

ARMI

Property Management Specialists



The Owner's Manual



**A Guide to Understanding the Ins and Outs of
Property Management**

Welcome

First off, thank you for choosing A.R.M.I. as your property management company. We truly believe that our hands-on, client driven approach to property management distinguishes us from our competition. Many of our clients have been with us for years, and our goal is that you will too! Our mission is to maximize the long-term value and income from your new rental property, while providing a worry-free, and stress-free experience to you, the Landlord. Although we strive to make it so that you do not have to be involved with the day-to-day pressures of property management, we also want to be sure that if you have a concern, we address it. Therefore, we have created this Manual, which is based on our years of experience in the field of property management, to answer some of the initial questions that may come up.

"The Owner's Manual" is your quick reference to some of the most frequently encountered questions for Landlords when working with A.R.M.I. Please read this manual as soon as you are able, and consult it when you have a question concerning your property. If you cannot find an answer to your question, please get in touch with one of us.

Readying your Home for Rent

Moving out of your home can be very stressful, and moving always takes more time than we think it will. However, the initial stages of preparing your home for rent are the most critical, and any time you can dedicate to having your home ready to show when the home is listed, is time well spent. As with selling your home, presentation is everything. A potential tenant's first impression of your new home is very important. 3 simple things must be done in order for us to rent your home in a timely manner and for market value:

- 1) **Curb Appeal** – A commonly held notion among Real Estate professionals is that renters will make up their mind in the first 30 seconds of viewing a home. Over half of this time is spent driving up to the house and walking up to the door. Thus "curb appeal" is very important to potential renters. In order to increase your home's curb appeal make sure you do the following:
 - Kill mold and mildew on the house, sidewalks, roof, or driveway.
 - Clean windows and gutters.
 - Pressure wash dirty siding and dingy decks.
 - Edge sidewalks and remove vegetation growing between concrete or bricks.
 - Keep the lawn mowed. Get rid of weeds!
 - Rake and dispose of leaves, even if your lot is wooded.
 - Trim tree limbs or bushes that are near or touching the home's roof.
 - Paint the front door (if not in good condition already) and install a new door knob/deadbolt if the existing is difficult to open or is in poor condition

- 2) **Clean** – The simple reason for this is that a clean house is more likely to rent, and a dirty house will turn potential renters away. The other reason is that we want to set the precedent for our tenants to keep a clean home, and this starts with their first impression of the home. If the home is neat and clean when they first see it, then it has a better chance of being kept that way throughout their tenancy. *(Note: It is also important to thoroughly clean your home when vacating. It is a good idea to get this professionally done.)*

- 3) **Fix** – Every house has something that just doesn't work like it should, or doesn't work at all. If you know of anything that doesn't work and you would be able to fix it, go ahead and get it taken care of. If it is outside your capabilities, let us know and we will get one of our licensed contractors to fix it. In any case, it is better to fix everything before a tenant takes occupancy.

- 4) **De-clutter** - Once the decision is made to hire A.R.M.I. as your property management company, you should take a second to take inventory of your house. Whatever items you can eliminate or de-clutter from the interior and exterior of the home, do it. In this case, "less is more". Whatever you aren't going to take with you, get rid of, and what you are taking with you, if you don't need it right now, pack it away and store it in the basement or a closet. The better a potential tenant can visualize their belongings in the home, instead of yours, the better chance the home has of getting rented for market price, and as quick as possible.

Determining the Rent Amount

Valuation of your property is critical to maximizing your property's long-term earning potential. This means setting the rent at the fair market price. If the price is too high, the property will sit vacant. If it is too low, you will lose rental income each month. To determine the fair market value, we generate a comparative market analysis (CMA) for each of our rental properties. This will show the history of rental prices in the area. Additionally, we will draw our own experience and current trends within the market. The 3 big factors we use in determining price are:

1. Location
2. Square Feet/# of Bedrooms
3. Condition Grade/Quality of Finishes

Marketing the Property

According to the National Association of Realtors, over 80% of potential tenants are now starting their search online. This means that it is important we take good pictures of your home so that we can reach those potential tenants. The best time to do this is at the start of our management contract. The optimal condition of the home is for it to be vacant. If this is not possible, the home must be in the condition as described in the first page of this Manual--- Clean, Clutter-free, and with lots of curb appeal.

After the pictures are taken, we will list your property on the local Multiple Listing Service (MLS), our own website, and a host of other Real Estate websites including homesdatabase.com, zillow.com, realtor.com, etc.

The Screening Process

In Property Management the old saying rings true, "an ounce of prevention is a pound of cure". The best way to establish consistent rental income is to get a good tenant. This starts with the screening process. One of the benefits of hiring A.R.M.I. is we have a reputation of having high standards for our homes. Usually, bad tenants will usually not even waste their time in applying to one of our properties. That said, some prospective tenants still do and the best way to determine if you have a good tenant, or a bad tenant is through the screening process.

When we receive an application we check 3 main categories to determine rental eligibility:

1. **Income** - To qualify for a rental, the property's monthly rental should not exceed 30% of the tenant's verifiable gross monthly income. To determine income we will verify with their employer or human resources department, collect pay stubs, and collect last year's W2s, if necessary
2. **Credit History** – A tenants credit does not need to be perfect but it should show a good history of on time payments to creditors, no civil judgments, and the debt should be proportionate to their income.
3. **Property Rental/Ownership History** – At A.R.M.I. we will contact the 2 most recent Landlords to verify that the tenant has acted in accordance with the lease, maintained the home in good condition, and paid the rent on time. A tenant's history speaks volumes on what type of tenant they will be.

Once we have reviewed these 3 categories and weighted them accordingly, we will make a decision on the applicant and draft a lease for their signature to be signed within 24 hours. If they are rejected, we will notify them in writing of the specific reasons for the decisions based on any of these 3 categories.

Utilities

The transfer of utilities is a question we get with every new rental. Since this is so common, it is fairly easy to coordinate with the utility companies. Once we find a tenant for your home we will contact you to let you know of the move-in date. At that time, you will need to call your utility companies to cancel your service. At this time you will notify them that A.R.M.I. is managing the property, and that a tenant will be setting up new service. At this point, you should direct them to send all future correspondence to us. Some utility companies require that you fill out paperwork, for others, it takes just a phone call. If you experience difficulties, please contact us for assistance. The only utilities you are required to leave active until the tenant takes over are water, gas, and electricity. All other utilities, such as Cable TV, Satellite, Security, etc. may be disconnected at your convenience.

The Security Deposit

The security deposit is a risk management tool to ensure that the tenant takes care of the home and pays all of the rent. Security deposits are regulated by the Virginia Residential Landlord Tenant Act (VRLTA) and must be maintained in a separate escrow account. A.R.M.I. will maintain this account throughout the life of the lease and make any deductions necessary to return the home to good condition after a tenant moves out. The security deposit may also be used to pay any portion of the rent not paid by the tenant at the end of the lease term. However, A.R.M.I. does not accept the security deposit as the last month's rent from the tenant. At a minimum the security deposit is equal to one month's rent.

Late Rent & Evictions

Rent is due on the first of every month, and it is late on the 6th. In the State of Virginia, rent cannot be considered late until the 6th of the month. While some tenants pay on the first every month, the majority of renters wait until the last day to pay the rent. On the 6th of every month we will begin the eviction process and issue "Pay or Quit" notices if the tenant has not paid. This is the first step of the process and is a requirement in the state of Virginia. This legal notice usually initiates payment from the tenant. If it doesn't, and no other agreement is reached, then the next step is to file an "Unlawful Detainer Summons" (UD) and take the tenant to court. Court dates are usually scheduled around 3 weeks after the UD is filed.

Local legal counsel is hired on your behalf by A.R.M.I. Although the immediate cost of the attorney and court costs must be paid when due, the ultimate cost of the attorney's fees is borne by the tenant per the provisions of their lease and will be reflected in civil judgment dependent on the court's ruling. In addition to a lawyer, A.R.M.I. will also attend court proceedings to represent you, the Landlord. There is no additional management fee for this time. Although evictions can, and do happen, their occurrence is rare.

Rent Disbursements

As mentioned earlier, most rental payments don't come in until the last minute. Therefore, the earliest we can process payments is on the **10th of each month**. All rental disbursements are mailed out or deposited into your bank account on the 10th of each month. If the 10th of the month falls on a **weekend**, then the funds will be disbursed on the 11th.

ARMI strives to deliver the latest technology to our clients and utilizes Appfolio Property Management Software which allows you to log in to view your account online. This keeps a record of all your current and historical statements as well as copies of bills and work orders for the property. **Your rent will be distributed electronically via ACH bank transfer.**

Maintenance Account

The maintenance account is a separate escrow account, which is maintained solely for the purpose of funding any small repairs that arise during the tenancy. **This amount will show up on your statement each month in the amount of \$300.** At the end of your contract with ARMI, this amount will be returned back to you.

Repairs & Contractors

An inevitable part of being a Landlord is having to fix things when they break. Sometimes it's the tenant's fault, but most of the time things just stop working on their own. When the tenant breaks something, we send a licensed and insured contractor to fix it and will have the amount billed to the tenant's account. When it's not their fault, we still send a licensed and insured contractor to do the work, but of course the Landlord is responsible for the cost of the repair. One of the benefits in hiring ARMI is that we have built a network of loyal contractors throughout the years and they perform quality work for us in a timely manner and at a fair price. The cost of repairs is deducted from your maintenance account. Anything over \$200, we will contact you for payment once the work is complete. We do seek prior approval of the Owner on all non-budgeted expenditures and extraordinary remodeling, redecorating or repair.

Emergencies

Sometimes the unexpected does happen. Fortunately, we are prepared for it. In the event of an emergency, time is of the essence. Therefore, we act quickly on your behalf to prevent any damage to the home or injury to the tenant. At ARMI, then tenants are given an emergency number, with which they can reach a property manager 24 hours a day, 7 days a week. When we receive an emergency call we will dispatch a contractor to fix the problem immediately. ARMI will transmit any appropriate documentation for insurance purposes as needed.

Insurance

When you move out of your home you will need to switch your insurance coverage from a "Primary Residence" policy to what is called a "Landlord's" or "Fire" policy. This essentially protects your property from damage, and you from legal and personal liability. Please contact your insurance provider as soon as possible to set this up. If your insurance provider does not offer this policy, or is substantially increasing the price of your premium, please contact us and we will put you in touch with an insurance broker who can provide you with several quotes. In addition to this protection, we also require that all of our tenants purchase Renter's Insurance to further mitigate your exposure. Once your new policy is created please have your insurance provider mail or fax us a copy of the "Declarations Page".

HOA Requirements

It is very important that we receive the rules and regulations of your community if you live in a Homeowner's Association. We will need to provide this to the tenant at their move-in so that can be accountable to the rules and guidelines of the community. We will also need to be familiar with all the amenities of the HOA when we list your home so that we may be able to mention these to the prospective tenant. You may include these in the additional comments section of your "Management Agreement Addendum".

Inspections

Prior to each tenant taking occupancy, we will perform a detailed move-in inspection of the home, which documents the current condition of every room. We then give this inspection report to the tenant to sign off on. We use this same inspection report at the end of their tenancy to go through the property and note any discrepancies. The cost to correct any differences between the condition when they were given the home, and how they left it is deducted from their security deposit.

Additionally, we will perform interim home inspections once during every tenancy and will forward a copy of this report after it is performed. This is useful in recognizing any behavior that is not good for the home such as housekeeping issues, prohibited pets, or any other violation of the lease. All interim home inspections are done using the latest software and owners will receive a custom report with pictures after each inspection.

Vacancies

Although our goal is to prevent vacancies, throughout the course of your management contract there may be a period of time where your home is without a tenant. If this happens, ARMI will contact the utility companies to activate service in our name until a tenant is found. We do this not only so that we may effectively show and market the property, but also to ensure that no damage will occur has occurred to any of the fixtures, appliances, or other wiring and piping within the property.

End of Year Taxes

Although most people don't look forward to tax time, we at least make it a little easier when the time comes. ARMI will keep detailed records of all money coming in, and going out of your account, and deliver an end of year statement as well as a 1099 IRS form to assist you with your taxes.

Real Estate Services

The core of ARMI is property management; however, we are licensed Real Estate Agents and Brokers. While we do not actively market our services for Real Estate sales, we are happy to provide our existing clients with this service at a discounted rate due to the fact that we already have a relationship with you, the tenant, and are very familiar with the property!. We are experts in the local market and are routinely buying investment properties for our clients. If you are interested in acquiring more income generating rental properties, please get in touch with one of us.

Keep in Touch

Please feel free to get in touch with us regarding your account whenever you have a question. We can be reached at:

Numbers

Warrenton Office: (540) 347-1901

Gainesville Office: (703) 753-1801

Fax: (540) 347-1900

Emails of the Brokers

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