

# MAINTENANCE

## *Tips from the Trenches; War Stories & Lessons Learned*

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**McCreary Realty Management, Inc., AMO<sup>®</sup>**



# MAINTENANCE – TIPS FROM THE TRENCHES

*Michael A. McCreary, CPM, MPM, RMP*

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  - Appliances, HVAC and Water Heaters, oh my!
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- **Evaluating & Selecting**
  
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- **A Long Time Ago in a Back Yard in Smyrna ...**



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P. O. Box 6040  
Marietta, GA 30065-6040  
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## Maintenance Procedures Addendum

THIS ADDENDUM, dated «Date», will become a part of the original Residential Lease Agreement, dated \_\_\_\_\_, between «Name» Lessee/Resident and **McCreary Realty Management, Inc., AMO**, for the Property located at: «Street», «City», «State» «Zip».

Whenever you have an issue at your property that requires maintenance, please complete the online form located at [www.McCrearyRealty.com](http://www.McCrearyRealty.com) or use the printed Maintenance Request Form included in your Lease Closing documents. The Lease requires that all maintenance requests must be submitted in writing.

Please be aware that maintenance of scattered-site single-family homes is not like maintenance of multi-family properties. There is no maintenance man on staff just a short walk or golf cart ride away. We hire independent contractors that are licensed and insured to work on all properties. Each and every service call from any contractor costs the owner money. Therefore it is vitally important that you follow all of the instructions below.

### Emergency Maintenance:

**Issues that constitute an Emergency:** Anything related to the property under lease that is a threat to life, health or the property. If the situation is life threatening, please call 9-1-1 immediately and report to us after the situation is under control and the authorities are on the scene.

Some examples of severe emergencies that requires our immediate attention: fire, flood, sewage back-ups, gas odors, roof leaks, lighting strike, broken water pipes, no heat when the outside temperature is below 45 degrees, no air-conditioning when the outside temperature is over 90 degrees for more than 4 hours, a fallen tree onto the house, etc.

**Issues that do not constitute an Emergency:** Some examples: Refrigerator not running, locking yourself out of the house, power or natural gas off, water heater not heating water, oven not working, dishwasher not running, electrical fixture not working. While these issues are certainly inconvenient, uncomfortable, and exasperating, they are not emergencies. These items will be repaired during the normal business days and times and at the regular service rates. Please remember that neither Management nor the Property Owner is ever liable for any loss or damage to any of your belongings, including food, for any reason or cause whatsoever. Please ensure that you have your renter's insurance policy and contact information so that you can recover any possible personal property losses.

**Do not call a contractor on your own!** You are not authorized to perform or contract for any repairs on the property. If you call a contractor and incur any bill or invoice for any repair on the property, you are doing so at your own cost. Neither Management nor the property owner will reimburse you for those costs. You must contact Management so that they can arrange for all repairs/maintenance on all systems, appliances, and the structure of the property.

**For all after hours emergency repairs**, please call **770-427-5711 and choose option 3**. Please listen carefully and follow all of the instructions on the recording. Please make sure that you leave your name, property address, a call back number that you will answer, and the nature of the problem. Please keep in mind that we will endeavor to respond as promptly as possible, but the response time frame may extend up to 4 hours or more depending on the time of day or night you are calling.

### Routine Maintenance:

This sort of maintenance is considered to be non-emergency, but does need our attention for repairs such as non-emergency heating and air conditioning issues, broken windows, plumbing repairs, appliance repairs, loose railings, electrical issues, etc. **Please complete the online form located at [www.McCrearyRealty.com](http://www.McCrearyRealty.com) or use the printed Maintenance Request Form** and expect a response from the office staff by the next business day for an estimate of time for completion.

Please keep in mind that during the change of seasons and times of extreme heat or cold, there may be delays in obtaining professional contractors for service due to significant volume of repairs in the area.

### Minor Maintenance:

For very minor items, but those that still need repair such as leaky faucets, fence repairs, garage door openers, ice makers, etc., **please complete the online form located at [www.McCrearyRealty.com](http://www.McCrearyRealty.com) or use the printed Maintenance Request Form** and expect a response from the office staff by the next business day for an estimate of time for completion which could extend up to thirty (30) days depending upon the nature of the problem and contractor schedules.

### Resident Damage or Abuse:

Damages caused by abuse or misuse of any component at the property will be charged to you. We will rely solely upon the service contractor to inform us as to the cause of the problem.

**For example: If the HVAC Filters are not changed and the coils become clogged the cost of the HVAC Contractor will be your responsibility. It is not a defect of the HVAC system and you should expect the minimum cost to be over \$200.00.** If the plumbing is clogged due to items dropped in the toilet (brushes, toys, diapers, sanitary napkins or personal items), the cost of the plumber will be your responsibility. Expect the minimum cost to be \$150.00. This is not considered a failure of the systems in the property and, you should do everything you can to handle these issues yourself. Unless the contractor can prove it was not caused by you (such as roots in the system, pipe collapsed, septic tank backup due to age), then it is assumed it was caused by persons and was not a defect of the property. Clogged plumbing in the baths, laundry and kitchen is your responsibility.

### Please Note the following important messages:

- If you claim you have an emergency and we discover that one never existed, you will be charged the service cost from the contractor who responded to the call. Unnecessary calls will cost you money.
- Do not call after hours unless a true emergency actually exists.
- If we discover through the contractor that the problem is one of your making, then you will be charged for the entire cost of the service call from the contractor.
- **If you make an appointment with any contractor and you or a person 18 years old or older is not present when the contractor arrives, then the contractor will not enter the property and you will be charged a fee for the contractor's trip cost.**

When completing the online or paper form, please make sure that we have your best contact phone numbers as the office staff or the contractor will call to seek more detail about the problems that are occurring at the property. Failure to respond to our calls will simply result in extended delays in someone getting out to the property. Simply stating that the toilet is not working is not sufficient for us to be able to know what is wrong with the unit and which contractor to send out. Please make sure you give us as much detail as possible.

Agreed to this Date: \_\_\_\_\_

Management

\_\_\_\_\_  
Lessee/Resident

\_\_\_\_\_  
Lessee/Resident



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390 Roswell Street, Suite 200  
Marietta, GA 30060



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# Smoke Detector Addendum

**Notice:** *This Document places a duty upon the lessee to regularly test the Smoke Detector(s) and promptly report all malfunctions to Management Agent in writing.*

THIS ADDENDUM, dated \_\_\_\_\_, will become a part of the original Residential Lease Agreement, dated «Date», between «Name» Lessee/Resident and McCreary Realty Management, Inc., for the Property located at: «Street», «City», «State» «Zip».

**1. Smoke Detector:**

Lessee/Resident acknowledges that as of this date, the Property is equipped with one or more smoke detectors; that Lessee/Resident has inspected the smoke detectors; and that Lessee/Resident finds it/them to be in proper working condition.

**2. Repair:**

Lessee/Resident agrees that it is Lessee/Resident's duty to regularly test the smoke detector(s) and agree to notify Management immediately in writing of any problem, defect, malfunction, or failure of the smoke detector(s). Within seven (7) days of receipt of such written notification, Management shall repair or replace the smoke detector(s), assuming the availability of labor and materials.

**3. Maintenance:**

- A. Lessee/Resident agrees to replace the smoke detector(s) battery, if any, at anytime the existing battery becomes unserviceable.
- B. If after replacing the battery the smoke detector(s) will not operate, Lessee/Resident must inform Management immediately in writing of the deficiencies.

**4. Replacement:**

Lessee/Resident agrees to reimburse Management, upon request, for the costs of a new smoke detector(s) and the cost of installation thereof in the event Lessee/Resident or their guest or invitees damage the existing smoke detector(s).

**5. Disclaimer:**

Lessee/Resident acknowledges and agrees that the Property Owner and Management Agent are not the operators, manufacturers, distributors, retailers or suppliers of the smoke detector(s) individually or jointly. Lessee/Resident assumes full and complete responsibility for all risk and hazards attributable to, connected with, or in any way related to the operation, malfunction or failure of the smoke detector(s), regardless of whether such malfunction or failure is attributable to, connected with, or in any way related to the use, operation, manufacture, distribution, repair, servicing or installation of said smoke detector(s).

No representation, warranties, undertaking or promises, whether oral, implied, or otherwise, have been made by Property Owner or Management Agent, their agents, contractors or employees to Lessee/Resident regarding said smoke detector(s), or the alleged performance of the same. Management Agent neither makes nor adopts any warranty of any nature regarding said smoke detector(s,) including expressed or implied warranties. Management Agent and Property Owner shall not be liable for damages, losses and/or injuries to person(s) or property caused by (1) Lessee/Resident's failure to regularly test the smoke detector(s); (2) Lessee/Resident's failure to notify Management Agent of any problem, defect, malfunction, or failure of the smoke detector(s); (3) theft of the smoke detector(s) and/or its serviceable battery; and/or (4) false alarms produced by the smoke detector(s).

**6. Entire Agreement:**

The parties acknowledge that this written Addendum is the entire agreement of the parties relative to the smoke detector(s) in the above referenced Property. Any agreement that in any way varies the terms of this Addendum shall be unenforceable and completely void unless such agreement is in writing and signed by all parties.

**7. Term:**

The term of this Addendum shall be the same term as the above referenced Residential Lease Agreement, its renewals or extensions.

**8. Acknowledgement:**

Lessee/Resident acknowledges that Lessee/Resident has read this Addendum, and agreeing to the addendum places a duty upon the Lessee/Resident to regularly test the smoke detector(s) and report all malfunctions of the same to Management in writing.

Agreed to this Date: \_\_\_\_\_.

\_\_\_\_\_  
Management

\_\_\_\_\_  
Lessee/Resident

\_\_\_\_\_  
Lessee/Resident





PET ADDENDUM TO LEASE

This addendum dated below is made a part of the Lease Agreement between McCreary Realty Management, Inc. ("Management"), and «Tenants» ("Lessee"), for the premises known as «Unit Address», «Unit City», «Unit State» «Unit Zip».

WE WANT TO MAKE SURE YOU UNDERSTAND THE POLICIES REGARDING PETS AT YOUR PROPERTY.

Please note: The below listed dogs are not allowed under ANY circumstances. Initial(s) Pit Bull, American Staffordshire Terrier, Staffordshire Bull Terrier, Chow, Doberman Pinscher, Rottweiler, Bull Mastiff, Perro de Presa Canarios, any Wolf Hybrid, or any mix of these breeds.

Breed restrictions are not solely based on the above list. Management reserves the right to modify the above list or restrict any and all animals and animal breeds at any time.

Pets are not allowed without a signed Pet Addendum to Lease Form from Management. It is hereby agreed between Management and Lessee that Management will allow Tenant to have the pet(s) described below in the designated premises set forth above under the terms and conditions set forth herein. The permission granted in this addendum is limited to the pet(s) described below. Lessee may have pet(s) in the designated premises set forth above under the following agreed terms and conditions:

Type of Pet: Breed: Color: Age: Sex: Wt: Fixed:
Type of Pet: Breed: Color: Age: Sex: Wt: Fixed:

Lessee agrees to furnish the Management with a picture of their pet(s).

- 1. Pet Deposit & Damage: Lessee must pay Management a refundable pet security deposit in the amount of \$ . The refundable pet security deposit will be refunded should no damage to either the house or its furnishings result from the keeping of the pet and all other amounts due under the lease are paid. Lessee will pay costs of repairing damages exceeding the amount of the refundable deposit immediately. Repair of damaged property will be considered restoration to original condition. All carpeting has been checked for pet urine and damage before Lessee's move-in. Detection devices will check all carpeting when you move out. If there is pet urine in the carpet, or damage, it will show up and Management will bill Lessee for replacement of the carpet and padding, if it cannot be cleaned or treated satisfactorily. Lessee accepts full financial responsibility for the amount of any damages or injury to persons or property that are caused by the pet(s) described above.
2. Puppies/Kittens: Puppies or kittens are allowed only at Management's sole discretion with additional deposit above the normal pet deposit. Animals are considered puppies or kittens when their age is less than 3 years.
3. Occupancy: Lessee agrees not to leave their pet unattended for unreasonable periods. Lessee agrees not to leave food or water for their pet or any other animal outside their dwelling where it may attract other animals. It is strongly recommended that all dogs be crated/caged/kennelled while Lessee & occupants are away from the house for any time. Lessee is not to lock or block pet into any single room in the property.
4. No other animals: Only dogs, cats, birds, and fish are allowed. NO REPTILES, AMPHIBIANS, DANGEROUS, HARMFUL OR POISONOUS ANIMALS ARE ALLOWED. Tenant agrees that no additional or different pets will occupy the premises, even temporarily.
5. Leash & Control: Lessee agrees to abide by all local laws & ordinances, including leash, licensing & vaccination requirements. Pets must not be allowed to run loose. Dogs and cats must be on a leash held by a person at all times when they are outside of the house. Birds must remain caged at all times.
6. Tether/Cable Run: County Ordinances do not allow the use of tethers, cables, chains or cable runs tied to a stationary object. Do not tie your pet up outside.
7. Pet Droppings: Lessee must walk the pet(s) in the yard of the property. When the pet(s) leaves droppings, Lessee is expected to immediately clean them up. Failure to do so may result in a fee that may be deducted from the refundable pet security deposit. In addition, Lessee would be in violation of County Ordinances for not immediately removing droppings and disposing of them properly and be subject to fines.
8. Removal: It is further understood and agreed that Lessee will permanently remove the pet(s) from the premises for the balance of the lease should it be necessary because of any noises, barking, damages to the house or property, or any complaints from any others regarding nuisance caused by the pet(s), at Management's absolute sole discretion. The refundable pet security deposit shall be forfeited in such event of removal.
9. Fleas & Ticks: Lessee agrees to have the Property treated for ticks and fleas by a professional exterminator upon termination of this Agreement (regardless of non-refundable pet deposit), proof to be provided for return of security deposit.

Lessee agrees to release, indemnify, hold harmless, and defend Property Owners, Management and all of Management's employees and any vendor/contractors against all liability, judgments, expense (including attorneys fees), or claims by third parties for any injury to any person or damage to property of any kind whatsoever caused by Lessee's pet(s).

Agreed to this Date:

LESSEE

BY: McCREARY REALTY MANAGEMENT, INC., AGENT

LESSEE





## The Difference Between Normal Wear and Tear and Damage in a Rental Lease Agreement

As your Management Agent, we expect your rental units to sustain a certain amount of wear and tear during the term of a lease. However, there is a fine line between normal wear and tear and actual damage to a dwelling. We are able to discern between these two to protect your investment and avoid breaking state laws or unlawfully seizing a security deposit.

**Normal wear and tear:** even the most conscientious tenant will cause some minor damage over the course of a rental agreement. This minimal damage is typically referred to as "normal wear and tear." This can include small scratches, minor scuffs, minimal nail holes, etc., on the walls or paint, worn or slightly stained carpeting, broken hinges, or other insignificant damage.

While you may not appreciate having to repaint your property after each tenant moves out, normal wear and tear usually makes this necessary. We consider anything that will cover with one coat of paint after one year or more of occupancy as normal wear and tear. A few scuffs on the wall or the odd nail hole does not constitute damage that is above and beyond normal wear and tear. We will not be able to charge your tenants for this paint job if that is the extent of the damage.

**Damage:** actual damage to a property goes beyond normal wear and tear. For example, instead of small scuffs on the walls or a few nail holes, large holes in the wall or crayon/marker drawing on the walls would definitely be considered damage that is above and beyond normal wear and tear.

If the carpet is stained, ripped, or otherwise unusable for any future tenants, this can be construed as damage depending on the age of the carpet. Pet stains can also be referred to as an actual damage, particularly if we did not have knowledge or give permission for pets in your rental property. In this case, since we did not have a pet deposit to cover this additional damage, the security deposit can be used to repair the damage and restore the property to its original condition.

An excessive amount of garbage, furniture, or personal items that a tenant has left behind is not necessarily damage, but is in direct violation of the lease. In this case, since we will need to hire a contractor to clean the property and to have the items, trash & debris removed, we will deduct from the security deposit to cover these costs.

Per State Law, we are required to "mitigate" or give credit for existing condition and the time in the property when considering the costs that we can pass on to the tenant and deduct from their deposits or charge them in excess of the deposits. The Lease Agreement that the residents sign is quiet clear on what are the normal wear and tear, cleaning & yard maintenance expectations, and what will be considered damages.

We always have tenants sign a Move In Inspection form that contains the existing condition of the property at the time they take possession. We allow tenants up to 3 days after they move in to further document any pre-existing conditions that they feel might jeopardize their deposit when they vacate the property. This agreement is the written evidence that we will use to compare against at the time they move out. We also use the photos taken for marketing the house as additional documentation of the condition of the entire property when the tenants take possession. Without this signed agreement at the time the tenants take possession, no management agent or landlord can keep even one penny of the deposit for any damages done to the property.

Documenting the state of your property is an essential component of the property management process and necessary when accounting for the tenant's security deposit when they vacate the property. With this documentation, we will be able to prove the extent of actual damages and delineate between what is considered normal wear and tear for your property and what is considered damage.



# Defining Wear and Tear

by Robert L. Cain

A hole in a plaster wall, a broken window, crayon marks on the ceiling, cabinet doors torn off their hinges—those are obviously above and beyond normal wear and tear. How about a worn place in the carpet, or tiles on the kitchen floor that are cracked or missing? That is where the tenant can claim that he does not owe a dime of the security deposit because that was just “normal wear and tear” and you cannot charge him for that. Less than stellar tenants are experts in “normal wear and tear” because they have caused so much of it. So what really is considered “normal wear and tear?”

A rule of thumb to follow, whenever there is a question about who should pay for damage, the landlord should pay. In this tip, however, I will remove some of the question and possibly enable you to get a better idea of when you should deduct money from the security or cleaning deposits.

The first step in determining wear and tear is good record keeping. You need records, as complete as possible, of when you purchased items and/or when you installed them. If you do not have a starting point, you certainly will not have an accurate way of knowing how long they should be expected to last.

If the fixtures or appliances were in place when you bought the property, try to find out their history from the seller. Many times the previous owner will have all the warranty and product information, including manuals.

The other vitally important thing to have is the tenant move-in checklist, signed by the tenant. Without it, the tenant can claim that the damage was there when he or she moved in.

In addition to that, some damage is the fault of the landlord for not checking the property regularly. As you well know, you cannot expect a tenant to take care of a property the way the owner does. Tenants

just do not notice things that can do major damage to a building.

For example, few tenants would think anything about earth-to-wood contact. They will shove dirt up against the side of a house and not even notice when the wood on the side of the house starts to rot. That is considered the fault of the landlord. You cannot collect damages from a tenant for dry rot due to earth-to-wood contact; you should have seen it. Once you have noticed that a tenant is piling dirt against a building, though, it is up to you to tell him not to do it anymore. Once you do, and you have left a paper trail proving that you have, then the tenant would have some responsibility. Even so, it is up to the landlord to take care of his investments.

When a tenant moves in, make it clear to him or her that you want to be notified of damage as soon as it occurs. What follows is a list of common things you will find around the house that a tenant may use regularly and a range of life expectancy. For vinyl and wall-to-wall carpets you should have a pretty good idea of the life expectancy when you buy it, but for other items you may not.

## Dishwashers

Tenants will often use the dial to run the dishwasher through its cycle. This will strip the timing mechanism. Dishwashers should be allowed to run through their cycles fully, not set to rinse or dry again. A dishwasher should last between five and twelve years, so if the control knob breaks before that, it is above and beyond normal wear and tear.

## Water Heaters

Do not wrap them in an insulating blanket, no matter what the environmentalists claim. Doing so voids their warranties and the Underwriter's Laboratory certification. The insulating blanket makes them too hot and can overheat the wiring. If a tenant wraps a water heater, thinking they are saving energy, and the water heater goes out, that is beyond ordinary wear and tear. Tenants will

sometimes drain an electric water heater without turning the electricity off. That will burn out the elements.

Water heaters last from eight to twelve years. Burnt out wiring or elements are beyond ordinary wear and tear.

## Ranges

Gas ranges will last indefinitely. About the only thing a tenant can do to damage one is break a knob, and it happens. But accidents happen, and it is probably ordinary wear and tear.

Electric ranges, on the other hand, do not last as long, about 15-20 years. Tenants will remove elements to clean and not put them back in properly, shorting out either the element or the entire wiring on the stove.

## Furnaces

It is important to change the furnace filter once a month. Leave a dirty filter in and





risk ruining the fan motor. If necessary, get the tenant a supply of filters with the instruction to change it the first of every month, whether he thinks it needs it or not.

## Storm Doors

Tenants remove the wind spring and the door flies open, breaking the glass, springing the hinges, or whatever. With no mistreatment, storm doors will last until they are too ugly to leave up. If a tenant breaks one, it is above and beyond ordinary wear and tear.

## Driveways

Concrete is damaged by something known as "point loading." That happens when a heavy vehicle is parked on the same spot for a long period of time or over and over. Eventually that weakens the concrete in that spot and it cracks. The cracks radiate out from the spot of the point load. If your tenant has a heavy vehicle, ask that he park it in different places on the driveway. Point load damage could be considered above and beyond ordinary wear and tear.

## Cabinets

Most tenants will not pick up a screwdriver and tighten a screw that is coming loose. Many don't know what a screwdriver is. Then, when the door comes loose from one hinge, they will let it hang from the other

one. Cabinets should last for 20 to 30 years. If they are damaged from tenant neglect such as that, it is above and beyond ordinary wear and tear. It doesn't cost a tenant anything to tighten a screw. At the same time, though, a periodic inspection would probably have discovered a loose cabinet door.

## Floors

You know what the life expectancy is when you buy the flooring, and it varies by quality. If you buy cheap vinyl, and a tenant's high heel pokes a hole in it, you got what you paid for. But if a tenant drags something sharp across the floor and scratches or cuts the flooring, that is above and beyond ordinary wear and tear.

## Doors (hinged)

Tenants have been compared to teenagers: if something doesn't work the first time, force it. Things get caught in doors, such as broom handles on the hinge side of the door, and then the door gets sprung. Screw holes are stripped and hinges get bent. Doors last indefinitely, if used properly. Damage to them is above and beyond ordinary wear and tear.

## Doors (sliding)

These come off their tracks, and despite the fact that it is easy and costs nothing, tenants don't put them back on their tracks. Then

they come loose and get banged around, damaging the tracks so they have to be replaced. Take the cost of damage out of the security deposit.

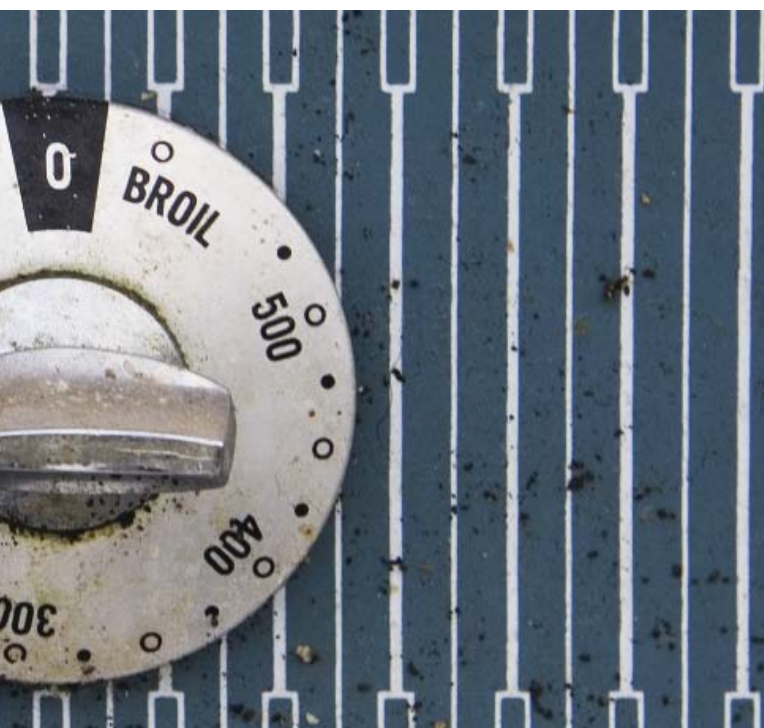
You can't be there all the time to watch to see that a tenant doesn't do anything stupid or destructive. Previous landlords can often give you some insight on how well a tenant took care of a property. Some tenants are simply unconscious: they don't mean to do any harm, they just have no way to connect what they have done with the damage. One of the mysteries of life.

Deciding whether damage is beyond ordinary wear and tear often boils down to a landlord basic, deciding if something was used in a way it wasn't designed for. If it wasn't, it is damage which should be paid by the tenant.

*Thanks to Don Crawford of Crawford Home Inspection Service for much of the information contained in this tip.*



**Robert L. Cain** is a nationally-recognized speaker and writer on property management and real estate issues. For a free sample copy of the *Rental Property Reporter* or *Northwest Landlord* call 800-654-5456 or visit the website at [www.rentalprop.com](http://www.rentalprop.com).



**“Tenants will remove elements [on electric ranges] to clean and **not** put them back in **properly**, shorting out either the element or the **entire** wiring on the stove.”**



# VACATING CHECKLIST



Property Address: \_\_\_\_\_

DATE: \_\_\_\_\_

We understand that your last few weeks of residency will be exceptionally busy ones; however, we do request that you attend to a number of small but important details.

- 1) Please insure that you have turned in your 30-day paid written notice to vacate on Management's form provided you at lease signing. If you cannot find this form, one can be picked up in our office or found on the website at [www.mccrearyrealty.com](http://www.mccrearyrealty.com) under the "How to Rent A House" tab.
- 2) You have possession of the property through 11:59PM on the date you are vacating. All keys, remotes, access cards, gate openers, etc. must be returned to Management by 9:00AM the following day. If you have to put the keys, etc. in the drop box, please put them in a bag or envelope labeled with what property they belong to.
- 3) In order to return possession of the unit, ALL keys to the house must be brought to Management's office and turned in. The keys represent possession of the property. **DO NOT LEAVE ANY KEYS OR GARAGE DOOR REMOTES AT THE PROPERTY.** If you do not return ALL keys and remotes to the office, you will be charged at the daily rate for each day they are not returned.
- 4) You must provide Management with a forwarding address. If you are returning the keys via the drop box, please include your forwarding address at that time.
- 5) All utilities must remain on until the final day of your lease.
- 6) If vacating in the winter, please set the thermostat(s) no lower than 60 degrees with the heat on "Auto" to prevent freezing pipes.
- 7) If vacating in the summer, please set the thermostat(s) no higher than 80 degrees with the A/C on "Auto" to prevent moisture build-up.
- 8) If you owe any balance, those amounts must be satisfied prior to vacating the unit.
- 9) The cleaning list below is to be used as a guide for cleaning your rental house when you vacate. As each house is different, there are items that might apply that are not included in this list, or items on this list that do not apply to your house. We would like to point out that you will not be charged for "ordinary wear and tear." **We DO NOT consider dirt in any form as "ordinary wear and tear".** It is our desire to refund your deposit and if you follow this guide, then you should not have any cleaning issues. If you need assistance with any of these items, we have a list of professionals that we can refer to you. If you have any questions regarding this list or any item that might not be on this list, please do not hesitate to call us.

## LIVING ROOM(S) AND BEDROOM(S)

- ( ) 1. Remove all nails, tacks, anchors and window-covering hangers
- ( ) 2. Clean baseboards, crown molding and corners from floor to ceiling, being careful to remove all dust and cobwebs
- ( ) 3. Flooring:
  - Sweep & mop all hardwoods & laminate floors.
  - Carpet – Clean any stains & vacuum all carpet as the last thing you do.
- ( ) 4. Dust shelves in closets and remove all hangers.
- ( ) 5. Clean light fixture coverings, around light switches and doorframes.
- ( ) 6. Clean ceiling fan blades and light fixtures
- ( ) 7. Sliding glass doors (glass, frames and jambs) must be cleaned and the door tracks cleaned.
- ( ) 8. Fireplaces must be broom swept and free of ashes, wood, and debris.
- ( ) 9. Replace any burned out or missing light bulbs in all fixtures

Continued on next page...

### **KITCHEN/ LAUNDRY AREA/UTILITY CLOSETS**

- ( ) 1. Clean oven, oven walls and racks, broiler pan, and storage space
- ( ) 2. Clean top cooking surface of all grease & food matter, clean or replace drip pans, clean gas eye grates of grease
- ( ) 3. Clean entire vent hood (run filters through dishwasher). Clean inside & outside of microwave/vent hood combination
- ( ) 4. Wipe clean all kitchen cabinets & drawers, both interior, exterior and on top
- ( ) 5. Clean refrigerator including under crisper, the walls and any containers; Clean under, behind & on top of unit  
Unplug and leave door open
- ( ) 6. Clean sink, faucet and counter top
- ( ) 7. Clean Dishwasher inside and outside
- ( ) 8. Kitchen floor must be swept and mopped clean
- ( ) 9. Clean light fixture coverings.
- ( ) 10. Remove all cleaning solution residue
- ( ) 11. Laundry and utility rooms must be free of dust dirt and debris; Floor must be swept and mopped
- ( ) 12. If applicable, Washer and Dryer must be cleaned inside and out; Clean under, behind, & on top of units.  
Remove all cleaning solution residue.

### **BATHROOM(S)**

- ( ) 1. Clean all light fixtures and coverings
- ( ) 2. Clean medicine cabinet and mirrors (should be free from streaks)
- ( ) 3. Sweep, Mop & Clean all vinyl & tile flooring
- ( ) 4. Thoroughly clean toilet, sink, and medicine cabinet; Remove all cleaning solution residues
- ( ) 5. Clean all tile walls, floor, tub, and/or shower as well as the grout and caulk with a mildew & soap scum cleaning solution
- ( ) 6. All soap dishes, handles, racks, spouts and walls should be free of dirt, soap, mildew and stains
- ( ) 7. Wipe clean all vanity cabinets and drawers, both interior, exterior and on top

### **LIGHT BULBS; WINDOW BLINDS**

- ( ) 1. Replace all burned out or missing bulbs
- ( ) 2. Clean all window blinds. Replace any blinds you damaged

### **EXTERIOR, BASEMENTS, OUT BUILDINGS AND YARD**

- ( ) 1. Grass must be freshly mowed; yard must be freshly raked; all lawn debris must be removed from yard
- ( ) 2. Clean gutters
- ( ) 3. Sweep off all porches and decks & leave free of any debris or possessions
- ( ) 4. Sweep out basement, carport, garage and any out buildings leaving only those items which came with the property

### **PEST CONTROL**

- ( ) 1. If pets are present on the property (inside or outdoors) provide Management with a paid receipt from a state licensed pest control service showing the property was treated for ticks and fleas. This treatment must be done after all of your possessions are removed. Please contact our office to obtain the name and number of a reliable & affordable pest control provider.

### **TRASH; DEBRIS; PERSONAL ITEMS**

- ( ) 1. All trash, debris and all personal items must be completely removed from anywhere on the property **BEFORE** you return the keys to management. **Do not leave trash after you return the keys for a service to pick up.** If we observe any trash left anywhere on the property, you will be charged for the removal regardless of any arrangements you have made.

**McCreary Realty Management, Inc., AMO®**

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## Top Tips for Full Return of Your Security Deposit

Page 1 of 2

It is a stated goal of McCreary Realty Management, Inc., AMO, to endeavor to return the entire Security Deposit and any other deposit held at the end of the lease after you have moved out. McCreary does not profit or receive a single dollar of any portion of any deposit that is held. It all goes to the property owner to pay to put the property back into the condition it was when you moved in, less normal wear & tear.

Over the last several years, the most common items that we have to forfeit dollars from residents Security Deposits are not necessarily for Damages, but are in fact for lack of routine cleaning and maintenance.

The primary reason for this is lack of planning and not counting on how much time you will need to properly prepare the house for return of possession to Management. We are professionals and do this same task dozens of times a month. It always takes longer than you think, so prepare for that probability.

1. Please plan your move so that you have time to take care of the items you need to address at your current house
2. Give yourself time to come back and clean after all of your possessions are removed from the property
3. Make sure you leave the utilities on long enough, at least through the final day of your lease, if not a day or two longer, so you are able to clean the property properly
4. Make sure all of the trash is removed from the property BEFORE you turn in the keys. Leaving it at the end of the driveway for a future pickup will result in a charge for hauling off the trash. Keep up with the yard work during the last month you are in the property so the final maintenance you have to perform is not a large cleanup.

The first mistake that residents make is not returning all keys, garage door remotes, HOA access cards/keys, etc. that were issued to you. Don't leave them in the property, bring them to our office. Even after hours, you will be able to fit them into the drop slot in our door.

The top 3 things that are not correctly taken care at the time the keys are returned are:

### **1. Property Not Cleaned**

Follow the Vacating Checklist (given to you when your notice is accepted) for best results. If you are not sure, clean it! Appliances, fixtures, cabinets, floors, blinds, etc, all need to be cleaned.

Most residents that didn't clean are shocked and angry at the cost to have the property cleaned. We have to use professional cleaners that are licensed and insured. Depending on the level of cleanliness with which you leave the house, it can cost between \$150 and \$350 or more to take care of that on your behalf.

### **2. Trash, Debris & Misc. Household Goods not removed from the property**

It will cost you a minimum of \$100 per pickup truck load for us to have the trash, debris, household goods, etc, picked up and hauled to the dump and could run as high as \$300-\$500 or more to take care of that on your behalf.

If you return possession to Management and leave trash at the end of the driveway for a trash company to be picked up and it is still there when we perform the move out inspection, we will charge you for hauling off the trash. Make sure all trash is removed from the property BEFORE you return possession to Management.

### **3. Yard not freshly maintained**

If lawn maintenance is a part of your responsibility in your lease, then make sure you give yourself time to mow the grass, trim the shrubs, rake the leaves, weed the beds and police the yard for trash BEFORE you return possession. If you don't stay on top of the yard, it can take a full day or more to put it back in the shape it was when you rented it. If in doubt, take care of it! Be sure to make time to take care of the yard. It must be freshly done at the time you return possession to Management.

If you run out of time, the costs to take care of the maintenance on your behalf can be substantial. It can cost from a minimum of 1-2 hours at \$60 per hour to as much as the full day or more and end up running as high as \$500 or more to take care of the yard on your behalf.

Other common issues we observe:

**1. No Flea & Tick Treatment Receipt if you have ever had any pet at the property, even visiting pets too!**

Even if the pet was just in the house for even just a day it triggers the flea treatment requirement in addition to it being a lease violation. Some people will unfortunately lose a pet during the term of their lease; the flea & tick treatment is still a requirement as the pet was at the property for a period of time. This is primarily due to the flea egg life and entomology.

**2. Broken/Damaged Blinds**

If the metal blinds are bent or vinyl/wood blinds are broken during your tenancy, it will cost less for you to replace the blinds with like kind using the existing mounting brackets already present than it will for us to do it for you.

**3. Body oil stains on walls in Bedrooms (with no headboards) and around doors/door jambs/switches**

The human body excretes oils through the skin and scalp that is transferred whenever anyone touches any part of the walls, trim and doors. These oils require cleaning and then sealing/priming in order to prepare the wall to accept the final coat of paint. This is NOT considered normal wear & tear. If you have this condition, please contact our office for a solution.

The following is a model plan/timeline for you to follow as a part of your final month with us:

**1<sup>st</sup> to 5<sup>th</sup> of the month**

- a. On or before the first day of the last month of your lease, complete the **Notice to Vacate Form** that you agreed to use and signed for when you signed your lease. Provide this completed form and your last month's rent in order for us to be able to accept your notice.

**5<sup>th</sup> to 15<sup>th</sup> of the month**

- a. Prepare for moving by packing up non-essentials
- b. Arrange for rental truck and help or a Moving Company
- c. Pay attention to the yard; don't leave it to the last day. Get some of it done now. Go ahead and trim the shrubs and remove ground debris (leaves, limbs, pine cones, etc.)
- d. Start clearing areas that you seldom use

**15<sup>th</sup> to 25<sup>th</sup> of the month**

- a. Call the utility companies and arrange for disconnect. Make sure to leave the utilities on through the final day of your lease & notice. We recommend that you keep them on for at least one or two extra days.
- b. If you use satellite TV, arrange for the removal of the dishes and for sealing holes in the roof/siding from the mounting of the dish.
- c. Continue packing and boxing your possessions
- d. Be aware of your grocery purchases and time it so you have less to move

**25<sup>th</sup> to Next to final day of lease & notice**

- a. Perform the final yard maintenance (mow grass, rake leaves, trim shrubs, weed shrub beds and islands, edge walks and driveways)
- b. Complete your move, removing ALL possessions from the property, yard, lot, house, garage, basement or storage areas
- c. Remove all trash, debris, misc. household goods and personal items from anywhere on the property
- d. If you have had any pet at the property for any time, arrange for flea & tick treatment on final day of the Notice
- e. Begin final cleaning following the Vacating Checklist
- f. Gather together all keys, garage door remotes, gate remotes, access cards/keys for HOA and put them in a Ziploc bag and place them in your primary car so they won't get misplaced, packed or left in the other car in the new city.

**Final Day of lease & notice**

- a. Continue cleaning following the Vacating Checklist
- b. Meet exterminator for flea & tick treatment (if you have pets)
- c. Check that any burned out light bulbs have been changed and fresh ones are installed in all fixtures
- d. Make sure that all trash, debris and such are removed from all areas of the property (house, yard, lot, driveway, etc)
- e. Make one last pass through the house, checking all closets, every cabinet & drawer in kitchen and baths, check the inside of all appliances. You want to make sure you have everything and that all are properly cleaned.
- f. If you hired a cleaning service, check behind them. We have seen issues where the Resident did not get what they paid for and areas were left dirty or unfinished.
- g. Make one last walk around the entire yard to make sure that all maintenance has been accomplished
- h. Set the thermostat for heat at 60 degrees or cooling at 80 degrees and leave the system on during all seasons
- i. Make sure all windows & doors are closed and locked. Make sure the entire house is secure.

**No later than 9 AM on the day after the Final Day of lease & Notice**

- a. You have the absolute right of possession for every day you are paid through until 11:59 PM on the Final Day of Lease & Notice.
- b. As long as you retain the keys and remotes, you have possession of the property.
- c. Bring all keys, garage & gate remotes, HOA access cards/keys to our office and place in the drop slot if the office is not open or bring into the office during regular business hours (M-F; 9AM-5:30PM)
- d. Remember to provide to us with a **forwarding address**, **e-mail address** and **mobile numbers** so that we may contact you and mail you the security deposit refund!

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July 2012

## Why Does it Cost So Much To Replace a Damaged Central Air Conditioning Unit?

R-22, commonly known as Freon, was the HVAC coolant of choice for about four decades until the 1980s, when it was found to be a chlorofluorocarbon that contributed to ozone depletion. In 1987, the Montreal Protocol, signed by the United States, set a timeline for the elimination of R-22 systems and conversion to more environmentally sensitive systems fueled by R-410a. Though the American conversion has been slower than in other countries, the Environmental Protection Agency (EPA) is tasked with ensuring the protocol's timelines are met.

The typical residential system is made up of 3 main components; the outside compressor/condensing unit, the evaporator coils inside the furnace that the conditioned air blows across to cool and dehumidify the air and the line set that connects the two devices.

The copper line set that the R-22 use will need to be changed out because it uses mineral oils that break down into damaging carbons that are speculated to be causing the global warming crisis the governments of the world seem to be so worried about. R-410a will use synthetic oil that will be able to sustain at much higher temperatures than that of the old.

The old piping will have mineral oil deposits throughout the piping and this is what the new system is aimed at improving and replacing. If the piping is not replaced it will wreak havoc with the new system because it will not be able to take the pressure of the R-410a and will develop deposits on the compressor walls and damage the metering device.

The implementation of this new system will need a fresh start because if you were to combine the two it will cause the very same problems that the R-22 is said to be causing. The old system could have moisture retained inside the piping and this does not go well with the functions of the new R-410a.

What should you do? There are two basic solutions. (1) Replace with a new R-22 outside unit, keeping all of the piping and the coils in the furnace or (2) Replace the outside unit, piping and coils with the new R-410a system.

The obvious advantage of a new R-22 unit is upfront cost. These units are not allowed to be sold pre-charged with R-22. They are charged with an inert gas and then after install, the service tech will replace the gas with the R-22 Freon. The disadvantages are twofold: Currently, R-22 costs approximately 3-4 times what it did last year and since they are not making any more of the product and they can only sell what is already in stock or at the warehouses. It will get to the point that you can't get the R-22 refrigerant at all.

The advantage of the new R-410a systems that you are getting the latest technology and a higher base efficient system in the new unit than you can with a replacement R-22 unit. The Seasonal Energy Efficiency Ratio (SEER) rating for the new R-410a base unit is now 13 SEER and the base rating for the R-22 units is only a 10 SEER. Another advantage is the opportunity to have the service techs gauge the load requirements for the house so that the replacement system is properly sized. The builder installed systems are typically the bare minimum and in many cases, we have found them to be substantially undersized to properly condition the house. Additionally, with a full replacement of the A/C system, you are renewing the lifespan of the system and should have several years of trouble and cost free use. The obvious disadvantage is the upfront cost or replacing the entire A/C system.

How long should the typical builder A/C system last? Compressors come with a 5 year warranty. You will typically see the outside unit last 5-7 years. For one that is properly sized to condition the space properly and the more efficient the system, the longer it will last - even up to 15 years properly maintained.



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## High Humidity and Air Conditioning

An air conditioner consumes energy at a rate that is determined by both the outdoor temperature and relative humidity.

Your air conditioner reduces the air temperature and also reduces the relative humidity in your home. Removing moisture is important to comfort because high humidity slows the evaporation of sweat from your skin.

In an air conditioner, the refrigerant in the evaporator coil extracts heat from the moving air. But this cool coil surface also encourages condensation to take place, as moisture from the room air reaches its dew point. This condensation releases heat, which is removed by the air conditioner.



Higher humidity leads to more condensation, and more condensation produces more heat for the air conditioner to remove. This increases your electricity costs.

If it seems odd that condensation releases heat, just think about getting out of the swimming pool and how the evaporation of water from your skin cools you off. Water condensation, on your evaporator coil or anywhere else, is just the opposite. Heat is released wherever water condenses.

To avoid high indoor summer humidity, remove moisture where it is released: ***in the bathroom and kitchen!*** Residential forced air systems are designed to only take the outside temps down 10-15 degrees. If it is 95 degrees outside, your system is doing all it can do to keep the indoor temp at 80 degrees. **The more humid it is, the harder the system has to work.** You notice the same thing outdoors. 95 degrees with a breeze and low humidity can be more comfortable than 85 degrees without a breeze and high humidity. This second condition is commonly known as the ***"Dog Days of Summer"***. Here in the South, that condition can last anywhere from mid-July through early-September! It is not unusual to see much higher electricity costs during these times.

You can reduce the cost of air conditioning by following these steps to reduce the humidity in your home:

- **First and foremost:** Keep your thermostat at a constant temperature every day and all night.  
*If you adjust it to a higher temp during the day while you are gone, it will take double the hours for the house to cool off when you come home at night, making you uncomfortable and costing you more in electricity!*
- Change your HVAC filter once a month during these high use times
- Be sure your clothes dryer is vented to the outdoors
- Avoid drying clothes on an indoor clothes line
- Cover pots when cooking
- Use exhaust fans in your bathroom and kitchen
- Avoid using hair dryers, ovens, toaster ovens, etc., during the heat of the day
- Keep doors and windows closed at all times
- Keep the window blinds/curtains closed during the daylight hours
- Use ceiling fans and area fans in rooms to move the air. The more the air moves, the cooler you will feel.

When you reduce the humidity in your home, you also reduce the possibility of having mold and mildew growth. There are a lot of good reasons to control moisture in your home year round.

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## Water Heaters

February 2017

### **Basic Info:**

The typical Metro Atlanta home will have a 40 gallon gas fired water heater. A small percentage will have 40 gallon electric water heaters and these are typically in all electric homes. Some larger homes with more than two baths will have a 50 gallon unit and smaller homes with just one bath could be 30 gallon units.

### **How long should a water heater last?**

Most 40 gallon gas fired models should last between eight and 12 years. If it is an electric model, they can last longer, but will most like need and electric element replaced.

### **How much does it cost to replace the typical 40 gallon gas fired water heater?**

First, this job requires a licensed plumber to accomplish. While some DIY owners or the family handyman can also accomplish this, there are codes that have to be adhered to as well as risk of all sorts when dealing with water, natural gas and exhaust gases/fumes. In using McCreary's preferred plumber, First Response Plumbing and if there are no code upgrades required and the water heater is easily accessible, then the cost to replace the typical 40 gallon gas fired water heater with a 6-year manufacturer's warranty should run \$1,000.00. Code upgrades for most units include an expansion tank, a new gas line with a drip tube, proper venting of exhaust gases/fumes and proper relief lines to the exterior of the house. These upgrades will usually run between \$200 and \$300.

### **Why does it cost so much to replace a water heater?**

The Department of Energy issued a rule in April 2015 that required the water heaters to have greater energy efficiency. This resulted in them being larger to handle the greater insulation. This also gave the manufacturers an opportunity to pass on that added cost. This resulted in the typical water heater being approximately \$550 plus tax and delivery. The rest of the cost is installation (draining, disconnecting and removal of the old unit; placing the new one in its place, connecting, filling and checking the new unit) which usually takes over 3 hours to accomplish.

### **Ok, so, the water heater is more than a decade old, and it is working fine and not leaking, why should I replace it?**

The last thing you want in a property, even in an unfinished space or inside a garage is a sudden leak can and will cause a significant flood. We recommend proactively replacing a functioning unit BEFORE it starts leaking as it will very quickly move from a small leak to a full on flood of water in just a matter of hours. Most residents will not observe this leak until it is too late.

### **So I didn't replace it like you recommended, what's the harm?**

Murphy's Law dictates that it will fail at the most inopportune times ... at night on holidays and weekends. The water heater fails while the house is occupied by renters. Suddenly, not only do they have a flood to deal with, they also have no hot water for a period of time that could be 24-72 hours depending on many factors.

If you have never experienced a water event in your home, try this experiment. Take just one gallon of water outside on a patio or driveway. Slowly pour out the water over a one minute period. Look at how the water travels and spreads. One gallon of water can coat well over a 100 square feet of hard surface. With a full on stream of water coming out of a water heater, it can quickly empty and refill and empty and refill until the water is cut off and then up to 40 gallons more can leak out. At this point the expense is not the replacement of the water heater, it is the expense of extracting all of the water and how damaged was the property due to several dozen or over a hundred gallons of water suddenly entering space it was not meant to enter.

### **It sounds like that has happened before to properties you manage?**

Yes, it has and the costs are incredible. We have seen final costs of curing all of the water damage run well over \$10K and even cause so much damage as to require the tenant to move out. Not only do you have that cost and a water related insurance claim, you also have a very upset tenant that will likely not renew their lease.

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## Contractor Final Move In Checklist

Date: \_\_\_\_\_ Contractor: \_\_\_\_\_

Property Address: \_\_\_\_\_ Move In Date: \_\_\_\_\_

- Lock Change** (All keyed alike, single cylinder deadbolts only; Provide 4 Keys) \_\_\_\_\_
- Garage Door Openers** (remotes checked/programmed/door operates) \_\_\_\_\_
- Fireplace Gas Starter Key** (Present / Replaced / Not Needed) \_\_\_\_\_
- Remove Lock Box & Sign** (Return to McCreary) \_\_\_\_\_

<b><u>Walk Thru Unit:</u></b> (Record your Observations)	<b>CHECK</b>	<b>REPAIR</b>	<b>REPLACE</b>	<b>COMMENTS</b>
Interior Lights/Bulbs	_____		_____	_____
Exterior Lights/Bulbs	_____		_____	_____
GFCI Outlets tested	_____		_____	_____
Check/Replace Detector (Test & Date)	_____		_____	<b>(If over 7 years old-Replace)</b>
Change Detector Battery	_____	<b>(If Required)</b>	_____	_____
Thermostat Tested/Set	_____	<b>(Set Heat at 60° and A/C at 80°)</b>		_____
Furnace Filter Check/Change	_____		_____	_____
Fireplace – Gas logs	_____	<b>(Light Pilot on Closed Units)</b>		_____
Water Heater Checked	_____	_____		_____
Plumbing Water Faucets	_____	_____	_____	_____
Plumbing Water Drains	_____	_____	_____	_____
Plumbing Toilets	_____	_____	_____	_____
Basement Broom Clean	_____	<b>(Confirm)</b>		_____
Garage Broom Clean	_____	<b>(Confirm)</b>		_____
Kitchen – Appliances	<b>(Confirm)</b>			_____
Ref ___ Range ___ Venthood ___ Microwave ___ Dishwasher ___ Disposal ___				_____

**HAS THE FOLLOWING BEEN COMPLETED:**

- Move In Clean Performed \_\_\_\_\_
- Final Landscape Performed \_\_\_\_\_
- Final Pest Control Performed \_\_\_\_\_

**Note:**  
 HVAC Filter Size: \_\_\_\_\_  
 Location of Filter Marked on Unit: \_\_\_\_\_  
  
 Location of Cutoffs & Tags/Labels Installed: \_\_\_\_\_  
 Main Water Cutoff: \_\_\_\_\_  
 Front Hose Cutoff: \_\_\_\_\_  
 Rear Hose Cutoff: \_\_\_\_\_

\_\_\_\_\_  
Contractor

\_\_\_\_\_  
Date Completed

\_\_\_\_\_  
WO  
Work Order Number

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Posted: 1:51 p.m. Wednesday, Aug. 31, 2011

## Home warranties not worth paper they're written on

### Related

Home warranties aren't worth the paper they're written on, but that hasn't stopped homeowners from buying them by the millions. Nor does it negate their effectiveness as a tool you can use to sweeten the pot if you have to sell your home in a tough market.

*The Chicago Tribune* reports that 3 million homeowners bought home warranties last year. Yet at the same time, for six years running, home warranty companies have led a list of the most complained about companies in America out of 500 different categories tracked by AngiesList.com.

This is a profession that shames itself every morning it gets up. The industry as a whole is really more rip-off than out-and-out scam, but there are certainly some scammy players populating it.

With a typical home warranty policy, you pay anywhere from \$400 to \$600 annually. In return, you supposedly get peace of mind when one of the mechanical components of your home breaks. But in my 24 years on the air, I've never taken a call where the warranty was a good thing. It's almost always a bad thing. You pay for peace of mind that is a mirage.

Here's how it plays out in reality: If something goes wrong in your home, the warranty companies are brutally difficult to deal with. They require you to use their contractor only. That contractor may or may not come on schedule while you're burning up in the heat of summer without AC or freezing in the dead of winter without heat. And then you've got a deductible on top of that!

When I wrote *Clark Smart Real Estate* four years ago, I talked about why I didn't like home warranties for the purchaser, but why I liked including them as buyer's assurance when you're selling a home. Well, somebody called me out on that. They said it was terrible that I'm telling people to con the buyers of a house by giving a warranty that I already know upfront isn't worth the paper it's written on.

OK, here's how I see it. If you are selling a home, you are a merchant trying to give the buyer a sense of confidence about your used home. So for peace of mind you spend \$400 on a piece of paper that's not worth anything. (But remember, you're trying to sell a home in a tough market.)

On the other hand, if you own a home and you're one of the 3 million homeowners that has been flushing money down the drain each year, don't do it anymore. Don't renew that policy! I'd prefer that you put \$50 a month into a repair fund in lieu of renewing that \$600 annual home warranty policy.

### Comments

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## Latest

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### Never Buy a Home Warranty

**QUESTION:** Jay on Twitter asks how Dave feels about home warranties. Dave tells Jay to never buy one.

**ANSWER:** Never buy them. Don't buy home warranties. Don't buy extended warranties. Don't buy any of those kinds of things. The reason is very simple. About 85% of the home warranty amount is absolutely profit and commission to the people. It is unbelievable—the vast majority. About 12% of the extended warranty or the home warranty or the electronics warranty is actually the risk that you're taking. In other words, the cost of the average item breaking down within the warranty period usually runs about 12%. The rest of what you're paying is profit, commissions, overhead and marketing costs. I would rather just take the chance. Put \$.88 in my pocket of every dollar—\$888 of every \$1,000 that I would've spent on warranties and \$12 in savings, and on average, I'm going to cover the breakdown that those warranties would've covered.

If a warranty pays out more than it costs, on average, the warranty company goes broke. Think about it. If a car insurance company pays out more in claims than they take in car insurance premiums, they go broke. They have to do a statistical analysis, put it in a form called an actuarial table, which is the probability of the item breaking or the event that is insured occurring, and that probability per 1,000 policies sold gives them their cost of issuing the insurance, the warranty, the extended warranty—whatever it is. Then you have to add to that the other things.

There are some things you should not self-insure. They're the big hits. We recommend you transfer the risk on those things. But the little things—for God's sake, if your iPhone breaks and you can't afford to replace it, you shouldn't have bought an iPhone. Don't buy an iPhone warranty or a Droid warranty. If you can't afford to fix it, you can't afford to buy it. Same thing with your car. A warranty comes with a car—new cars. I'm talking about a warranty that you pay for. Save your money.

The big items, you transfer the risk on. That's why we buy life insurance. That's why we buy homeowner's insurance. If your house burns down, you can't self-insure through that one. You can self-insure through your DVD player breaking. If you can't, you don't need to be buying a DVD player. You could self-insure through your heating and air going out. It's called an emergency fund. You can't self-insure through a triple bypass, so you have health insurance. On the big things, you transfer the risk. On the little things, you self-insure. By the way, that gives you more money to self-insure with because you're not spending all your money on home warranties, extended warranties, electronics warranties and all these other rip-off things.

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