

What does Crown do when the tenant moves out owing more than the security deposit?

For the first 20 years of our business we did what most property managers do today ... nothing. We just told our owners “we are not a collection agency” and turn over the file to them for collection. Over the years Crown has developed a seven-step collection procedure for chasing monies owed by tenants and it is powerful.

As a direct member of the credit bureau, Crown is in a unique position to affect the tenant’s credit if they fail to pay amounts owed. Our collection success isn’t perfect but we don’t give up easily.

Here’s what we do:

Move-out damages notice

Within three days of the move-out inspection we send the tenant a list of damages we have identified at the move out. These charges are for damages above “normal wear and tear”. This is the most complex, sensitive, and highly charged event of the entire leasing experience. Identifying charges above normal wear and tear, offset by the list of pre-existing damages identified on their move-in inspection, is a daunting task and it causes lots of conflict. We do everything we can to prepare for court, as that is where many of these debates end up.

30-day notification

Georgia law requires we send a notice of “total charges” against the tenant, along with their security deposit if there is a refund, within 30 days of move out. These charges include the original move-out charges, outstanding late fees, NSF charges, unpaid rent, eviction charges, and any other charges from their lease.

Official notification of a balance due

The next letter is sent shortly after the 30-day notification, informing them of our connection to the credit bureau and our intent to notify the bureau of their unpaid balance. This is a friendly letter and assumes they intend to pay what is due.

Note: If the tenant skipped, we charge rent through the remainder of the lease or until the house is re-occupied; whichever comes first.

Demand letter

This next letter “demanding” payment is not so friendly. It is sent as official notice that we intend to pursue the balance owed and invites them to contact us for a payment plan. This letter is sent regular and certified mail.

Final demand letter

This is sent to the tenant regular and certified mail if the previous efforts have failed. This letter is very un-friendly. This is generally when tensions begin to rise. Most landlords fold up after the tenant moves out because they have no real recourse against them.

Mark their credit

As a member of Equifax credit bureau we have the right (and duty) to report unpaid balances. At this stage of the collection process, Crown will report to the bureau regarding the unpaid balance

with a 30-day late notice. Now the pressure begins to build as their credit is being affected. This mark gets worse as they ignore our demands for payment.

Attorney letter

Crown has an attorney on retainer who will send a demand letter to the tenant if the above steps fail to get the intended results. This is a very strong letter and usually gets the tenant's attention. Occasionally, they will contact us and make arrangements to pay. Often they will sign a note and pay over time. Sometimes we get a response from their attorney and the stakes go up.

National Credit Systems

We have the power of a national collection agency to put additional pressure on the tenant. The cost of this service is absorbed by Crown. At our request they send letters, make calls, and file against their credit report up top where you will find liens, judgments, and bankruptcies. Unlike Crown, they are a member of all three credit bureaus and have a stronger affect on credit.

In some cases we file for a judgment. At any time during this process we can pay a small fee and file with the magistrate's court for a "judgment" against the tenant for the amount owed. This process converts our "claim" to a "judgment" ordered by a court, and carries a lot more "teeth" in the collection process. We will wait for your authorization to file such a claim, as you will be funding any legal costs.

Mark their credit

If the above steps do not work, Crown will ask Equifax to mark the tenant's credit report with an "I-9" rating, indicating an outstanding balance and unsatisfactory handling by the tenant. This will stay on his credit report for seven years. It will prevent them from buying a house or financing a car. If they care about their credit they contact us and we will settle. Some do not care and the negative mark means nothing.

Contact the Owner

Once we have exhausted our efforts, we will contact you and ask how you would like to proceed. An attorney can go further but it will be up to you to direct it from here. At any time during this process you can take over and pursue the tenant your own way.

This process can take six months to a year. Progress is often stagnated by letters from attorneys, change of address, and regular letters not getting through. We do not report to the owner, as it is a long process. If we are successful, you'll get money. If we are not successful, we'll do all we can and contact you for further instructions. Remember, we are neither a collection company nor an attorney. There are limits to what we can do as a property manager. We do a lot more than our competitors but we have limits.

**There is a more detailed description of this process for Crown clients to review.
Ask your property manager for a copy.**

**Our competitor's only dream of this kind of collection power.
Crown has it ... Tenants hate it
Our clients love it, as they are the big winners.**