



Ghostbusting: Property Management During COVID-19

Rental property management companies are dealing with more “ghosts” – tenants under a current lease who don’t pay the rent, don’t respond to repeated forbearance offers, and don’t meet hardship requirements. Some examples:

- 9 unanswered emails, web postings, texts, and phone calls have gone from property manager to a non-paying tenant with 6 months to run on her \$5,000/mo. lease. The unit is empty - this is the lessee’s second home. They refuse to pay and refuse to respond to landlord’s offers to work out a payment plan. Landlord can’t evict.
- Parent guarantors refuse to respond to 7 offers to work out their sons’ and daughters’ \$3,000/mo. student leases. These students have been home for 3-4 months, but parents have delayed payment, failed to demonstrate hardship, and gone silent now.
- Tenant is working fewer hours these days, but still has sufficient ability to pay \$2,500/mo. rent from income and assets. He inquired about hardship program, heard the terms, then stopped paying. He’s not responded to 11 follow-ups from the property manager to discuss and document any lease relief for his situation.

FCO has heard several of these stories from rental housing firms of all sizes. What’s a housing provider to do? Demand from paying applicants is strong for these units where “ghosts” have a lease. But court closures, CARES Act and local eviction protections are denying these qualified,

able-to-pay applicants access to rent these units – protecting instead higher-income “ghost” tenants and guarantors who don’t pay or communicate. Passed in a hurry, these protections enabled operators to determine hardship eligibility criteria, but took away key property rights to enforce the process against undeserving “ghosts” - tenants with substantial ability to pay, but no motive to resolve.

Slowly, however, ghosts will be held accountable. Courts are beginning to reopen and local limits on eviction are burning off. Also, for roughly a quarter of all rental housing subject to CARES Act prohibitions on eviction, July 25 marks the date these housing providers may resume the eviction process with a 30-day notice. Collections are available on charge-offs as leases expire.

What should rental property management firms be planning for in July?

- Document attempts to reach tenant about non-payment and hardship relief, as well as any resident response.
- Consult with counsel whether notices and affidavits in the eviction process need to be modified due to local limits.
- Prepare to place with your agency for collections once the renter has moved out, unit has been inspected and any damage repaired, and the renter has been given final account statement detailing amount owed.

Have questions about rental debt collections and “ghosts” on your properties? Contact me at 240.374.5440 or jharris@fco.com. My FCO colleagues and I would be happy to review what you’re doing and suggest how you can be fully prepared for the second half of 2020.

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