



The First 6 Steps For New Rental Property Owners

THE IRO GUIDE

I just purchased my first rental property. Now what?



There are several key foundational steps that will help you navigate the complexities of property management and better position you for long-term success. But first, let's level-set on what an Independent Rental Owner (IRO) is and does, as well as some important considerations as you navigate this new responsibility.

An IRO is an individual or individuals who are active in both the ownership and management of their properties. The main characteristics are that they have their own money invested in the property (with or without partners), are actively involved in the management of their properties, and self-identify based on these criteria and not by portfolio unit count.

IRO membership in industry associations is typically defined by experience and not by unit count and can consist of less than 10 units or over 6,000 units given the size of the independent investor. Smaller sized properties and portfolios generally require a unique property management style, as opposed to the management style used for properties of larger unit count.

Additional IRO education and networking opportunities may also be beneficial for those that work for an IRO, such as Property Managers, Managing Directors and other employees, or those that conduct business with IROs, such as supplier partners. Lastly, self-identification is an important part of being an IRO which encourages learning and conversation with like minded individuals.

JOIN YOUR LOCAL APARTMENT ASSOCIATION

STEP 1

01



JOINING AND GETTING INVOLVED WITH YOUR LOCAL APARTMENT ASSOCIATION GIVES YOU:

- Local access to a network of other owners
- Education about important industry issues
- Supplier partners to help your business run more efficiently
- Automatic membership in the Texas Apartment Association (TAA) and the National Apartment Association (NAA)



WITH YOUR MEMBERSHIP IN TAA, YOU'LL HAVE ACCESS TO:

- TAA Click & Lease, including complimentary access to TAA's lease if you have 10 or fewer units*, and
- TAA's REDBOOK Online, an invaluable legal handbook that provides industry operational information and practical guidance.

**Please contact your local association for pricing if you own more than 10 units.*

SET UP YOUR COMPANY

STEP 2

02



THE MAIN BENEFIT OF FORMING A PARTNERSHIP OR CORPORATION FOR YOUR INVESTMENT PROPERTIES IS PERSONAL LIABILITY PROTECTION.



[Research](#) what is right for you



[Talk with both your attorney and your CPA](#) to determine the tax consequences



[Apply for your Employer Identification Number \(EIN\)](#)



[Register your business](#) with the Texas Secretary of State, if necessary.

GET INSURANCE

STEP 3 **03** 

WHILE YOU'RE SETTING UP YOUR COMPANY, YOU SHOULD CONSIDER INSURANCE OPTIONS. IF YOU DON'T ALREADY HAVE AN INSURANCE AGENT OR BROKER, CHECK WITH YOUR LOCAL ASSOCIATION FOR A CONNECTION TO A MEMBER COMPANY.

The insurance you need depends on the property you are insuring.

Example 1: *If your property is not mortgaged, you may decide to forgo full property insurance and secure only liability insurance. There is risk involved should the property realize a loss such as fire or flood as you will not have replacement coverage.*

Example 2: *If your property is mortgaged and located in a flood zone, you will be required to carry flood insurance. If your property is not mortgaged, you do not have to have flood insurance.*

THE MAIN TYPES OF INSURANCE FOR OWNER/INVESTORS INCLUDE



Property/Dwelling Policy – Full coverage, required when property is being financed.



Self-Insure – You can select this option in lieu of a Property/Dwelling policy if you own the property without financing. This option means if you have a loss such as fire, you will pay for rehabilitation out of pocket. Also, it is suggested that if you choose this option, you will still need Liability Insurance.



Flood Policy – Required if your property is located in a flood zone. Check your city flood zone maps to verify if you need it.



Liability Policy – Protects owners from accidents involving tenants, their guests, maintenance personnel and contracted repair personnel.



Landlord Policy – Protects the owner against various losses. Most provide coverage for property damage and lost rental income.

USE A QUALITY LEASE

STEP 4

04



ALWAYS USE A LEASE CONTRACT TO ESTABLISH CLEAR EXPECTATIONS ABOUT RESPONSIBILITIES FOR YOUR RESIDENTS AND YOU.

The TAA lease has been an industry standard since 1970, and it's available in customized versions for residential (single family), apartments, condo/townhomes and student housing.

Membership in TAA includes complimentary access to [TAA Click & Lease](#) for any owner with 10 or fewer units. Please contact your local association for pricing if you own more than 10 units.



[LEARN MORE ABOUT TAA'S LEASE](#)

LEARN ABOUT FAIR HOUSING

STEP 5

05



THE DUTY TO COMPLY WITH FAIR HOUSING LAW IS AT THE HEART OF ALL RENTAL RELATIONSHIPS. AT ITS CORE ARE THE PROTECTED CLASSES. IT CAN BE DISCRIMINATION IF YOU TAKE ADVERSE ACTION AGAINST AN APPLICANT OR RESIDENT (OR THOSE CONNECTED WITH THEM), WHEN RENTING (OR SELLING) PROPERTY TO SOMEONE BECAUSE THAT PERSON IS (OR IS PERCEIVED TO BE) A MEMBER OF A PROTECTED CLASS.

There are seven protected classes under the federal Fair Housing Act: color, familial status, disability, national origin, race, religion and sex.

In addition to federal law, which is administered by the U.S. Department of Housing and Urban Development (HUD), there is a state fair housing law, administered by the Texas Workforce Commission Civil Rights Division, which closely follows federal law. A number of localities, including Texas cities, also have fair housing ordinances.

These local laws often create additional protected classes, including such things as sexual orientation, gender identity, marital status and student status.

FAIR HOUSING RESOURCES:



The complimentary access that owners of 10 or fewer units* receive to TAA Click & Lease also includes complimentary access to TAA's REDBOOK Online, which includes detailed resources on [fair housing](#).



[NAA's Fair Housing course](#) offers a detailed explanation of the laws and their application to your workplace.



The [Texas Workforce Commission Civil Rights Division](#) enforces state and federal laws and conducts investigations into discrimination in employment and housing across the state, and they offer a number of fair housing resources.

**Please contact your local association for pricing if you own more than 10 units.*

KEEP LEARNING!

STEP 6 **06** 

ONCE YOU'VE COVERED THESE FIRST FIVE STEPS, YOU'LL NEED TO LEARN ABOUT A NUMBER OF OTHER THINGS TO HELP MAKE YOUR NEW BUSINESS A SUCCESS.

After you've joined your local apartment association and gotten set up with TAA's Click & Lease, visit **TAA's REDBOOK Online** to learn about:



[USING A RENTAL APPLICATION AND RESIDENT SCREENING](#)



[BEST PRACTICES RELATED TO RESIDENT REQUESTS TO HAVE PETS](#)

Pro Tip: Search for "animals" and browse all the articles and resources



[RENT PAYMENT METHODS](#)



[UNDERSTANDING PROPERTY TAXES AND THE APPRAISAL SYSTEM](#)

