



RENTING

■ WELCOME AND INTRODUCTION

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Moving is an exciting part of military life. Each duty assignment promises new experiences, adventures and friends. The first order of business is usually to find a place to call home. Married and single service members have the choice to live on or off base. Renting a house or an apartment is a perfect solution for military families and single sailors, and offers the flexibility that home ownership doesn't always provide.

The purpose of this workshop is to provide complete, objective, and unbiased information so prospective military renters will be confident in their decision whether or not to rent, and be better able to negotiate the potential financial pitfalls they may encounter during the rental process. Specifically this workshop will cover:

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- Renting versus Buying
- First Stop: The Housing Office
- Type of Rental
- Location of Rental
- Cost of Renting
- Negotiating the deal
- Rental Inspection
- Renters Insurance
- International Renting

■ RENTING VERSUS BUYING

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Renting and buying both have advantages and disadvantages.

Renting may be a better choice if...

- You move a lot. Unless you live in one place at least a few years, you may lose money when selling your home. If you cannot sell, you may become a landlord by having to rent your home.

- You are unfamiliar with the area. Before taking the plunge and buying a home, you may want to identify a neighborhood and rent there first to determine its ultimate long-term desirability.
- You are low on cash to cover the down payment and initial costs involved in purchasing a home. Renting a while to save for a down payment and closing costs makes sense.
- You do not care to commit the time, effort, and expense of maintaining a home. The costs of maintaining a home greatly exceed those of renting. If you cannot imagine not calling a landlord to fix the backed-up drain in the bathtub, you should rent.
- You prefer more fixed expenses. There are a lot of variable, unplanned expenses when you own a home.
- You don't want to lose any equity (you won't gain any, either).
- You don't mind not being able to personalize your home. Often with renting you take the dwelling as-is, and the landlord may not be willing to let you paint or change anything.
- You don't need or want the tax advantages that come with owning a home.
- You don't want to be a landlord. If you buy a home and have to move, you may be unable to sell it for profit, or unable to sell it at all (depending on the home, location, market, etc.). As a result, many military homeowners become landlords. If you don't want to be a landlord, renting may be better.

Buying May be Better if ...

- You want your equity to grow. If you are moving to an area enjoying high appreciation in the value of residential property, your equity can grow and offset the costs of selling should you be transferred. Equity in a home is also an excellent source of retirement income, as the mortgage is paid off and equity in the home grows.
- You can afford to buy a home that will allow you to itemize on your tax return. It must be expensive enough that the interest paid and real estate taxes nearly equal or exceed the standard deduction.
- You are ready for stability and a sense of community. Buying a home automatically commits you to a region and a neighborhood. You become very interested in the zoning laws, the tax rates, the city's/county's plans for expansion and growth, and the appear-

ance of your neighbor's property.

- You don't mind the possibility of becoming a landlord.
- You have money for the larger initial investment involved in buying a home.
- You like to remodel and personalize your home.

■ THE BASE HOUSING OFFICE

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Once you have decided to rent, the base Housing Office is your required first stop for information. Services can include in-depth briefings on renting in the community, scheduling appointments to view rentals, transportation to view prospective rentals, lease review, complaint mediation, discrimination complaint processing, inspecting rentals for adequacy, rental listings, BAH rates, school information, maps, security deposit waiver information (utilities), and information on the Housing Relocation Assistance Program (HRAP). They maintain current computerized listings of rental housing available.

Renting involves more than just choosing the right apartment or house at the right price. It is important to be fully aware of every decision that needs to be made and every possible cost. Consulting with the housing office will also ensure that you do not inadvertently select a landlord who does not comply with Department of Defense policies on fair housing.

Basic Allowance for Housing (BAH) - BAH is paid to uniformed service members to provide housing compensation based on pay grade, zip code, and dependency status. It is payable when government quarters are not provided or when temporarily residing in barracks (i.e. basic training, job school, unaccompanied overseas assignment). The goal of BAH is to cover 100% of your housing costs. If you are unable to find adequate housing within your allowance, you will have to make up the difference. Note that for BAH, housing costs include rent and utilities.

■ NEEDS VERSUS WANTS

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As you begin to envision your new rental, keep in mind what you absolutely need to have (a roof that doesn't leak, the appropriate number of bedrooms, plumbing and electricity that work, etc.) and what you just want to have (workbench in the garage, a fireplace, gas stove, granite countertops, etc.).

Often in renting, some of the “wants” are referred to as “amenities”. Amenities are things like a pool, a gym, and/or laundry facilities. You may want to have a pool, but find that renting a home with a pool is out of your budget or too much to care for. However, often townhome or apartment communities have pools that are available to residents. You may want to have access to a gym, which is often an amenity in apartment complexes, but you may be willing to pass on that because you have access to a base gym. Another good example of an amenity is laundry facilities. You can always go to the Laundromat to do your laundry, either out in town or on the base. However, it is nice to have laundry facilities in an apartment complex, and even nicer if a rental townhome, condo or house comes with a washer and dryer.

Carefully consider what the absolute needs are, and what the wants are, and write them all down to help you make a decision on what to rent.

■ TYPE OF RENTAL

The next factor to consider is what type of rental you would like to live in. Choices include:

- Type: Single family home, duplex, townhome, condominium, apartment complex.
- Size: How many stories? How many square feet?
- Bedrooms: How many? Do you have a lot of furniture and need a large bedroom? If you will have a roommate will you need two master suites (bedroom with attached bathroom)?
- Bathrooms: How many?
- Windows: How many, how light?
- Closet Space and Storage Needs.
- Utilities: Are any included in rent? If so, what are they? If you pay for utilities, what is the average monthly bill?
- Appliances: Washer, dryer, refrigerator, microwave?
- Yard: Do you want one? Will you be responsible for maintenance?
- Parking: Garage? Carport? Assigned? On-street? None?
- Furnished, partially furnished, or unfurnished?

Balance all the various options in the type of rental with your list of needs and your list of wants. Add the type of rental you prefer to your list and you're beginning to zero in on what to search for.

■ LOCATION OF RENTAL

Where do you want to live? Some of the factors affecting location include:

- Distance to work.
- School system (if school-age children).
- Safety of area.
- City, suburb or country.
- Availability of mass transit.
- Proximity to childcare.
- Proximity to services—base facilities, shopping, libraries, police, fire station, etc.

Make a list of priorities when it comes to location, again differentiating between what you absolutely need to have, and what would be merely nice to have. Once you have an idea of needs and wants, type and location, you are ready to look at one of the final determining factors of your rental – how much you can afford.

■ WHAT CAN YOU AFFORD TO RENT?

Develop Your Spending Plan: If you do not already keep track of your income and expenses with some type of a written budget, now is the time to develop one. Plan on attending the Fleet and Family Support Center Workshop “Developing Your Spending Plan”, or sit down with your Command Financial Specialist who is trained to help you develop your budget and spending plan. Use the handout “The Financial Planning Worksheet” to organize all of your income and expenses and ensure you have a realistic picture of where your money goes and how much you have **available for rent and other housing expenses.**

Guidelines for Rental Amount: Looking at rentals that are beyond a comfortable price limit will only result in frustration and wasted energy. For guidance, the industry standard for how much you should spend on

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The Financial
Planning
Worksheet

housing (rent and utilities, including renter's insurance) is about 30% of your income (pays and allowances minus taxes). You can also use the amount of your BAH as a guide for total housing expenses, because anything over BAH comes out of your pocket. Make an honest assessment of your cash flow. There may be other things you like to do rather than put most of your budget into rental payments.

Get Your Credit Report: Most potential landlords will ask for your permission to look at your credit report. So, before applying for a rental it is recommended that you obtain a copy of your credit report and review it for any surprise information. You can get a free credit report once a year from www.annualcreditreport.com. Understandably, landlords want to make sure the people they rent to have clean financial histories. Obviously, the better your credit report, the more likely you will pay the rent on time. Their judgment may be based on the application you fill out, which will list income, expenses and assets, as well as a personal interview.

Refine Your Plan: After you develop a realistic budget, return to your list of needs and wants and cross off all those amenities that you can live without. Go back through your budget and look for ways to reduce living expenses and indebtedness. Remember that even though you are renting, there are still large out-of-pocket expenses at the beginning for rent and utility deposits, communication (phone, cable, internet or satellite), and possibly water bill, garbage and sewage. As you consider specific individual properties to rent, you'll be able to develop a more detailed spending plan.

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■ A WORD ABOUT ROOMMATES

Factors to Consider: You may decide to have one or more roommates for either social or financial reasons (or both). Some of the issues potential roommates need to discuss before signing a lease include the following.

- Possessions: Who has what, who can use what, where will things go?
- Borrowing: As a general rule, don't borrow from your roommate, but if you have to, be sure to ask first.
- Neatness: What level of neatness can each of you tolerate?
- Noise: Will there be a quiet time? Will there be a stereo blasting or TV on at all times?

- Lights Out: If you share a bedroom, will there be rules on lights out?
- Bathrooms: Will you share or do you need your own?
- Company/sleepovers: What will the rules be for guests, especially those that might spend the night?
- Food: Who buys it? Who shares it? Will there be a list? Will you have a common food fund?
- Pets: Any pets? Any allergies?
- Smoking: Yes, no, inside, outside?
- Extended absences: Will any roommates be gone for an extended period? Will the absences be at the same time? Can the rental unit be unoccupied for that period?

If you will be signing a lease with a co-tenant (roommate) you will share equal responsibility for rent payments. You should also determine how all other joint bills (security deposits, electricity, etc.) will be paid.

Vacating the Premises: There are legal issues associated with roommates, especially when one tenant decides to move out. Protect everyone by getting everything in writing. Legal experts recommend roommates agree that a vacating co-tenant:

- Will pay a stated amount of rent and utilities. If you rent under a written rental agreement, this will normally be rent and utilities for 30 days from the date the departing tenant gave written notice (or left without notice), unless a new roommate comes in earlier and covers these costs. If you rent under a lease, the amount owed will depend on when a new co-tenant, acceptable to the landlord, is ready to take over. If, despite your best efforts, you cannot find an acceptable replacement, the departing tenant will be liable for the rent for the balance of the lease.
- Will pay for any damage he/she caused to the rental unit.
- Will pay for rent and damage no later than a stated date.
- Has moved out for good and gives up any claim to be a tenant.

Always keep the lines of communication open with your landlord. Potential roommates would be wise to visit Navy Legal Services Offices (NLSO) for further advice on avoiding legal issues when renting together.

■ CONDUCT YOUR SEARCH

Use all of your available resources to help you find the right place. For every unit you look at, fill out a “Rental Comparison Worksheet” to help you remember the details. If you have anything printed out about the unit, attach it to the worksheet, as well as any pictures. Search resources include:

- *The Internet:* The ability to find a rental property to fit your budget has increased dramatically with the popularity of the internet. Larger cities might have websites just for real estate in that location alone, and there are national websites that list rentals from all over. Craigslist has become extremely popular, with new postings every hour, as well as sites like realtor.com and militarybyowner.com. Often pictures are posted, as well as contact information for owners and/or property managers.
- *Personal contacts:* Telling friends, family, and work colleagues that you’re looking for a place to live will increase your chances of finding the right place, because you can trust them to be honest and they may know of forthcoming vacancies that have yet to be advertised.
- *Local newspapers/magazines:* Find out when your local newspaper puts new real estate listings in (typically weekends) and be sure to check the listings regularly. If you don’t subscribe, check in at your local library. Make sure to check out the base newspaper as well.
- *Housing Office:* As mentioned earlier, the Base Housing Office often has rental listings and may even have some rental programs to benefit the military member.
- *Bulletin Boards:* Check out the bulletin boards on the base, by the mini-mart, at the Exchange, or anywhere else people post rental properties.
- *Real Estate Agencies:* Many real estate agencies also deal in property management, meaning they rent out homes as well. Check in the yellow pages or “google” property management on the internet to find local agencies. These agents often work for the landlord and there is no charge to the renter, except for the occasional application fee.
- *Rental Agent:* Some people are professional rental agents and are hired by tenants to help them find desirable properties. There is usually a charge for this type of service, but if you are renting in

an area where the rental market is tight (not a lot of available rentals) you may want to hire someone to help you with your hunt.

- *Apartment Complexes:* Most apartment complexes have their own rental office. When you visit the management office, you should be provided with pricing, floor plans, and availability. Check with your local Base Housing Office for listings of complexes or for published apartment books.

■ THE APPLICATION PROCESS

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Once you have found a rental property you would like to live in you will need to apply to become a tenant by signing a rental agreement or a lease. Often the first step is a rental application. When completing a rental application it is important to provide all the required information. Bring a detailed list of the last five years of landlords and employers, including company names, a contact person, address, phone number, and dates you have rented or been employed. If you have ever had an unlawful detainer or criminal history, be honest and explain how you addressed the issue. Have a copy of your LES and credit report available.

Application Fee

An application fee is used to cover the cost of a Tenant Screening Report. Many landlords require prospective tenants to pay a fee with the application. It is important to remember that this is a business for the landlord and they want to protect their investment. This is why a landlord screens applicants before allowing them to move into their property.

Security Deposit

Most rental units require a security deposit be paid. The security deposit can be anywhere from \$500.00 up to two months rent. There are laws regarding the use and refunding of security deposits, so make sure your lease or rental agreement is clear on what they are, including allowable deductions.

■ NEGOTIATE THE DEAL

Although there isn't as much to negotiate when renting as there is in buying, it is still a good idea to ask a prospective landlord if renter incentives and flexible leasing arrangements are available. Apartment complexes which offer covered and uncovered parking may include a reserved, covered parking spot as an incentive. In cities with large military communities, some landlords offer rental discounts to military service members. Some landlords offer an incentive for a longer-term lease. Other negotiable items may include appliances, pets, yard work, cleaning services, and furnishings.

Tenants can ask that improvements be made to a rental house or apartment. Tenants have a right to live in a habitable rental unit and should not give up those rights. Repairs might include painting, installation of new carpet or appliances, or repairs to the structure. Remember that while there may be an opportunity to negotiate, both the renter and property owner must benefit from any agreement made, and all agreements should be in writing.

Inspect the Property

Give your unit a thorough inspection before you move in. It's best to inspect the premises before you move in or sign the lease. It will be easier to spot problems while the place is empty. Don't neglect to check out things that might not be readily apparent, such as water pressure and sink drainage in the kitchen and bathrooms, the operation of appliances, the appearance of floors and walls, and the condition of the carpet.

During the exhausting process of moving into a new apartment or rented home, the last thing on your mind is moving-out day. But since your landlord is probably holding a sizable chunk of your money in the form of a security deposit, it's risky not to prepare for the end of your tenancy right from the beginning. Before you start unpacking dishes and hanging prints on the walls, inspect the property and take a few simple steps to avoid misunderstandings and disagreements that have made disputes over security deposits legendary.

Use a Move-in/out Checklist

Make a detailed inventory of what you find. The best way to do this is with a good checklist. The more you record about the unit when you

move in, the better position you'll be in when moving out to show that certain problems already existed before you moved into the unit.

In some states, landlords are required to give new tenants a written statement on the condition of the unit at move-in time, including a comprehensive list of existing damage. In other states, many landlords provide a checklist to new tenants, but some do not.

Ideally, you and your landlord should fill out the checklist together to prevent any disputes or disagreements. Otherwise, it's smart to bring along a roommate or a friend so that there's at least one other witness to the condition of the unit at move-in time. If you spot problems, describe specifically what is wrong. Rather than simply noting "damage to carpet," for example state "cigarette burns, frayed edges in carpet next to picture window." The more detailed you are, the clearer it is that you are not responsible for those damages. You and your landlord should both sign the checklist after completing it. Make a copy so that each of you has one.

At the end of your tenancy, you'll make another inspection of the same items, noting their condition at move-out time. If items that were okay at move-in are now damaged, your landlord may hold you responsible for fixing them. But you'll be protected from being billed for damages that existed before you moved-in.

States Where Landlords Must Provide Move-In Statements

Arizona	Kentucky	Montana
Georgia	Maryland	Nevada
Hawaii	Massachusetts	North Dakota
Kansas	Michigan	Virginia
Washington		

Take Pictures

Besides completing a checklist, you may also want to document the condition of your unit with photographs or video. If you take photos, have doubles developed immediately (or print your digitals), write the date they were taken on the backs, and send a set to your landlord. Once you've done this, the landlord won't be able to claim that the photos were taken later than they actually were.

If you can, use a camera that automatically date-stamps each photo. If you videotape the premises, clearly state the date and time while you are taping, make a copy and send it to your landlord right away. Repeat this process when moving out.

Review the Lease

Make sure you carefully review all the conditions of your tenancy written in the lease before you sign. If there is any doubt about what you are signing, take the lease to Navy Legal Services Office for review. Make sure your lease contains a military clause.

Get everything in writing

Whatever you negotiate, make sure it is in writing. Anytime you have to write to your landlord, keep a copy and ask your landlord to respond in writing. It is critical that you keep a “paper trail” of everything between you and your landlord in case there is a future dispute.

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RENTER'S INSURANCE

Renter's insurance is the type of coverage most overlooked by consumers. If you do not have renter's insurance, you have no coverage if you lose your possessions in a burglary, windstorm or fire. You would not be covered if you were held liable for injury to someone else or for damage to their property either.

Do not assume your landlord's insurance will protect your possessions. Landlords usually carry insurance only on the building itself. The same applies to military housing. The federal government provides only minimal, limited coverage to your personal possessions if they are damaged or stolen from your quarters. Your possessions are your responsibility.

It is surprising that most renters do not have renter's insurance, especially considering the cost. The average renter's policy costs about \$200-\$300/year, or about \$17-\$25/month. Between the affordability and the fact that landlords do not cover your personal property, every renter should look into a renter's policy.

Coverage For Personal Property

The first part of a renter's insurance policy is coverage for personal property, which protects your belongings in case they are stolen (from your home or vehicle) or damaged by certain perils named in the policy; for example, water pipes in your apartment burst causing damage to personal rugs and furniture. Without renter's insurance, you would have to cover all expenses on your own.

When you buy a renter's policy, you choose an actual cash value policy or replacement cost coverage. Actual cash value coverage pays to replace your possessions minus depreciation. For example, if your television is stolen, your insurance company would settle the claim by taking the current cost of the television, then decreasing your payment on the claim according to the age of the television.

Replacement cost coverage would pay you what you actually spent to replace the television at today's prices with no depreciation. To claim replacement cost, you must actually replace the item. Replacement cost policies will always cost slightly more than actual cash value policies, because insurance claims filed on replacement cost policies usually cost the company more than those filed on actual cash value policies.

Liability Coverage

The second part of a renter's insurance policy is personal liability coverage. This pays for claims resulting from injuries or damages to other individuals or property for which you are held legally responsible

Take Inventory

Once you have your property insured, take an inventory and keep a copy of the list somewhere safe. Photos or videos of each room and its contents will help you to settle a claim in the event of a loss. Don't wait until the fire to find out if you have enough coverage. Take an inventory to help you decide how much insurance you need.

Reduce Premium Costs

To reduce insurance costs:

- Shop around for the best rates. Be sure the company is financially sound and reliable.
- Increase the deductible. Make sure you can afford whatever amount you choose.
- Ask about non-smoker's discounts.
- Install fire and burglary detection systems.
- Use the same insurance company for renter's, auto, and life insurance.

INTERNATIONAL RENTING

International renting is different and more complicated than renting in the United States. While there are private enterprises that can help you locate housing, the “finder’s fee” may be substantial.

If you are a military service member, you must consult the housing office on the installation before renting. Only property that is approved may be rented. The office keeps a list of approved and off-limits housing.

One of the biggest surprises to many Americans is discovering just what is included in an international house or apartment rental. In fact, you may be renting little more than four walls. Kitchen cabinets, toilet seats and appliances may be among the special needs you are expected to supply. In addition, international houses and apartments often have no built-in closets, so you will be expected to provide your own storage areas.

Some items considered routine in the U.S., such as window screens, heating and air conditioning systems and even telephone service, may not always be available.

Other differences in international renting:

- Landlords are accustomed to long-term renters, so they are likely to require a generous advance notice of departure — 90 days is customary.
- In some Asian communities, landlords expect to receive “key money,” a nonrefundable payment equal to 2 months rent.
- In some countries, renters must maintain rented houses and apartments much more meticulously than in the U.S.

Changing Currency Values

Remember that foreign currency values fluctuate daily. Over a period of months or years, the change can be substantial. Before you negotiate your rent, research the prevailing currency values to determine whether they are comparatively high or low to the dollar.

While the value of your dollars will change during your residency, the rent should remain set at the foreign currency rate specified in your lease. In only a few months, a rent which seemed quite reasonable when the dollar was especially strong can become prohibitive.

Be sure to attend an “Overseas Transfer Workshop” at the Fleet and Family Support Center for more specific information on moving overseas.

■ SUMMARY AND CONCLUSION

You can find the perfect rental property that meets all your needs and wants by following the steps outlined in this workshop. Remember these tips:

- Once you decide to rent, list your needs and your wants.
- Visit your base Housing Office to take advantage of all the services they offer.
- Decide what type of place you want to rent, the location, and any amenities you prefer.
- Calculate your budget.
- Roommates should iron out the details ahead of time.
- Search for a rental that fits your budget and your needs by using all available resources.
- Apply for the rental and negotiate the deal.
- Fully inspect the property before moving in.
- Get renter’s insurance.