new towns, to better jobs — and simply can't hold out any longer. Their solution is to pack the old place with tenants and no longer be trapped by an unsalable property.

Related

Video



Accidental Landlords

Stories

- Subprime Lenders Head the Line for Federal Subsidies
- Homebuilders Are Back At It — Should We Be Worried?

More Related

- If all Americans read financial magazines, we never would have had a real estate bubble
- The usefulness of rent ratios

Call them Accidental Landlords (the real-estate pros already do). Insurance company Allstate has been tracking the new demographic by watching the wave of people switch from homeowner- to landlord-insurance coverage, a figure that's up 27% year-over-year. The web site Rent.com, which helps renters find places to live, has rolled out a new option for small-time landlords and is adding 1,000 properties a month. "We're finding that a lot of people have houses that they would have sold and now need to rent," says Rent.com president Peggy Abkemeier. "The demand is there. One out of every three renters who come to our site is [seriously] interested in this new inventory."

[\(Read "Is Owning a Home Better Than Renting?"\)](#)

That's good news for folks like Marie and Sal Latella who had their four-bedroom Colonial on and off the market for nearly three years before deciding to rent it out this summer. Now, settled in a rental of their own just 15 minutes away, the Latellas' sons are in a better school district (a big reason for the move), and the family is still close enough to swing by their old place

- The (Surprising) Case for Renting

Sponsored Links

SECRET: White Teeth Trick

Dentists don't want you to know about THIS teeth whitening secret!
www.consumertipsweekl...

DON'T Pay For White Teeth

Learn the trick to turn yellow teeth white for under \$8.
USA-Daily-Herald.com

[Buy a link here](#)

every so often to keep an eye it.

For homeowners who find themselves in a cash crunch, the idea can seem like a godsend. When the recession and other circumstances put a squeeze on the finances of Brian Feehan and his partner David and they couldn't find a buyer for their 18th-century farm house, the couple decided to rent it out and move to the guest cottage next door. A brilliant solution — until the first tenants they found were a complete nightmare, calling and e-mailing every day with a string of complaints and demands. "We definitely did things differently the second time around," says Feehan. Word

to the wise: when a potential tenant's references don't call you back, quickly apply the breaks.

(Read "Home Sales Perk Up, but Expensive Houses Languish.")

Indeed, life as an Accidental Landlord is often far from being a cakewalk.

"Nationwide, it's happening all over, but most people don't realize what they're getting themselves into," says John Nuzzolese, president of the Landlord Protection Agency. If you can't sell your place, is renting it out really worth it? Here's a run-down of things to consider, and steps to take if you decide to push forward:

- Crunch the numbers. In many parts of the country the rental market is soft too — thanks in part to shadow inventory like houses from Accidental Landlords. If you're paying \$1,500 a month on your mortgage but can only rent it for \$1,000, is renting the right solution? It could make more sense to sell the house at a loss, especially considering that rent proceeds are taxed as income. "Sit down with a calculator and really do the numbers," says John Yoegel, a real estate instructor and author of *Surprise! You're a Landlord: A Guide to Renting Your Home When You Didn't Expect To*. "This is a business decision you have to make before you put that ad in the paper."

- Find a tenant. For a fee, a real estate agent will help you find tenants, but plenty of Accidental Landlords advertise on rental web sites directly. Just be prepared for some heavy lifting, including ordering up credit checks and calling past landlords and employers. "Ninety-five percent of tenant problems can be eliminated in the screening process," says Nuzzolese. Reading up on federal, state and local fair-housing law is another must-do. It's illegal, for instance, to say you'd rather not rent to a family with kids. When figuring out how much to ask for in rent, check out what other local house rentals are going for. Web sites that pull together information on rents, like Rentometer.com, can help too.

- Be specific in the lease. A lease should detail everything from which utilities are included in the rent to whether subletting is allowed to the penalties for late payment. An addendum should document the condition of the house upon rental — a walk-through with your new tenant will underscore that any damage caused will come out of the security deposit. The web site of the Landlord Protection Agency, www.thelpa.com, has sample forms (some for free, some for purchase). Since things like lawn care and house maintenance are typically left to the landlord to handle, you might want to consider hiring a property management company, especially if you're moving out of town. Just realize that such a service can easily cost a couple hundred dollars a month, often 10-15% of the rental price. Include that in your calculations about whether or not renting is the right financial decision in the first place.

- Keep things professional. Watching someone else move into your home can be emotionally trying. "It kills me to think someone is going to be living in my house," says Marie Latella. Yet it's imperative to keep your feelings at bay when dealing with your tenant. "It's not a good idea to forget that this is a business relationship," says Nuzzolese. "Keep all your agreements in writing. Don't become friends."

- Think about your long-term plans. If your goal is still to sell your house, think about how you'll pull that off with tenants there. It's not impossible to continue to show your house with other people living in it, but keep in mind that "you have an obligation as a landlord not to bother people at all hours of the day and night," says Yoegel. When and how showings are acceptable should be spelled out in the lease. And remember that tenants probably aren't going to keep your house as pristinely organized and decorated as you would for potential buyers coming through. Though having a tenant might actually be a plus for the sale of your house, too. Many Accidental Landlords use leases that include an option to buy. There's always a chance that once you've got someone in your space, they'll come to understand how much they don't want to leave it — and will turn from tenant into buyer.