



JALA NEWS

Jackson Area Landlords Association



Volume 17/Number 8

August, 2011

DRUG ACTIVITY IN RENTALS

The following list describes signs of drug activity that you may observe in your tenants. Note that, while some of the indicators are reasonably conclusive in and of themselves, others should be considered significant only if multiple factors are present.

Failure to meet responsibilities: Failure to pay utility bills or rent, failure to maintain the unit in appropriate condition, and/or general damage to the property can point to drugs. Some dealers smoke or inject much of their profits. As they get more involved in drugs, they are more likely to ignore bills, maintenance and housekeeping.

A sudden jump in utility bills: Growing operations require very strong lighting and the bills will reflect that.

A surprisingly high humidity level in the unit: Growing operations require a lot of moisture. In addition to feeling the humidity, landlords may observe peeling paint or mildewed wallboards or carpet.

Rewiring efforts or bypassed circuitry: Growing operations use 1,000 watt bulbs that require 220-volt circuits. The extra circuitry generally exceeds the power rating for the rental and can burn out the wiring, resulting in fires or the need to rewire before you can rent the property again.

Strong unpleasant chemical odors: A particularly strong cat box/ammonia smell within the rental may indicate usage of the amalgam process for methamphetamine production. The odor of ether, chloroform, or other solvents may also be present.

Chemistry equipment: The presence of flasks, beakers, and rubber tubing consistent with high school chemistry classes might indicate drug activity. Very few people practice chemistry as a hobby. If you see these articles, don't take it lightly.

Unusual fortification of individual rooms: Having deadbolts or alarms on interior doors can point to a drug problem.

Large amounts of tin-foil, baking soda, or electrical cords: Tin-foil is used in growing operations and "meth" production. Baking soda is used in meth production and in the process of converting cocaine to crack. Electrical cords are used in meth labs and growing operations.

Reprinted from the SLA NL, MI, May, 2011

IMPORTANT REMINDER:

Please pay your membership and credit reporting dues in a timely manner. JALA depends on your dues to pay its monthly expenses, so please pay on time, just as you would expect your tenants to do!

We look forward to receiving former members back!!

INSIDE THIS ISSUE

Calendar Of Events	Page 2
President's Message	Page 2
IRS Review	Page 3
JALA Q and A	Page 4
Landlord/Tenant Act	Page 4
Commandments	Page 4
Strategic Default	Page 5
Landlord Quiz	Page 6
Escrow Your Expenses	Page 7
Unauthorized Tenants	Page 9

ATTENTION!!!

THE NEXT JALA GENERAL MEETING WILL BE HELD ON MONDAY, SEPTEMBER 26, 2011.

THE MEETINGS ARE HELD AT STEAK'S EATERY AND BEGIN AT 5:15 P.M. FOR DINNER; THE SPEAKER WILL BEGIN AT APPROXIMATELY 6:30 P.M.

PRESIDENT'S MESSAGE
Robert Tulloch

Another summer's almost gone. What have we all accomplished? My "to-do" list is huge.

The JALA proposed legislation to allow property managers and owners of LLC's to represent themselves in court is in final draft form and we hope to have it in committee by the fall. We may have to get some folks to Lansing to testify on this bill when committee hearings are held. Property managers and LLC owners would be likely candidates, so if you are one of these people and feel comfortable making a short presentation to a legislative committee, please let Charyl (our JALA Office Manager) know so when the time comes, we can move on it.

I have invited Jackson's Mayor (Karen Dunigan) to speak at the September meeting on the future of Jackson and also inspection issues. We have asked that she bring Patrick Burch, the new director of Community Development for the City of Jackson, to address inspections directly. I have also invited Larry Lloyd (who is a 6th Ward candidate for the Jackson City Council) because he expressed some strong views regarding slumlords, blight and tearing down abandoned/foreclosed properties. I felt it would be enlightening to hear these folks speak.

President's Message...Continued on Page 3

ANNOUNCEMENTS!

JALA Web Site:
www.jala-mi.org

Credit Reports are available through the JALA Office or directly using software for the members that have met the current criteria set forth by TransUnion, LLC and JALA.

A credit report is your first line of defense! Arm yourself wisely!!

JALA OFFICE HOURS

Monday
9:00 a.m. to 5:00 p.m.

Wednesday
9:00 a.m. to 2:00 p.m.

Friday
9:00 a.m. to 2:00 p.m.


Welcome New Members:

If you have questions about landlording, you may call/email JALA Attorney, Adam Howard (788-9055/ aeh@aehlaw.com) for assistance.

You may also contact JALA President Robert Tulloch (596-2592/ contact@jala-mi.org) for answers to your questions.

FOR YOUR INFORMATION:

Editorials and/or articles in this newsletter are the opinion of the author and do not necessarily reflect the policies or positions of JALA.

 Equal Housing Opportunity



CALENDAR OF EVENTS

THERE ARE NO JALA GENERAL MEETINGS FOR THE MONTHS OF JUNE, JULY, OR AUGUST. THE MEETINGS WILL RESUME ONCE AGAIN IN SEPTEMBER, 2011.

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 Lansing, MI 48909

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 517-780-4265

Senator Mike Nofs (19th Dist.)
 (517) 373-2426
 PO Box 30036
 Lansing, MI 48909

Sen. Randy Richardville (17th Dist.)
 P.O. Box 1631
 Monroe, MI 48161
 1-800-477-8238

MEMBER SUPPORT

If you need advice regarding any of your rental properties, please feel free to contact Robert Tulloch (JALA Board President). Bob is generally available to answer your questions in a quick manner (517-596-2592) or you may email him at the following address: contact@jala-mi.org.

Also, Property Mgr. Kyle Bamm (Rent-Me-Properties) has offered to be available to our members to answer questions too: (517-784-7368)!

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President's Message...Continued From Page 2

Laura Schlecte (who is running in the 4th Ward) asked if she could come to the October general meeting to make a presentation. I said I would ask the JALA Board Members. Reaction by the BOD to having any political candidates come and make a play for our votes was split about 50/50 with half of the board members responding. Some folks wanted other candidates and their opponents to appear. It turned into a nightmare, so we are back with the original two.

There is a move afoot to create a rental registry in Jackson. Other places where this was tried charge \$100 plus per year and a per unit charge of \$25. Failure to pass inspections and/or register makes it illegal to rent the property. This is another way for the city to raise money without a voter approved tax. Fifty percent of the housing stock in Jackson is rentals and many are multi-unit. That is a big bunch of money to be transferred from us to them. And, of course I am sure there will be a highly paid rental property guru who will deny registration to landlords whose properties are considered slums or blight. Hopefully, the Mayor can address some of these potentially devastating issues at the September 26, 2011 meeting.

IRS REVIEW MAY CHANGE INNOCENT-SPOUSE RELIEF RULES AFTER BIPARTISAN CRITICISM

Melinda Smith of Murfreesboro divorced her husband in 2007. Not long after, she received a bill for \$30,000 in unpaid taxes related to her ex-husband's business.

Smith thought she would have no trouble qualifying for innocent-spouse relief --- freedom from responsibility even if the couple filed jointly --- but she was wrong. The IRS denied her application and advised her to sue her ex-husband in civil court for the money. Fearful that she would lose her home, Smith sought help from the Legal Aid Society of Middle Tennessee. Her attorney, Robert Nadler, appealed the IRS ruling, and in the spring of 2009 Smith was granted innocent-spouse relief. "I remember doing a little dance around the house," she said.

Many miss out, but thousands of others in Smith's position don't win. Many are blamed for missing a two-year deadline to file for relief after receiving an IRS collection notice. That practice ignited a firestorm of criticism from lawmakers, the IRS taxpayer advocate and legal aid attorneys. They argue that the deadline is particularly unfair to victims of domestic abuse who are often kept in the dark about their spouse's finances for years.

The IRS says it's reviewing the innocent spouse rules and plans to announce the changes within the next few weeks. "We are seeing from our review so far that clearly our procedures need to be improved in this area," said IRS spokesman Terry Lemons. The move for change has generated rare bipartisan support in Congress. In April, 2011 Minnesota Rep. Michele Bachmann, a Republican presidential candidate and former federal tax attorney, introduced legislation in the House that would remove the time limit for innocent-spouse relief. Separately, House Democrats Pete Stark (California) and Jim McDermott (Washington), sent a letter to

the IRS urging it to revoke the two-year rule. The letter was signed by 48 of their colleagues. Some taxpayers miss the filing deadline because their spouses hide the mail from them, which prevents them from seeing IRS notices, tax attorneys say. Others may not realize that a refund offset (which occurs when the IRS withholds a taxpayer's refund to cover unpaid taxes) will start the clock. Some miss out because they're divorced or their spouses are incarcerated, and the innocent spouse doesn't find out about the problem until after the deadline.

Case in point: Cathy Marie Lantz's husband Richard Chentnik, a dentist, was arrested on charges of Medicare fraud in 2000. The IRS assessed the couple for \$900,000 in additional taxes, interest and penalties. Chentnik told his wife he would file an innocent-spouse claim on her behalf, but died in a halfway house before submitting the application. By the time Lantz filed a claim, the two-year deadline had passed, and her application was denied. The Tax Court overturned the IRS ruling, but the IRS appealed. While it agreed that the IRS's decision was harsh, an appeals court upheld the IRS decision. Obtaining innocent-spouse relief is difficult, even for taxpayers who file on-time. The IRS receives more than 50,000 innocent-spouse applications a year and grants fewer than half of them. Last year, about 1,500 of the denials were related to the two-year deadline. To obtain innocent-spouse relief, taxpayers must prove to the IRS that they didn't know, or have reason to know, that their spouse underpaid income taxes.

Submitted by Robert Tulloch, Reprinted From USA Today, Authored By Sandra Block



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JALA Q AND A

Q: JALA recently sent out information on recent changes to the Landlord/Tenant Relationships Act 554.601b, which added that a tenant may breach a lease and vacate a rental:

Sec. 1b. (1) A tenant who has a reasonable apprehension of present danger to the tenant or his or her child from domestic violence, sexual assault, or stalking while that person is a tenant shall be released from his or her rental payment obligation in accordance with the requirements of this section after submittal of written notice of his or her intent to seek a release and written documentation that the tenant has a reasonable apprehension of present danger to the tenant or his or her child from domestic violence, sexual assault, or stalking. In that we may not want to rent to persons who are in this situation and may repeatedly jump from rental-to-rental using this provision to escape the lease, is there some way of finding out their history in this area? Also the requirement that we post 554.601b in our rental office and give copies to the tenants seems a real intrusion into our business practices. We are being forced become a part of the enforcement process.

A: My only suggestion is to check the D12 Website (www.d12.com) for PPO actions. A provision in the rental application regarding PPO's may also help identify potential problem tenants:

"Have the applicant/co-applicant or any of the occupants listed above ever applied for or been issued a Personal Protection Order or its equivalent? If so, please explain.

One other mechanism is for our members to report instances of this explicitly in the tenant data submittals (which are posted to the JALA Website and can be accessed by JALA Members. As for the requirement to post and provide copies, I find this an intrusion also. The statute should be posted in the courts, welfare offices, handed out by the police on domestic violence calls, etc. Since there are no penalties associated with failure to comply, it would seem to be left to the landlord's judgment.

LANDLORD/TENANTS RELATIONSHIP ACT

At the last general meeting held in May, 2011, Judge Daryl Mazur pointed our attention to MCL 554.601(b). **This law had IMMEDIATE effect in October, 2010.**

I normally monitor these laws, but I never saw this one before. If any of you were already aware of this requirement, let me know. This requires management companies to post this law in their office and for all landlords to provide a written copy of the law to tenants.

I could not find any fines or jail terms for non-compliance, and normally failure to comply with certain other sections of this act limit the tenant's liability. In this case, the law allows the tenants to break the lease with no liability at all.

(2) The tenant shall include in the submittal required under subsection (1) a written statement that the tenant or a child of the tenant has a reasonable apprehension of present danger from domestic violence, sexual assault, or stalking.

For purposes of releasing a tenant from his or her obligation to pay rent, the tenant is released from an obligation to pay rent no later than the first day of the second month that rent is due after notice is given.

A release of a rental obligation under this section does not apply to prepaid amounts, including, but not limited to, prepayment of first and last months' rent. A release of rental obligation under this section does not take effect before the tenant vacates the premises. **Nothing in this section shall prevent a landlord from withholding security deposits pursuant to section 13 (1)(d).** This subsection does not affect other sums that may be withheld by the landlord under this act or other applicable law. If the tenant is released from obligation, then the landlord has no right to withhold the security deposit to meet that obligation. We need some more work on this issue and will keep you informed.

Submitted by Robert F. Tulloch
JALA President

FORGOTTEN COMMANDMENTS

1. Thou shall not worry, for worry is the most unproductive of all human activities.
2. Thou shall not be fearful, for most of the things we fear never come to pass and on the other hand, what you fear you make real in your life in order to face it.
3. Thou shall not cross bridges before you come to them, for no one yet has succeeded in accomplishing this.
4. Thou shall face each problem as it comes. You can only handle one at a time anyway.
5. Thou shall not take problems to bed with you, for they make very poor bedfellows.
6. Thou shall not borrow other people's problems. They can better care for them than you can.
7. Thou shall not try to relive yesterday for good or ill; it is forever gone. Concentrate on what is happening in your life and be happy now!
8. Thou shall be a good listener, for only when you listen do you hear different ideas from your own mind. It is hard to learn something new when you are talking, and some people do know more than you do.
9. Thou shall not become "bogged down" by frustration, for 90% of it is rooted in self-pity and will only interfere with positive action.
10. Thou shall count thy blessings, never overlooking the small ones, for a lot of small blessings add up to a big one.

Reprinted from Inspired Lifestyles NL, Aug., 2011

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WHAT YOU SHOULD KNOW ABOUT STRATEGIC DEFAULT

If you owe more on your home than its current market value, you may feel tempted to walk away from a bad investment, even if you can afford to make the monthly mortgage payment. But global information services leader Experian says when considering strategic default, you should keep several factors in mind:

- Defaulting on your mortgage is the second most damaging thing you can do to your credit, even if you continue to pay your other bills. Only bankruptcy will affect your credit score more adversely than foreclosure.
- Foreclosure remains on your credit report for seven years. During that time, securing other credit at reasonable terms and rates will be very difficult, if not impossible.
- Potential employers are looking at credit reports. In fact, 60 percent now check applicant's credit reports, according to an article in the *Washington Times*. By impacting your credit, a strategic default may affect your ability to get a job.
- Last year, Fannie Mae, the government-controlled mortgage giant, said it would implement a policy to prohibit strategic defaulters from getting a new Fannie Mae-backed mortgage for seven years from the date of foreclosure.
- Finally, in some cases, the debt that foreclosure "erases" may be recorded as income, which means you will have to pay taxes on it. To learn more about credit management, credit reports, credit scores and the factors that affect them, visit www.Experian.com.

LANDLORD QUIZ

Which of the following is *allowed* under the Fair Housing Act?

- Refusing to rent to a "visually impaired" person with a service animal when you have a no-pets policy
- Refusing to rent to 20-year-old males
- Requiring a higher credit score for the rental of a dwelling because the prospective tenant is a Muslim
- Saying that a unit is unavailable, when it actually is vacant and for rent, because the prospective tenant is Hispanic

The correct answer is refusing to rent to 20-year old males. Twenty-year-old males are not a protected class under the Fair Housing Act, and you can refuse to rent to them simply because they are 20-year-old males. All the other people are protected.

Of course, you can also refuse to rent to one of the "protected" people if he or she has bad landlord references, was evicted, has bad credit, or has insufficient income. Your reasons for refusing to rent must have nothing to do with the fact that the applicant is handicapped, of a specific religion, or national origin. And, being a "bad tenant" trumps any "protection" that person might have under the Fair Housing Act.

Reprinted from the LJC NL, KS, February, 2011



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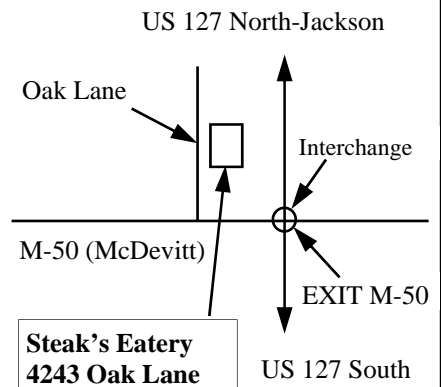
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The next general meeting will be September 26, 2011. No meetings will be held during the summer months.





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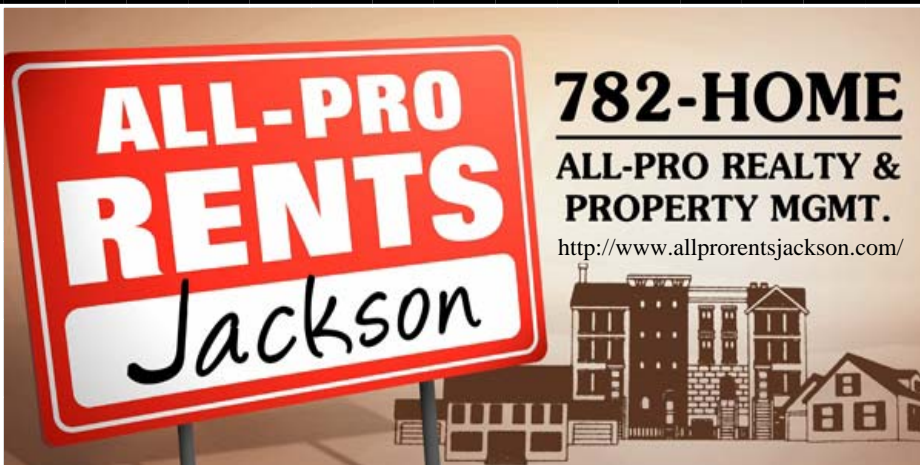
ESCROW YOUR EXPENSES

Setting up a rental escrow account is one of the most important things a smart landlord will do to make sure money is available to pay bills against the property as they come due. As you are probably already aware, bills will come due on a monthly, quarterly, and yearly basis. For instance, a utility company might not send a water bill to a customer on a monthly basis; instead, the company will send it quarterly. This means that, in a given month, you could receive a bill that reflects water usage for three months.

You need to be sure that money is available, or was put aside and made available to pay the bill. The idea of rent escrowing is really quite simple. You must first identify the bills associated with operating your property, deduct the estimated amounts due from the rent received every month, and either pay the monthly bill or place the money in a separate account where it will sit safely until it's time to pay future bills. Whatever is left over from the rent received after the monthly bills and escrow have been satisfied is your profit, but if you take your share of the profit first, you risk not having money available for paying the bills. This can lead to some big headaches.

To correctly escrow, first determine what the expenses are and approximately how much each bill will cost. If a bill is scheduled to come on a quarterly basis, you need to divide the bill by three to reach a monthly number that will indicate how much money should be escrowed each month to satisfy that bill. This procedure should be followed with every bill. You then deduct the proper amount of money from the rent received every month and deposit it into a separate account each and every month.

Escrow Expenses...Continued On Page 8



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Escrow Expenses...Continued From Page 7

You should earmark each amount in a separate ledger so you can keep a record of how much is available for each bill. We like to call the escrow account the BST account. BST stands for blood, sweat, and tears because it is not easy to save for long-term expenses, and when doing so, the amount of money you would like to take from the property is reduced. However, having the money available to pay bills sure beats having to reach into your own pocket to pay bills when the time comes. Remember that you started this account procedure by guessing the amounts you expected to pay every month. These numbers could be slightly off, could vary with time, or could change dramatically depending on the bill. The water bill we mentioned before might be \$50 a month during the winter and \$75 or more a month during the summer. Other types of bills will fluctuate during different times of the year. When you pay a bill against the property, you will have to make adjustments as necessary to either compensate or reduce the monthly amounts being escrowed for certain expenses. In the event that there isn't enough rent money collected to meet your monthly escrow amounts, you will need to personally subsidize the account with your own funds. If you realize that there is an abundance of money available in the account after the bills have been paid, it will be your decision to either keep it in the account or move it to your profit. If the cost of the bill fluctuates monthly, such as a heating fuel bill in an area where the climate changes are frequent, the formula for escrow can get a little tricky. As you start a system of escrowing your expenses you may have to subsidize the account, unless you already had set aside an emergency account for your properties. Remember that the escrowing system is not a perfect science, but it's a necessary one for your peace of mind while you own your properties.

Reprinted from the LJC NL, KS, October, 2010

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ways:

1. You can allow the unauthorized occupant to become an authorized resident if he/she is cooperative, and you can do this by:
 - Giving him/her a rental application so you can screen them like any other tenant.
 - If you approve him/her, have them sign the lease that the original tenants signed, making them all 100% responsible for the agreement.
2. Lease Violation Notice: You can notify the tenant(s) of their lease violation, giving them the required notice period to cure their default. I make sure I remind the tenants of the penalty fee for unauthorized occupants that they agreed to in the lease agreement. That alone gives you some bargaining power. I also include a Tenant's Notice of Intention to Vacate Form along with the Violation Notice, just to show the tenants that I'm not afraid to lose them.

WHAT DO I DO IF MY TENANT HAS UNAUTHORIZED OCCUPANTS

Have you ever gone to your rental property only to have a stranger you don't recognize answer the door and ask you who you are, as if you don't belong there? Well, it's happened to me and lots of other landlords. It kind of goes something like this:

The landlord rings the doorbell: Ding Dong. Unauthorized Tenant in smelly dirty T-shirt with a beer in his hand opens the door and says "Yeah, what do you want?"

Landlord: "I just dropped by to talk to Mrs. Jones (tenant)."

Unauthorized tenant: "She's not here. Who are you?"

Landlord: "I'm the landlord. Who are you?"

Unauthorized tenant: "I live here. Call back later. She'll be home then."

How do you feel knowing you have someone in your rental property that you didn't even agree to let live there? It is not as uncommon as one might think, and it may not always be noticeable, but you must be on the lookout for unauthorized occupants. Many leases provide a clause to prohibit the tenant from allowing unauthorized residents, the way mine does:

"Occupancy by guests staying over seven (7) days will be a violation of this provision. In the event any other people occupy and live in this rental, in any capacity, without Owner's written consent, it will constitute a breach of this lease and it is agreed that the rent will be increased \$500 per person/per month, and the Owner, at his/her sole option may terminate this lease." (Please be aware that not all states in the union are under the same law statutes, so please check into your own state's laws!)

The lease isn't always enough to deter it from happening. But, it can help give you the means to solve the problem, because with the clause protecting you in the lease, you have the legal right to enforce it.

You can enforce the lease in three

3. In the event your lease does not provide for an unauthorized tenant situation, you may want to use a lease update/addendum/change of terms notice to modify your lease agreement.

It is important to be able to take a tough written stance in these situations. The tenant has to believe you will stop at nothing to rectify the problem by legal eviction, or to make them conform to the rules. Never tell the tenant or hint to the tenant that you are afraid or don't want to go to court. If they suspect you are afraid, they will take the upper hand and use it to their advantage. Pretend you love to go to court and that you love to watch your attorney in action. I do love to watch my attorney in action. I love to call the tenant's bluff and take the upper hand. I love to evict a bad tenant **FAST!** It doesn't happen often, but there are times when we must take fast decisive action. In many cases, tenants who bring in unauthorized tenants are the type of people who don't always go by the rules. That is why you should always be prepared to begin an eviction at any time. I always say, "The best way to avoid tenant problems is to avoid problem tenants!"

JALA Newsletter/www.jala-mi.org

Jackson Area Landlords Association
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August, 2011

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MEETING LOCATION

The next general meeting will be held
Monday, September 26, 2011
Time: 5:15 dinner (menu)/6:30 speaker
Steak's Eatery

The speakers for the September general meeting will be the City of Jackson's Mayor, Karen Dunigan, and Pat Burtch, the new Community Development Director (City of Jackson).

IN ORDER TO EXPEDITE THE MEETING, NO DINNER ORDERS WILL BE TAKEN AFTER 5:30 PM. THIS WILL ENHANCE THE EXPERIENCE FOR EVERYONE INVOLVED!

50/50
Winner:

No meeting

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