

“No Maintenance” Doesn’t Mean “No Maintenance”

The 3rd article in a series by Robert M. Locke

In our last discussion about lease purchases I addressed the issue of *passing on maintenance to the tenant/buyer* and how that can be done legally. This article is the flip side of that issue and cautions investors on how and when to respond to maintenance calls.

When a tenant/buyer signs the purchase and sale agreement on a lease purchase they are on an emotional high. They have found their perfect home and even though they can’t afford to buy it now, they can move in and act as if they own it—a dream come true. They sign the papers that say they are going to take care of all maintenance and they move in. The kids settle into the school routine. Mom finds the perfect part-time job and dad has located the best short cut to work. Then... the A/C condenser goes out. What to do?

Those who live in dreamland think that the tenant will just buy a new one. After all that is what they agreed to isn’t it? Most tenants want to call the landlord and complain that they have only lived there a month and should not have to lay out money for the bad A/C unit. They usually say something profound like “it isn’t fair” to have to pay for something they have not broken. Most of my tenants love to talk about what’s “fair.”

The wrong response is a stern reply that goes something like, “You agreed to take care of the maintenance, now do it.” We all think of ourselves as mature adults and will do what we have agreed to do unless we can’t afford it. Then we look for someone else to blame and try to get them to pay for it. Tenants are no different. They all have good intentions when they sign the papers, but the realities of spending every dime they earn often gets in the way of their intentions. They look to be bailed out.

So, you can play hardball, or you can understand reality and work through it. Let’s face it, if the A/C does not work, tenants move out and you have the house and the A/C problem back in your lap. It probably makes more sense to help them out. This is what we do.

After reminding the tenant/buyer what they agreed to do in the original documents, we quickly follow-up with some options that solve *their* problem and keep them in the house and paying rent. We might offer to pay for part of the cost if they can increase the rent for some months to reimburse us for the outlay we incurred. An addendum added to the lease would accomplish this.

If that does not work, we might spring for the entire expense and try for increased rent for a year to reimburse us. If they stay the year, you break even. We might propose to split the cost of the repair and add our half to the price they will pay for the house. Occasionally, we just cave-in and fund the entire expense but always add it to the price of the property with an addendum to the purchase contract. Tenants usually like this option because it costs them nothing today but

solves the problem. From my standpoint, it keeps the tenants and they pay for the repair if they buy. If they don't buy, I own a new A/C unit that I probably would have had to buy if I rented it anyway.

In the long run, I want my houses in good condition. If the tenant has a problem they can't fix, even under lease purchase, I want to be there to help them out. This is a business, and the tenant is my customer. They want to be treated like customers and not read a stipulation in the lease. Of course, I don't want to be taken advantage of, but, in any business, there are customers that will take advantage of you. Why should our business be any different? Besides, that's why we are called "managers."

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