

Landlords Solutions to Late Payments

Land Lords you like Late Charges - right? No. If a tenant is a tenant because they don't have the down payment and cash flow to buy, how does a late charge: make them want to stay in your house; allow them to have enough so that next month they won't be late? Some people are just not "business-like" enough to remember, be organized or care if they are late. Can you and should you try to change them? Maybe a late charge once a year won't make them leave, but there are easier ways to collect rent on time if that is your goal. If your goal is just to "squeeze" the most you can, keep on and try to make up the lost month when you have to re-rent. Plus, be sure you know the maximum late charge permitted where the property is located. Some of those simpler DIRECT ways are:

- grace period, but often they pay on the last day squeezing your ability to pay the mortgage before you have to pay a late charge to the mortgage lender;

- leave at least a month's extra in an account to pay rent on time to your mortgage lender and just not worry when they are late - but you may not notice how late they are becoming until they are more than 2 months late. If that happens, you won't start the eviction process in time to save a 3rd and 4th non-pay month before the tenant is out. Then, in the 4th or 5th month your cleaning, repairing, advertising, negotiating, forgiving a week or so until the new tenant can move in and finally through with it. Loss of maybe 7 months with no rent. Can you ever raise the rent enough to make up for that? No!

- Be A Friendly But Firm Uncle:** E-mail reminder to tenant week before due. Call day after due if not paid, and again a week later asking for their plans. Calls need to start BEFORE a late charge due.

- Find Bank With Branch By Tenant & Landlord:** set up an almost free checking/savings account which you can access on your internet and **importantly** has a branch near the tenant. Then, they can deposit into that account at the last moment on the rent-pay-day and you can know and use it the next day. Some credit unions are members of a large group of credit unions allowing the tenant to deposit to one of them close to the tenant, which sends the payment to your union;

- Wise Pay-date:** set the regular rent-pay-day when they first move for the 2nd or 4th Friday of the month before their

next month's rent is due. This may require them to pay 1½ month's or ½ month's rent to move in.

Some benefits are: tenant will always receive their wages BEFORE the beginning of the next month and well before landlord/owner's mortgage is due; tenant is experiencing a benefit of maintaining reserves; tenant's don't have to pay late charges as often; landlord can eliminate any grace period; doesn't have to maintain as much reserve and has more time to react in case of late payments; being easier on tenant, they may rent longer thus reducing transition costs and worry and loss for landlord.

Some negatives are: perhaps harder to find a tenant who has the security plus the extra rent; tenant's will sometimes ask to move in with only the security plus 2 weeks of rent, which should be denied; landlord's monthly rent statements and the schedule of payments in arrears in case of an eviction will be more trouble as the dates each rent payment is due will have to be checked against a calendar.

-Sliding Pay Date: If first month is too hard for tenant, perhaps start with last Friday of Month and over a month or so move tenant's pay-date back to mid Friday of the month before landlord's mortgage is due.

INDIRECT WAYS: These are ways to increase the tenant's cash flow and reliability:

-Late Charges Can Be Avoiding by planning. 2/27/14 report found banks made 27 billion during 2013 in late and overdraft charges! I suspect that many banks and their loan "servicers" lazily hold checks an extra couple of days so as to charge late fees. Using "Bill Pay" gets your payment there faster and cheaper than you can BUT it only shows "expected" delivery rather than actual delivery date, which is when you should get credit and not later when your check is deposited. Between bank's receipt and deposit, they probably borrow 10 times those from the Federal Reserve and then lend out that money. OK. But, we "little people" shouldn't also be charged a late fee!

So, instead of using Bill Pay for checks it has to mail to a creditor, in person pay at a branch of your lender near you. If there isn't one nearby, then buy over internet or at PO, a USPO tracking stamp and attach it to your envelope or package. This allows you to print out WHEN the lender got the envelope which you claim has your payment without relying on whether the lender signs for it as Certified and Registered mail requires. Deposit

into express mail box? **Check all this.** This gives you some proof of the lender's receipt. Lender may claim there was nothing in the envelope though.

If you are no later than 4 days before due, you could use priority mail, but how to show PO lender didn't get within 3 days? All of that's far cheaper than certified or registered mail or Fed-Ex/UPS or \$22 for a wire fee. Wiring has to be sent using Eastern time!