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101 E 1st Ave #105

Mesa, AZ 85210

(480) 969-1818

(480) 464-0851 Fax



## Cities Enact New Utilities Laws

Arizona's Governor signed a law that went into effect this summer that is meant to protect the rights of Landlords and Tenants. The law was written so that utility companies cannot refuse to turn on services due to previous occupants past due balances. So, if a new tenant is moving into a rental property, the utility company can't refuse to turn on their utilities because the previous tenant didn't pay their bill. In response to this law, some of the Arizona cities have created new laws which are structured so that only the property Owner is allowed to have the utility on in their name (some cities will allow an Agent as designee). The cities are doing this because if the utility bill isn't paid they can go after the Owner for payment which could eventually lead to a lien on the property. So far, Glendale, El Mirage, Apache Junction and Gold Canyon have this law in place.

How will this affect you? It means that you will have to turn on and keep on the utilities (water, sewer, trash) for your rental property. Your property manager will let you know if it is necessary for you to do this. Depending on how much of a deposit each city requires you may want to consider a bond instead. We can help you with a referral for this if needed. The bill can be sent care of Bennett Property Management and we can pay it on your behalf.

We are considering which will be the best method to collect the costs of the utilities from the tenant. It is our goal that this will not financially harm our Owners in any way.

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[www.bennett2rentit.com](http://www.bennett2rentit.com)  
[info@bennett2rentit.com](mailto:info@bennett2rentit.com)

### Broker

Anne McCawley  
Susan Reeves  
Broker's Assistant

### Associate Broker

Sharon Wilson

### Office Manager

Mike Mumford

### Property Managers

Daniel Anderson  
Kayla Berry  
Jodi Brace  
Lance Brace  
Ginny Casselman  
Jason Casselman  
Kate Erbe  
Hector Felix  
Kristina Fogliano  
Laurie Frame  
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Sarah Johnson  
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Jane McCawley  
Mike Noggle  
Luana Patterson  
Travis Reich  
Sandy Shannon  
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Margie Cooley  
DJ Jozwiakowski  
Sarah McCawley  
Rosey Reich  
Michele Winkles  
Owners  
Anne McCawley  
Frank Bennett, Jr.

## Frank Bennett Realty Frank Bennett Jr.

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**Office** (480) 969-1818 **Direct** (480) 344-2818  
**Toll Free** (888)-845-9529 **Mobile** (480) 688-1818

101 E. 1st Ave. #105  
Mesa, AZ 85210

[www.frankbennettrealty.com](http://www.frankbennettrealty.com) [in-](#)  
[fo@frankbennettrealty.com](mailto:fo@frankbennettrealty.com)



# Frank's Forum

## Mortgage Mess

The waves (I was going to say ripples) from the financial/mortgage melt down continue to make our business difficult.

I am encouraged by several lawsuits filed by multiple investment manager, portfolio operators and pension funds who are trying to get some recovery from the larger "mortgage bundlers". These are the folks who put together millions (billions) of dollars in mortgage loans and sold them as securities to major money management firms.

Prominent names are Credit Suisse, Bear Stearnes, JP Morgan Chase, Bank of America, Citigroup, Goldman Sachs, Merrill Lynch and many more. All of these owned or were closely tied to the mortgage lenders who were on the street making shaky loans. Then these loans were bundled, and the same folks went to the institutional buyers with claims of "superior" due diligence, performance reviews, payment histories, underwriting procedures, and many other assurances of quality. In many cases "three-quarters of the loans are delinquent, in default, foreclosures, bankruptcy or repossession." (quoted from the Sunday NY Times).

Off with their heads! I say. At least hold them to the standard of us cruddy old house salesmen— take their ill-gotten gains and their licenses to do business. Let 'em pump gas over in New Jersey.

We may not all agree on all the financial reforms in the bill that just passed, but maybe some foxes will not be allowed to guard some hen houses.

## Secrets

I just had a very interesting discussion with one of our larger investor Owners.

He's hurting, with a large portfolio that has shrunk by some \$7M in the last 4 years. That is distressing, to say the least, but as a professional investor he knows that the market doesn't always go up; that we are in this for the long haul.

The part that adds insult to the injury is the 20-30% reduction in his gross rent receipts because of lower rents and higher vacancies. This makes it tough to hang on to a highly-leveraged portfolio while waiting for the market to rebound.

Now the part that made the discussion interesting. He said: "The dirty little secret about income property is that it isn't." And went on: "There is no such thing as cash flow at the end of the day."

His main point is that leveraged property is purchased with an eye toward appreciation and that projections of cash flow are just us selling ourselves into making the purchase.

I believe there is enough truth in his statement to make us think. My own opinion is that, on an after-tax basis, in anything resembling a "normal" market leveraged real estate is still the best investment we can make; and that it will cash flow enough to let us hang on until the market recovers and takes care of us.

We are grateful for the trust and business from all our Owners and especially appreciate the honesty and humility of this long-time owner.

## High Finance Shenanigans

It seems like it never ends. The financial giants (Citigroup and JP Morgan Chase in the last article I read) are being sued and investigated ad nauseum for terrible (read, none) ethical behavior.

Citigroup just paid a huge settlement for cooking the books to hide bad sub prime mortgages; and JP Morgan Chase has been sued by one of their largest customers because they misrepresented loan terms and hid important information.

One of the Principles of Common Law from Notre Dame law school (call me—I'll send you the whole list) is that "It's not the principle, it's the money." It takes an enormous commitment to ethical behavior to serve your client when it harms you. So far we are not seeing this commitment from our financial institutions.

My grand-dad said "trust everybody, but cut the cards." Still good advice. In any business dealing we should take the second look. If it sounds too good to be true...



"Listen! the wind is rising,  
and the air is wild with leaves,  
We have had our summer evenings,  
now for October eves!"

- Humbert Wolfe

## Office Fantasy Football

Our office is doing an **optional** fantasy football league!

Every week a sheet of paper will be put in your box that has a list of all games that will take place that week. Circle the teams you believe will win each game and the total score of the Monday night game.

For every correct prediction a point will be given and the person with the most points at the end of the week will win.

**CONTACT LANCE FOR INFORMATION**



## Fiesta Chorus Sing with us!

**OPEN REHEARSALS**  
are held Monday nights  
7:00 pm-10:00 pm

Please join Fiesta Chorus of Sweet Adeline's International, the world's largest women's singing organization. We love to sing!

For more information  
Call Debie at  
602-301-4151



[www.fiestachorus.org](http://www.fiestachorus.org)

## Burglary

It is not especially newsworthy, but the air-conditioners at our offices were broken into and stripped of their copper. A good neighbor heard them (escaping Freon was like an alarm) and the Police arrived quickly. The thieves escaped but left the copper behind.

Our guess is that about \$50 worth of copper was removed. Or repair bill will be about \$8000. I wish they had come in for a donation!

Rick at Insight Air did a wonderful job of getting us back up and running. The building manager is Frank, Jr., and he reported no nasty phone calls from tenants or staff demanding quicker service.

The A/C guys are really earning their pay again this summer, starting really early and working really late, and we appreciate their efforts. They are like our attorneys--we gripe about their cost all the time until we're in trouble.

## Silly Season

News Flash: it is very hot in Arizona in the summer.

The heat makes every encounter more tense; tempers are short. The money saved up during the winter season dries up and work goes away, making rent payments a struggle.

When bad/stressful things start happening each year, Barbara and I always look at each other and smile, saying "It's July!" We just expect it.

There have been several fairly vigorous confrontations this year, mostly around

this year, mostly around security deposit refunds. It is not unusual for tenants to disagree with our evaluation of the damages caused during their tenancy.

Sometimes discussion is worthwhile when the judgment is subjective. For instance, our leases allow for "reasonable wear and tear." So, if carpet or paint are going into their second or third tenant we try to be reasonable about damages.

Usually there isn't much room for disagreement. Our managers have seen 100's of badly spackled holes in walls and know how much re-painting costs. We almost always have before and after photos (sometimes video).

Our first obligation, always, is to protect the owner's interests. In the rare instances when we wind up in court, we rarely lose. If disputes are serious, our policy is to have the owner on board quickly to be a full partner in any decision

## Still Havin' Fun!

Barbara and I just celebrated our 46th Anniversary. Where did that time go?

We're still laughing at life and having fun, and now we have 8 grandkids to get started toward life. Most of the family is musical. Thanks to Barbara, and all the kids sing. Pretty good harmony, too.

The roots of Bennett Property Management start with Barbara managing our first "portfolio," and the company still reflects her values of honesty, integrity and service. Barb's first career was as a Registered Nurse and we've always said that RN's make great property managers because of the values instilled in the training.

As for me, I'm just grateful that I've been allowed to hang around for the fun. All the hams



### Catch the spirit of giving.

Adopt a family or hold a gift card drive for the children and families living in A New Leaf's homeless & domestic violence shelters and treatment centers.

Gift cards have become a great way to meet individual needs and/or buy food for their traditional holiday meal. Many learn more frugal spending behaviors and hold off for post-holiday sales to stretch their dollars.

**Now more than ever, with our sluggish economy and a decrease in donations, we ask that you sincerely consider making this holiday season special for someone in need. Contact your co-workers, groups or neighbors to spread the word.**

Thank you!

*"Last year I was able to provide all three kids with new shoes and gas money to travel to Tucson to spend Christmas with our extended family instead of spending the day in the shelter. Please let your supporters know how grateful we are".*

resident at A New Leaf LaMesita Family Homeless Shelter

in the family need a good audience—that's me!

## Paylease

Paylease is an online tenant payment portal.

We made the Paylease program available to our tenants over one year ago. So far 25% have signed up and we continue to push. This is truly a win/win game. The tenant saves time, gas, postage and hassle; Managers get the correct amount for rent in a timely manner.

Our owners also have the online option available to submit funds. In the (hopefully) rare case where we need funds for bigger expenses like carpet or a/c units, Owners can go to our website, [www.bennett2rentit.com](http://www.bennett2rentit.com), and "instantly" send us the money. Might be a good way to stock up those airline reward points on your credit card!

## **NARPM NEWS**

*National Association of Residential Property Managers*  
[Narpm.org](http://Narpm.org)



### Monthly Meeting

Oct. 21st  
Local Vender Fair

Phoenix Metro Chapter Meetings at SEVRAR:  
1363 S. Vineyard Mesa, Az

National Convention Oct. 13th thru 16th Seattle, Washington

To join our mailing list, please email us at: [susan@bennett2rentit.com](mailto:susan@bennett2rentit.com)



