

# 10 Tips for Being a Low-Risk Landlord

## Low-Risk Landlord Tip #1: Obtain Adequate Insurance

Obtaining the right type of insurance on a rental property will ensure coverage for accidents and physical damage to the property. There are three important types of insurance for rentals:

- **Personal liability insurance:** Covers violations of fair housing laws and injuries caused by conditions on the property, such as slip-and-fall accidents, criminal activity, and hazardous material.
- **Property insurance:** Pays for structural and physical damage to the property.
- **Rent insurance:** Reimburses the landlord for lost rent when the property becomes uninhabitable because of a natural disaster or a tenant's actions.

## Low-Risk Landlord Tip #2: Avoid Fair Housing Violations

Federal and state laws prevent the use of discriminatory practices in housing when selecting a tenant. State laws vary and may prohibit other types of discrimination, but the federal Fair Housing Act and the Fair Housing Amendments Acts prohibit discrimination based on race or color, national origin, sex, religion, familial status, and disability. When selecting a tenant, it is important to treat every prospective tenant equally. A landlord should not:

- Deny the availability of an available rental dwelling
- Include preferences or limitations in an advertisement
- Create different terms or standards for certain tenants
- Terminate a tenancy for a discriminatory reason

Anti-discrimination laws apply to anyone dealing with the prospective tenant. This includes owners, real estate agents, landlords, and managers. A prospective tenant may be able to sue the property owner for the civil rights violations of its employees.

**Low-Risk Landlord Tip #3: Use a Consistent Tenant Screening Process**

To avoid fair housing complaints, a landlord should create a fair application procedure by:

- Creating a screening process
- Only rejecting tenants based on legitimate reasons, such as insufficient income, bad credit history, or a negative reference from a previous landlord
- Allowing reasonable accommodations for disabled tenants
- Requiring all prospective tenants to undergo the same application process

#### **Low-Risk Landlord Tip #4: Accommodate Disabled Tenants**

The federal Fair Housing Acts require rental property owners to make certain alterations for disabled tenants. A landlord must:

- **Make the property accessible for disabled tenants.** The leasing office and other public areas must be wheelchair accessible.
- **Accommodate the disabled tenant.** A landlord must change procedures, rules, or services that will allow the disabled tenant

equal opportunity to enjoy the rental unit and the common areas of the property. For example, requests for accommodation may include providing an easily accessible parking space or the permission to have a service animal.

- **Allow reasonable modifications.** A disabled person may modify the rental unit at their own expense if the modification is reasonable. Creating a ramp for a wheelchair or lowering cabinets are usually considered reasonable.

### **Low-Risk Landlord Tip #5: Get Rid of Environmental Hazards**

A landlord should inspect property for dangerous environmental risks. Hazardous materials include lead-based paint, asbestos, mold, carbon monoxide, and radon. Because many environmental hazards remain undetected, physical injury or property damage may occur before the discovery of the danger.

To help prevent injury and damage, it is important to comply with federal and state laws and to make regular inspections. For

example, installing carbon monoxide detectors, maintaining appliances and vents, repairing water leaks, and complying with asbestos regulations will help prevent serious issues arising from environmental hazards on a property.

### **Low-Risk Landlord Tip #6: Make the Property Habitable**

Regardless of the terms in a lease or rental agreement, a landlord must provide the tenant with a rental unit that is fit and habitable to live in. This is referred to as an "implied warranty of habitability." During the renter's tenancy, the landlord must comply with state and local building and safety codes. Typically, a rental unit must have heating, plumbing, gas, clean water, electricity, and a structurally safe roof.

### **Low-Risk Landlord Tip #7: Fix Dangerous Conditions**

A landlord must also regularly inspect the property for hazards. If the landlord finds a dangerous condition but is unable to fix it immediately, the landlord has a duty to warn tenants and visitors of

the danger. A landowner may incur legal liability for injuries that result from recklessness, carelessness, a violation of a health or safety regulation, or the failure to make certain repairs.

### **Low-Risk Landlord Tip #8: Provide a Safe Environment**

In recent years, courts have held landlords responsible for criminal activity that occurs on their rental property. Consequently, landlords should take precautions to protect the neighborhood from the illegal activity of tenants and should protect tenants from the criminal behavior of other tenants and from criminals that enter the property. Landlords have a duty of "due care" to take reasonable steps to protect tenants from foreseeable danger. Reasonable precautions a landlord may take include:

- Inspecting exterior security lighting systems
- Reporting suspicious activity to the police
- Not making promises about the security system that are unattainable

- Responding to a tenant's security requests as soon as possible
- Regularly inspecting the property for safety

### **Low-Risk Landlord Tip #9: Take Precautions when Hiring Help**

Hiring employees or contractors to help manage rental property may create a more profitable and efficient business. Depending on whether the worker is an employee or a contractor will determine a landlord's level of risk. When hiring employees, it is important to consider liability issues for sexual harassment or discrimination since under certain circumstances a landlord may be held liable for the acts of its employees. When hiring contractors, creating a written contract that clearly specifies the duties of each party should govern the relationship. Contractors should also acquire their own liability insurance.

### **Low-Risk Landlord Tip #10: Understand Tax Implications**

Maintaining organized and accurate records is an important part of managing rental property. It may be helpful to consult with a

certified public accountant or a tax attorney for tax advice. Tax and accounting considerations may include the following:

- Type of business structure
- Passive income and losses
- Business deductions, such as payroll, property taxes, and interest on mortgages