

# THE RENTAL QUANDARY

RENTERS AND OWNERS ARE CAUGHT IN A SQUEEZE: RENTERS CAN'T RENT PROPERTIES WITHOUT GREAT CAUTION. OWNERS, MEANWHILE, CAN'T SELL THOSE PROPERTIES WITHOUT GREAT PATIENCE OR LUCK.

by Kevin Fritz

With the credit crunch acting as a barrier to homeownership for many people, it should come as no surprise that renting has become the popular alternative. Facing monthly mortgage payments for a home they no longer live in, today's new landlords are renting their homes as a survival approach. And those whose homes were foreclosed on are forced to rent since it takes a few years to repair and improve their credit score.

As a result, more and more neighborhood lawns now are adorned with For Rent signs.

According to the Orlando Regional Realtor Association, the number of rental units in its Multiple Listing Service has increased more than 400 percent in the past three years. A mere 785 homes were listed for rent in 2005, compared with 4,519 in October 2008. Dollars also have a major impact on the rise in tenancy.

Not surprisingly, the current economic roller coaster ride has ushered in a new set of red flags for renters and

homeowners alike. Many renters, for example, have found themselves with an eviction notice in hand, not because they did anything wrong, but because the house they were renting went into foreclosure. Since a mortgage usually trumps a lease, the lease becomes null upon foreclosure.

"Tenants must be protected," says Jack Meeks, broker-owner of Real Estate Professionals of America in Casselberry. "On the other hand, owners must be assured they will be paid by the renter."

Meeks says he works with both sides of the transaction to assure no one is in for a surprise. For the owner, he verifies tenant income, pulls a credit report, checks for a felony history and finds out whether the tenant has been previously evicted. For some owners, he even has recommended repairs, advertised for tenants, collected rent and handled maintenance. For renters, he certifies that the owner is not in financial straits and, above all, not facing foreclosure.

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//> The number of area rental units has quadrupled in the past three years.

Teresa and Chris Cruise recently opted to move from their apartment into a house and are now renting one in Kissimmee through Meeks. Teresa, a court reporter, says she feels more secure because her property management company has looked into the homeowner so she doesn't have to worry

about being evicted due to a foreclosure. "I have heard about that happening," she says.

#### A New Breed

According to Thais Soler, president of the Orlando chapter of the National Association of Real Property

Management, many unsuspecting tenants have been stuck in the middle of that quandary. She says it has also created a new breed of tenant.

Because so many more homes are for rent than in the past, tenants are getting more aggressive and even asking for discounts. At the same time, the "very reluctant landlords," as she calls them, are already losing money. To add to the dilemma, those with more expensive homes are having trouble finding tenants, because everyone is trying to downsize. "They are all just trying to ride out the market," says Soler about the situation.

Meeks adds that homeowners who want to rent their homes may lack the tools necessary to properly market the property and conduct sufficient background checks, not to mention a book of licensed contractors to maintain the property. One bad tenant, he affirms, can cause significant economic and physical damage. "It's important to cut losses, especially today. This is certainly

not a time to take chances," he says.

#### Government Intervention

State governments have been stepping up to protect renters who find themselves evicted when the property they rent is foreclosed. A new law passed by the California Legislature, for example, gives renters a 120-day grace period before they must vacate a foreclosed property.

This type of assistance is being addressed by states because tenants' rights are so limited in foreclosure situations. A tenant must either move or try to delay the foreclosure. In the latter case, that means either trying to negotiate with the bank's attorney or going to court.

As of this writing, no such tenant protection laws were on the books in Florida, although legislation of this nature was being discussed in Tallahassee.

So, expect more news to come ... soon.

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