



The Landlord Today

FOR INVESTORS BY INVESTORS

Volume 2, Issue 1

Special Points of Interest:

- According to a Harvard University US Housing Study, after averaging just 0.7 % annual growth from 2003 to 2006, the number of renter households jumped by 2.8 percent or nearly one million in 2007
- The median price of a single-family home in California decreased 29 % from March 2007 to March 2008 according to the California Association of Realtors
- According to a report by the California Department of Housing & Community Development, 42 % of California's population are renters

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Diamonds in the Rough

Conditions favorable for income property purchase

Current conditions in the real estate market are resulting in favorable circumstances for those looking to buy income property. As more subprime loans reset in 2008, anticipate another wave of short sales and foreclosures to appear, and with the Feds announcing that their priority is the economy, expect interest rates to stay relatively low.

Low interest rates and almost bottom-out prices are creating new investment opportunities and a healthy correction for the real estate industry. Investors have no trouble

finding bread and butter properties that create cash-flow with a down payment of 20% or less. The only problem is that the best of these properties under \$250k go pending very quickly, and investors are competing with multiple offers that are often above asking price and sometimes involve all cash.

As homeowners lose their homes, how is the rental market affected? We all require the basic necessities of life, and one of them is shelter. With the rise of foreclosures, the transition from homeowner to renter has become more common, and it's been difficult not only on FICO scores, but on many egos.

Most homeowners refuse to move out of their 2500 sq ft home into an apartment or condo, preferring to rent a house, and even then, most will not even consider anything under 1300 sq ft. These new renters are willing to pay a premium for a house that is clean and shows well.

FICO: More than a number

Screening Tenants

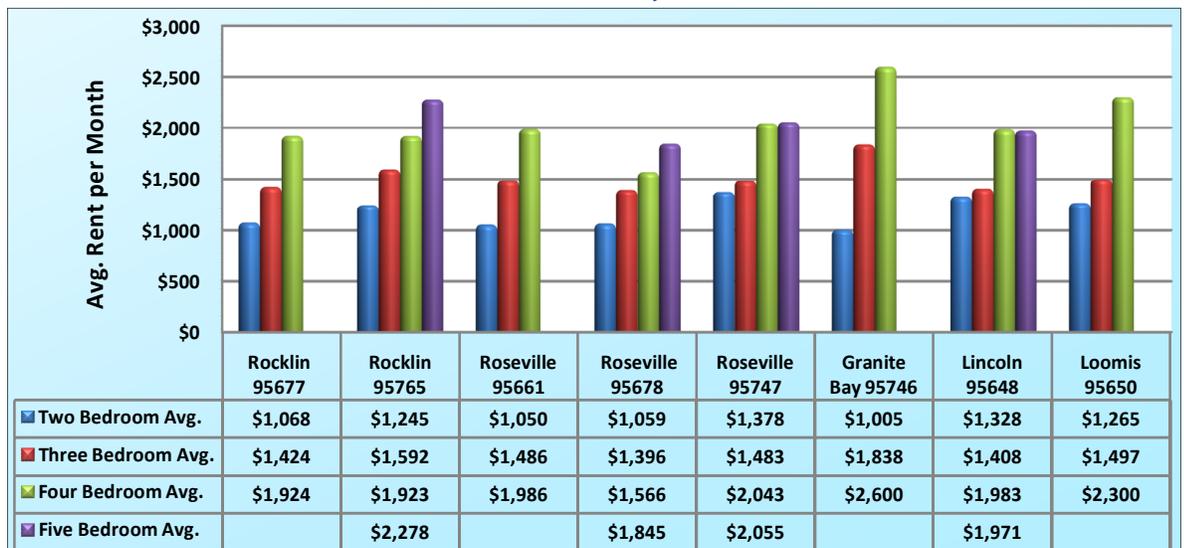
There may be some concern, as a landlord, that if potential renters defaulted on their mortgage, they will default on their rent.

“Diamonds” continued on page 2

Single Family Residential Rental Survey

1st Quarter 2008

Rocklin, Roseville, Granite Bay, Lincoln, Loomis



Range of Rents per Month

1st Quarter 2008	Rocklin 95677	Rocklin 95765	Roseville 95661	Roseville 95678	Roseville 95747	Granite Bay 95746	Lincoln 95648
Two Bedroom	\$900 - \$1195	\$1195 - \$1295	-	\$875 - \$1475	\$1110 - \$1595	-	\$1195 - \$1725
Three Bedroom	\$1250 - \$1600	\$1495 - \$1700	\$1295 - \$1800	\$1045 - \$1525	\$1250 - \$2200	\$1450 - \$2300	\$925 - \$1600
Four Bedroom	\$1350 - \$2500	\$1500 - \$2195	\$1250 - \$2195	\$1380 - \$1750	\$1495 - \$3250	-	\$1650 - \$1695
Five Bedroom	-	-	-	-	-	-	\$1799 - \$2600

All reports are based on data supplied by InfoTracker. RNB Property Management, Inc. does not guarantee or is in any way responsible for the accuracy of the information.

Diamonds

The truth of the situation is, the majority of transitioning homeowners were doing just fine paying their mortgage until their loan reset. Their new monthly payments almost doubled, while their income remained unchanged; one can easily see how their new mortgage payments became an issue for them.

So how do you screen these tenants? Rather than focusing on the FICO score, look at their other trade lines, such as car loans, credit cards, etc. If the majority of their trades are in good standing with zero to very few 30, 60 and 90 day late payments, and/or they have only a foreclosure, you may be screening a sound prospective tenant who has a history of paying on time. On the other

hand, unfortunately those who have tried to survive through a foreclosure nightmare by sacrificing their trades in good standing have made it almost impossible to qualify for a rental. So, if you decide to consider an applicant who has foreclosed, don't neglect to verify your other objective rental standards. Although many have made a huge financial mistake that has cost them homeownership, we have found that many ex-homeowners still take pride in their homes.

Optimistic Outlook

With a struggling economy and record-setting foreclosures, many paint a picture of bleak

times. For those with a more optimistic viewpoint, looking to purchase a new income property or fill a vacant one, there are many "diamonds" waiting to be found. The current real estate market, as with the rest of the economy, will undergo changes, but for those with an optimistic view, the current inflation can be looked upon as an opportunity that can include good prospects in buying rental property at favorable interest rates, along with an increase in rents.

By Robert A. Ortiz, President/CEO

For more information regarding RNB Property Management, Inc. please call 916-435-2424 or visit us online at www.RNB2day.com

Disability Guidelines - Part 2 (Who must comply and who does and does not qualify as disabled)

By Gary Link, Attorney at Law

In our last article we began discussion of the May 17, 2007 Department of Justice disability guidelines. The new guidelines state that "Any person or entity engaging in prohibited conduct – i.e., refusing to make reasonable accommodations in rules, policies, practices, or services, when such accommodations may be necessary to afford a person with a disability an equal opportunity to use and enjoy a dwelling – may be held liable unless they fall within an exception to the Act's coverage. Courts have applied the Act to individuals, corporations, associations and others involved in the provision of housing and residential lending, including property owners, housing managers, homeowners and condominium associations and others involved in the provision of housing and residential lending, including property owners, housing managers, homeowners and condominium associations, lenders, real estate agents, and brokerage services. Courts have also applied the Act to state and local governments.

Under specific exceptions to the Fair Housing Act, the reasonable accommodation requirements of the Act do not apply to a private individual owner who sells his own home so long as he (1) does not own more than three single-family homes; (2) does not use a real estate agent and does not employ any discriminatory advertising or notices; (3) has not engaged in a similar sale of a home within a 24-month period; and (4) is not in the business of selling or renting dwellings. The reasonable accommodation requirements of the Fair Housing Act also do not apply to owner-occupied buildings that have four or fewer dwelling units."

Who qualifies as a "person with disability"

In the new guidelines it states that "The Act defines a person with a disability to include (1) individuals with a physical or mental impairment that substantially limits one or more major life activities; (2) individuals who are regarded as having such an impairment; and (3) individuals with a record of such an impairment.



The term 'physical impairment' includes, but is not limited to, such diseases and conditions as orthopedic, visual, speech and hearing impairments, cerebral palsy, autism, epilepsy, muscular dystrophy, multiple sclerosis, cancer, heart disease, diabetes, Human Immunodeficiency Virus infection, mental retardation, emotional illness, drug addiction (other than addiction caused by current, illegal use of a controlled substance) and alcoholism.

The term 'substantially limits' suggests that the limitation is 'significant' or 'to large degree.'

The term 'major life activity' means those activities that are of central importance to daily life, such as seeing, hearing, walking, breathing, performing manual tasks, caring for one's self, learning and speaking. This list of major life activities is not exhaustive."

Who does not qualify

The Act states that "juvenile offenders, sex offenders, by virtue of their status, are not persons with disabilities protected by the Act. Similarly, while the Act does protect persons who are recovering from substance abuse, it does not protect persons who are currently engaging in the current illegal use of controlled substances. Additionally, the Act does not protect an individual with a disability whose tenancy would constitute a 'direct threat' to the health or safety of other individuals or result in substantial physical

damage to the property of others unless the threat can be eliminated or significantly reduced by reasonable accommodation.

The Act does not allow for exclusion of individuals based upon fear, speculation, or stereotype about a particular disability or persons with disabilities in general. A determination that an individual poses a direct threat must rely on an individualized assessment that is based on reliable objective evidence (e.g. current conduct, or a recent history of overt acts). The assessment must consider (1) the nature, duration, and severity of the risk of injury; (2) the probability that injury will actually occur; and (3) whether there are any reasonable accommodations that will eliminate the direct threat. Consequently, in evaluating a recent history of overt acts, a provider must take into account whether the individual has received intervening treatment of medication that has eliminated the direct threat (i.e. significant risk of substantial harm). In such a situation, the provider may request that the individual document how the circumstances have changed so that he no longer poses a direct threat. A provider may also obtain satisfactory assurances that the individual will not pose a direct threat during the tenancy. The housing provider must have reliable, objective evidence that a person with a disability poses a direct threat before excluding him from housing on that basis."

Gary Link, Attorney, is President of the Law Office of Gary L. Link, Inc. Since 1979, Mr. Link has represented landlords in over 35,000 eviction cases and litigated over 10,000 eviction trials. He is a member of the California Apartment Association, the Rental Housing Association, as well as a member of the local, state, and national bar associations.

For questions relating to this article, call the law office at 916-447-8101. The information in this article is applicable as of 2007.

Tenancies in Common for Today's Real Estate Investor

By The Burton Law Firm

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The tenancy in common (TIC) can be a very useful form of co-ownership. Tenancies in common are the "default" form of joint property ownership in California, so if the title documents do not specify a different form of joint ownership, it is generally presumed that a tenancy in common exists. However, a person who owns land outright may create a TIC in order to pass the property to another person for estate planning purposes.

Features of Tenancies in Common

A tenancy in common is one way of taking title to real property. In a TIC, multiple owners each hold title to an undivided interest in the whole property. Each owner has a right to use and enjoy the entire property. So if one owner holds 1% of the entire title, that owner may utilize the entire property for his business. However, that owner may not destroy or ruin the value of the land or its utility for other co-owners. If he or she does so, that owner may be liable to the other co-owners. Tenants in common do not have a right of survivorship with one another. Thus, if one co-tenant dies, the deceased co-tenant's interest passes by testamentary instrument or operation of law to the co-tenant's beneficiaries or heirs. The other co-tenants do not automatically acquire the interest, as would occur in a joint tenancy with right of survivorship.

TICs in Estate Planning

TICs can be used as an estate planning device. In this context, TICs let a donor transfer a low-value interest in high-value property to another person during the donor's lifetime. With careful planning, this can reduce the donor's taxable estate at death while minimizing gift tax consequences during life.

The TIC works in the following manner. The donor already owns a piece of property and wants to pass it on, usually to a family member. The donor would give a tenancy in common interest to a new owner (the donee). A tenancy in common interest is not as valuable as a fee simple interest in the entire property due to the reduced marketability of the interest, the limited freedom of use of the property, and potential limitations on transferring the interest to a third party. By creating a tenancy in common interest valued under the annual gift tax exclusion amount, the donor may transfer the TIC interest without incurring gift taxes. And since the value of the gift is lower than the value of the piece of property actually transferred, the donor is removing a large portion. Therefore, the donor transfers a low-value interest in a high-value property.

For a rough example, assume that D wants to transfer a TIC interest in real property to D's grandchildren. The property is worth \$250,000. D creates ten TIC interests, one for each grandchild, and ensures that each interest has a discounted value equal to the annual gift tax exclusion amount (\$12,000 in 2007). D gives all ten interests to the grandchildren, which totals \$120,000 in gifts. But due to the devaluation of TIC interests, the ten TIC interests actually dispose of a much higher value of property, perhaps around \$180,000. Therefore, D has reduced his taxable estate by \$180,000 while only making \$120,000 in gifts and not incurring any gift tax. Using the TIC has allowed the donor to pass on property which has been assigned a greatly discounted value.

There are some disadvantages to using a TIC, however. First, the donor gives up control over the portion of the property transferred as a TIC interest. If the donor desires the interest back, he or she must purchase it from the donee. Second, once the donee receives his or her interest, the donee

is free to treat the property as the donee sees fit. The donee could use the property for a purpose not intended or even contemplated by the donor. Third, the donee is free to transfer the TIC interest to a third party. This could prove a rude surprise for the donor, who no longer is dealing with a trusted donee, and instead must now deal with a complete stranger. Fourth, the donee could sue for partition of the property and a court could order that the property be either physically separated, with each co-tenant receiving his or her share and dissolving the tenancy, or that the property be sold and the proceeds divided according to the respective interests of the co-tenants. Finally, the donor may recognize taxable gain on the value of the property transferred to the donee, and thus gift taxes may be owed. However, by utilizing the annual gift tax exclusion amount, this need not be of great concern to the donor.

Conclusion

You should speak with an attorney before creating a tenancy in common to serve your tax or estate planning legal needs. Although a TIC might be right for your situation, other legal options will often provide greater flexibility for you and your family while still meeting your planning objectives.

For a more in depth review of this subject, please see: www.lawburton.com/news/resources.

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THANK YOU FOR A GREAT YEAR

RNB Property Management, Inc. Celebrates its First Year in Rocklin



"On behalf of RNB I would like to thank the community for all your help and support not only in our own business venture but also in our effort to improve the property management industry. It truly has been a great year."

Bethany R. Landon, Vice President/COO



The Landlord Today - Placer County Newsletter

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Placer County Newsletter

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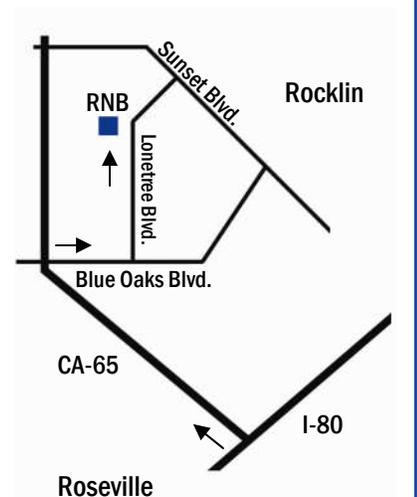
- Take I-80 East toward Reno
- Exit onto CA-65 North toward Lincoln
- Exit right onto Blue Oaks Blvd. (East)
- Turn left onto Lonetree Blvd.
- RNB office is on the left

Office Hours

Open 7 Days a Week

Monday - Friday
10:00 am - 6:00 pm

Saturday - Sunday
10:00 am - 2:00 pm



www.RNB2day.com