



# Starting, Building and Managing Your Own Company

# Starting Your Property Management Company

## **Introduction**

- Overview of property management as a business
- Responsibilities of a property manager
- Pros and cons of running a property management company

## **Business Structure & Licensing**

- Choosing a legal structure (LLC, S-Corp, etc.)
- Registering your business
- State licensing requirements (Montana-specific property management licensing)
- Insurance needs (E&O, general liability, workers' compensation)

## **Developing a Business Plan**

- Defining your services (residential, commercial, vacation rentals, HOA management)
- Setting goals and growth strategies
- Market research and competitive analysis
- Pricing your services (flat fees, percentage-based, tiered plans)

# Starting Your Property Management Company

## **Legal & Compliance Considerations**

- Understanding Montana Landlord-Tenant Laws
- Creating contracts (management agreements, lease agreements, maintenance contracts)
- Trust accounting and handling security deposits properly
- Fair Housing Laws and ADA compliance

## **Setting Up Operations**

- Choosing property management software (AppFolio, Buildium, etc.)
- Establishing bookkeeping and financial management systems
- Setting up maintenance workflows (in-house vs. vendors)
- Developing policies and procedures for tenant screening, rent collection, and evictions

## **Marketing & Client Acquisition**

- Identifying target clients (individual owners, investors, out-of-state owners)
- Creating a website and online presence
- Leveraging social media and online directories
- Networking with real estate agents and investors
- Developing referral programs

# Starting Your Property Management Company

## **Building a Vendor & Maintenance Network**

- Finding reliable contractors (plumbers, electricians, landscapers, etc.)
- Negotiating vendor agreements
- Managing maintenance requests efficiently
- Planning for emergency repairs and after-hours service

## **Hiring & Training Staff**

- Deciding when to hire (assistants, maintenance staff, leasing agents)
- Employee vs. independent contractor considerations
- Training on company policies, legal compliance, and customer service
- Creating a company culture and professional standards

## **Scaling & Growth Strategies**

- Expanding service areas and property types
- Adding additional revenue streams (leasing fees, maintenance markups, consulting)
- Streamlining operations with automation and AI tools
- Partnering with investors and developers

## **Common Challenges & How to Overcome Them**

- Dealing with difficult tenants and owners
- Managing cash flow and financial risks
- Navigating legal disputes and evictions
- Staying up to date on industry trends and regulations

# Components of a Property Management Agreement

## 1. Purpose of the Contract

- Defines the legal relationship between the property owner (principal) and the property manager (agent).
- Grants the manager authority to act on the owner's behalf and outlines the scope of duties and responsibilities.

## 2. Essential Elements of a Management Agreement

A legally sound contract typically includes:

- Identification of Parties  
Clearly names the owner and the management firm or individual.
- Property Description  
Includes legal and physical description of the property under management.
- Term of Agreement  
Specifies start and end dates, renewal options, and termination terms (with or without cause, and notice period).
- Manager's Authority & Duties  
Defines what the manager is authorized to do, such as...

# Components of a Property Management Agreement

- Manager's Authority & Duties

Defines what the manager is authorized to do, such as:

- Collecting rent
- Contracting for repairs
- Paying bills
- Leasing property
- Serving notices
- Initiating evictions

# Components of a Property Management Agreement

- **Owner's Responsibilities**

Includes maintaining sufficient funds in operating accounts, providing records, and carrying insurance.

- **Compensation**

Details how the manager is paid—flat fee, percentage of gross rents, or a hybrid.

- **Reporting Requirements**

Outlines frequency and types of financial reports required (income/expense statements, bank reconciliations, etc.).

- **Trust Accounting**

Requires compliance with applicable laws for handling security deposits and owner funds (reinforce Montana trust accounting standards under ARM 24.210.805 and 70-25-201, MCA).

- **Indemnification and Liability**

Protects the manager from liability for actions taken in good faith and within the contract's scope.

- **Termination Clause**

Specifies how the contract can be terminated early and any penalties or required notices.

- **Legal Compliance Clause**

Ensures the manager will operate in accordance with Fair Housing laws, ADA, landlord-tenant laws, and local codes.

# Leasing Principals

## Applications

### 1. Purpose of a Lease Application

- Screens prospective tenants to assess creditworthiness, reliability, and suitability.
- Helps protect the owner's investment and minimize risk of nonpayment or property damage.
- Forms the first step in establishing a landlord-tenant relationship—before lease execution.

### 2. Common Components of a Lease Application

- Full legal name and contact info.
- Social Security number (or other ID).
- Employment and income verification.
- Rental history with prior landlord references.
- Personal references (optional).
- Consent for background and credit checks.
- Number of occupants and pets.
- Vehicle information.
- Best Practice: Use consistent screening criteria for all applicants to avoid Fair Housing violations.

# Leasing Principals

## 3. Tenant Screening Process

- Credit Report: Assesses payment history and current obligations.
- Criminal Background Check: Allowed under Montana law but must be applied consistently and fairly.
- Rental History: Look for prior evictions, late payments, or damage reports.
- Income Verification: Typically requires an income of 2.5x–3x the rent amount.

## 4. Fair Housing Compliance

- Screening must comply with federal Fair Housing laws (protected classes: race, color, national origin, religion, sex, familial status, disability) and Montana Human Rights Act (adds marital status, creed, age).
- Avoid questions about:
  - Disability or medical history
  - Children or pregnancy
  - Citizenship or immigration status
- MCA § 49-2-305 prohibits discrimination in housing based on protected classes.

# Leasing Principals

## **5. Application Fees and Holding Deposits**

- Application fees are allowed in Montana and should be non refundable if stated clearly.
- Holding deposits must be documented, with clear terms:
- If applicant backs out, deposit may be forfeited.
- If denied, deposit must be refunded.

## **6. Approval, Denial, or Conditional Acceptance**

- Approval: Proceed to lease signing and move-in process.
- Denial: Must comply with Fair Credit Reporting Act (FCRA)—provide notice of denial and credit reporting agency contact if a report was used.
- Conditional Approval: May include higher deposit or co-signer if risk factors are present.

# Leases

## 1. Definition of a Lease

- A lease is a binding rental agreement granting a tenant the right to occupy residential property in exchange for rent.
- It outlines the rights and obligations of both landlord and tenant and must comply with the Montana Residential Landlord and Tenant Act (MRLTA) or the Manufactured Home Lot Rental Act (for mobile home parks).

## 2. Types of Residential Tenancies in Montana

- Tenancy for Term (Estate for Years): Fixed start and end dates; ends automatically unless renewed.
- Month-to-Month Tenancy (Periodic): Renews automatically unless either party gives proper written notice.
- Tenancy at Will: Tenant occupies with or without a formal lease and either party may terminate at anytime.
- Tenancy at Sufferance: Applies to holdovers when a tenant remains in possession without permission.
- Land Lease: An agreement to rent our land for a specified period. Common for mobile homes.

# Leases

## **3. Requirements of a Valid Lease in Montana**

- Names of all parties.
- Legal/physical description of the property.
- Lease term and start date.
- Rent amount, due date, and payment method.
- Security deposit terms.
- Signature of both parties.
- Disclosure of landlord's contact info.

## **4. Required Disclosures**

- Lead-based paint disclosure for homes built before 1978.
- Mold disclosure is best practice.
- Move-in checklist required if collecting a deposit.

## **5. Security Deposits**

- Return within 30 days.
- Must include itemized deductions.
- Return in 10 days if no deductions.
- No cap on amount, but must be clearly stated and reasonable.

# Leases

## **6. Key Lease Clauses under Montana Law**

- Rent: Usually due on the 1st; must be clearly defined.
- Late Fees: Must be reasonable and disclosed.
- Entry: 24-hour notice required.
- Occupancy Limits: Enforceable if in the lease.
- Subleasing: Only allowed if permitted by lease.

## **7. Lease Renewal and Termination**

- Month-to-month: 30 days' written notice by either party.
- Fixed-term: Ends automatically unless renewed in writing.
- Early termination allowed for military, domestic violence, or landlord breach.

## **8. Lease Violations & Remedies**

- 14-day notice to cure or vacate.
- 3-day notice for non payment of rent or pets.
- 5-day notice to terminate for repeated lease breaches.



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**THE GENERAL TERMS CONTAINED IN THE SECTION THAT IMMEDIATELY FOLLOWS ARE AN INTEGRAL PART OF THIS AGREEMENT.**

**GENERAL TERMS**

**RENT:** Rent is payable in advance on or before 5:00 p.m. on the day indicated herein for each calendar month to Manager at the address indicated in the specific Terms of this Agreement, or at such other place as may be designated by Manager from time to time. Acceptance of rent does not constitute a waiver of prior Tenant(s) default. All payments made by Tenant(s) shall apply first to the oldest sums due and owing under the terms of this Agreement. The rent must be paid with a single check unless the Manager has agreed in writing to accept separate checks from the Tenants. The Manager will not accept postdated or endorsed third party checks. Payments are payable to \_\_\_\_\_.

**LATE CHARGE:** In the event rent is not paid by the date set out in the Specific Terms of this Agreement, a late charge in the amount set forth therein shall arise. The late charge period is not a grace period and Manager is entitled to pursue the remedies provided herein if rent is not paid when due. All late fees shall be deemed additional rent for the rental month and shall be paid and collected as such.

**PAY OR VACATE NOTICE.** Manager will charge and Tenant agrees to pay Manager's administrative costs upon issuance of a Pay or Vacate Notice (POV). This fee is non-refundable and Manager will charge Tenant each month a POV is issued due to late rent payment.

**NSF CHECK CHARGE:** In the event any payment, made by check, to the Manager by Tenant(s) is returned unpaid, the Tenant(s) payment shall not be considered made until such funds are made good. In addition, Tenant(s) shall also pay the NSF Check Fee set out in the Specific Terms of this Agreement and from that time, forward all payments shall be made in the form of a cashier's check or money order.

**SECURITY DEPOSITS:** Tenant(s) agree to pay concurrent with the signing of this Agreement a security deposit to secure Tenant(s) compliance with all of the conditions of this Agreement and Manager's Rules and Regulations, if any. The security deposit shall not be deemed rent for any rental month, unless Manager elects to do so nor shall it constitute a measure of Manager's damage in the event of default by Tenant(s). Security Deposits shall be applied to outstanding charges owed by Tenant(s) under this Agreement and/or returned to Tenant(s) upon termination of this Agreement in Accordance with Mont. Code Ann. § 70-25-101, et. seq. Security deposits will be held in a trust account(s). Any interest earned from these account(s) will be paid to the Manager in consideration for administering these account(s) and Manager need not account to the Tenant for such interest earned.

**ADDITIONAL OCCUPANTS / GUESTS:** The premises shall not be occupied by any person other than those named as Tenant(s) or additional occupants in this Agreement, without the prior written consent of the Manager. Tenant(s) shall not permit any guest to stay more than seven consecutive days in any

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
Initials:

Manager / Tenant(s)

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twelve-month period, without prior written consent of the Manager. Any guest who stays in excess of this amount shall be considered an unauthorized occupant.

**ANIMALS / PETS:** No pets shall be permitted on the premise, except the following described pet(s) for which an additional security deposit has been made:

\_\_\_\_\_  
\_\_\_\_\_  
Tenant is solely responsible for all damages caused by pets. Failure to properly supervise and/or care for pets shall be grounds for termination of this agreement. Tenant(s) or their guests will not bring or allow animals on the premises at any time without a prior written consent from the Manager. Tenants will sign a separate pet agreement in the event that Manager approves a request for a pet.

**RULES AND REGULATIONS:** The Manager may adopt Rules and Regulations concerning the Tenant(s) use and occupancy of the premises pursuant to Mont. Code Ann. §70-24-311. Tenant(s), additional occupants and all guests shall abide by all Rules and Regulations, including but not limited to those concerning noise, odors, disposal of refuse, animals, parking, and use of common areas.

**ORDINANCES AND STATUTES:** Tenant(s) shall comply with all applicable statutes, ordinances, and requirements of all Municipal County, State, and Federal authorities and with any applicable private restrictive covenants regarding the use of the premises.

**ASSIGNMENT AND SUBLETTING:** Tenant(s) will not assign their interest in this Agreement or sublet any portion of the premises without prior written consent of the Manager.

**MAINTENANCE, REPAIRS, OR ALTERATIONS:** Tenant(s) acknowledge that the premises are in good order and repair, unless otherwise indicated in this Agreement. Tenant(s) shall not destroy, deface, damage, impair or remove any part of the premises. Tenant(s) will maintain the premises in a clean, safe and sanitary manner, including the maintenance of all smoke detectors and carbon monoxide detectors located in the premises. Tenant(s) shall be liable for damages caused by their actions and those of additional occupants and guests. Tenant(s) shall not re-key any locks, paint, paper, redecorate, or make other alterations to the premises without the prior written consent of the Manager.

**INSPECTIONS:** Except in emergencies, Manager shall give Tenant(s) a (24) hour notice of intent to enter the premises at a reasonable time for the purpose including, but not limited to, inspections, to make repairs or alterations, to supply services or exhibit the premises to potential tenants, purchasers, mortgagees, owners or workmen. Tenant(s) shall not deny Manager or Manager's inspector access to the premises.

**INSURANCE AND LIABILITY:** Tenant(s) shall obtain and maintain a policy of renter's insurance in an amount of no less than (\$\_\_\_\_\_). Tenant(s) shall name Manager as additional insured on the policy and provide a copy of the policy indicating the coverage to the Manager prior to occupancy.

On \_\_\_\_\_, Tenant(s) provided a copy of the policy required herein.

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
Initials:

Manager / Tenant(s)

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MANAGER

Manager is not liable to Tenant(s), and does not insure Tenant(s), for any personal injury or property damage caused by the act or omission of any other Tenant(s) or third party, or by any criminal act or activity, war, riot, insurrection, fire or act of God. Tenant(s) acknowledges responsibility for securing Renter's insurance to cover Tenant(s)' personal property against any loss or damage.

**ABSENCES:** Tenant(s) shall notify Manager of any anticipated absence of greater than (7) days or such absence will be considered abandonment of the premises and Manager may reenter and re-rent the premises. Tenant(s) shall be responsible for any damages to the premises caused by the Tenant(s) absence.

**DEFAULT:** Tenant(s) agree that each of the terms of this Agreement and of Manager's Rules and Regulations, if any, constitutes an independent condition of Tenant(s) right to possession of the premises. Any failure by Tenant(s) to comply with one or more of such terms shall constitute a default under the terms of this Agreement and Manager may terminate Tenant(s) right to possession of the premises and other rights under this Agreement, together with such other remedies as provided by Montana law.

**ABANDONED PERSONAL PROPERTY:** Upon termination of tenancy, if Tenant(s) fails to remove personal property from the premises, Manager shall adhere to Mont. Code Ann. §70-24-430, a copy of which is herewith provided.

**VACATING PREMISES PRIOR TO TERMINATION:** Tenant(s)' obligation under the terms of this Agreement shall not cease upon surrender of premises. Such obligation shall continue until this Agreement expires or Manager is able re-rent the premises. In the event that one or more, but fewer than all, Tenant(s) vacate prior to the termination of this Agreement, the remaining Tenant(s) shall remain liable for the full sums due hereunder. The remaining Tenant(s) may locate a prospective Tenant(s) acceptable to them; however, Manager must approve such prospective Tenant prior to taking occupancy. In all cases, vacating Tenant(s) shall remain jointly and severally liable under the terms and conditions of this Agreement. Furthermore, no portion of the security deposit shall be returned, until the termination of this Agreement, and, if then, only as provided herein.

**TERMINATION OF TENANCY:** Upon termination of tenancy, Tenant(s) shall return premises to Manager in the same condition and repair as when received, ordinary wear and tear expected, and free of all Tenant(s)' personal property, trash and debris. Tenant(s) acknowledges that no representations as to the condition or repair of the premises, or as to Manager's intentions with respect to any improvements, alteration, decoration or repair of the premises, have been made to Tenant(s), unless provided in this Agreement. Tenant(s) acknowledges receipt of a written statement of the condition of the premises. Upon termination of this Agreement, the parties agree as follows:

1. Manager shall provide Tenant(s) written notice of the cleaning necessary to bring the premises back to its condition at the time of its renting.
2. Tenant(s) shall have (24) hours after receipt of said notice to complete the required cleaning.
3. Failure to accomplish said cleaning within the time allowed entitles Manager to deduct the cost of cleaning and/or repairs from the security deposit.
4. Within (30) days after the termination of the tenancy, Manager shall provide Tenant(s) with a written list of any rent due and any damages and cleaning charged deducted from the security deposit and payment of the difference, if any, between the security deposit and the deducted charges.
5. If after inspection there are no damages to the premises, no cleaning required, and no rent unpaid and if the Tenant(s) can demonstrate that no utilities are unpaid by the Tenant(s), the Manager shall return the security deposit within (10) business days.

**EARLY TERMINATION OF LEASE:** Tenant(s) agree that they shall pay Manager the sum of additional actual costs associated with the early termination of the lease. **In addition to this fee, Tenant(s) remain liable to Manager for damages, cleaning, and all rent that shall accrue until the dwelling is re-rented.**

**TENANT(S) OBLIGATIONS:** Tenant(s) are obligated as follows:

1. To comply with all obligations primarily imposed upon Tenant(s) by applicable provisions of building and housing codes materially affecting health and safety.
2. To keep that part of the premises that they occupy and use as reasonably clean and safe as the condition of the premises allows.
3. To dispose from the dwelling all ashes, garbage, rubbish, and other waste in a clean and safe manner.
4. To keep all plumbing fixtures in the dwelling unit or used by Tenant(s) as clean as their condition permits.
5. To use in a reasonable manner all electrical, plumbing, sanitary, heating, ventilating, air conditioning facilities as well as elevators and other facilities on the premises.
6. To conduct themselves and require other persons on the premises by consent of Tenant(s) to conduct themselves in a manner that will not disturb neighbors' peaceful enjoyment of their premises.
7. To use parts of the premises including the living room, bedroom, kitchen, and dining room in a reasonable manner considering the purposes for which they were designed and intended;
8. To neither commit nor allow any illegal acts on or about the premises.
9. To periodically inspect the premises and immediately notify Manager of necessary repairs;

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
Initials:

Manager / Tenant(s)

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
Initials:

Manager / Tenant(s)



mold and/or mold-related hazards in the property. Those reports and records are itemized as follows: \_\_\_\_\_

Manager has no records or reports pertaining to mold and/or mold-related hazards.

**TENANT(S)' ACKNOWLEDGMENT:** Tenant(s) acknowledges, by his/her initials in the blanks provided below, as follows:

\_\_\_\_ (c) Tenant(s) has received copies of all information listed in item (b).

\_\_\_\_ (d) Tenant(s) has received the pamphlet "Protect Your Family from Lead in Your Home."

**MANAGER'S ACKNOWLEDGMENT:** The Manager acknowledges as follows:

\_\_\_\_ (e) Manager has informed the owner of the premises of his obligations under 42 U.S.C. §4852 (d) and is aware of his/her responsibility to ensure compliance.

**CERTIFICATIONS:** The parties have reviewed the information above and certify, to the best of their knowledge, that the information, which they have provided, is true and accurate.

**FAIR HOUSING:** Civil rights laws of the United States prohibit housing discrimination based on race, religion, sex, national origin, color, handicap, or family status. All parties to this Agreement shall act according to said law.

**ATTORNEY'S FEES AND COSTS OF COLLECTION:** In the event that it becomes necessary to initiate a collection action or legal action in order to collect fees and costs due under this Agreement, the prevailing party may be entitled to reasonable costs, attorney's fees including collection costs and fees.

**ENTIRE AGREEMENT:** The foregoing constitutes the entire agreement between the parties and supersedes any oral or written representation or agreements that either party may have made to the other. Further, Tenant(s) have relied solely on their own judgment and experience in entering into this Agreement with the Manager and are of legal age (or if Tenant(s) are not of legal age, Tenant(s) agree this Agreement is for a necessity) and that they are of sound mind.

**NEGOTIATED AGREEMENT.** The Parties agree that each has had the opportunity to negotiate each term in this Agreement.

\_\_\_\_\_  
Manager Initials

\_\_\_\_\_  
Tenant(s) Initials

**NOTE: ANY PERFORMANCE WHICH IS REQUIRED TO BE COMPLETED ON A SATURDAY, SUNDAY OR A HOLIDAY CAN BE PERFORMED ON THE NEXT BUSINESS DAY.**

\_\_\_\_\_  
TENANT SIGNATURE DATE

\_\_\_\_\_  
Initials:

\_\_\_\_\_  
Manager / Tenant(s)

\_\_\_\_\_  
TENANT SIGNATURE DATE

\_\_\_\_\_  
TENANT SIGNATURE DATE

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TENANT SIGNATURE DATE

\_\_\_\_\_  
TENANT SIGNATURE DATE

\_\_\_\_\_  
MANAGER SIGNATURE DATE

\_\_\_\_\_  
Initials:

\_\_\_\_\_  
Manager / Tenant(s)

# MANAGER-TENANT STATEMENT OF CONDITION OF THE RENTAL PROPERTY



1 Manager: \_\_\_\_\_  
 2 Address: \_\_\_\_\_  
 3  
 4 Phone: \_\_\_\_\_  
 5

6 Date: \_\_\_\_\_  
 7 Time: \_\_\_\_\_  am  pm  
 8

9 To Tenant in Possession: \_\_\_\_\_  
 10 Regarding Rental Premises at: \_\_\_\_\_  
 11 \_\_\_\_\_

12 Previous Rental of the Property:  These premises have been rented before.  
 14  These premises have not been rented before.  
 15

16 This statement of condition is to record the condition of the rental unit at the time of initial occupancy. The Manager  
 17 and Tenant should agree as to the condition of the premises, each retaining a copy of this form when completed.  
 18

RATINGS KEY			
1 – Poor 2 – Fair 3 – Good 4 – New Condition			
Item Rated	Rating	Photos Attached	Conditions & Comments
<b>A. KITCHEN/DINING AREA</b>			
1. WALLS (PAINT – HOLES)			
2. WINDOWS & SCREENS			
3. CURTAINS & DRAPES			
4. DOORS			
5. CEILINGS			
6. LAMPS/LIGHT FIXTURES			
7. LIGHT BULBS			
8. FLOORS & CARPET			
9. SINK & GARBAGE DISPOSAL			
10. CLOSETS & CUPBOARDS			
11. DRAWERS			

\_\_\_\_\_/\_\_\_\_\_  
 \_\_\_\_\_  
 Tenant's Initials  
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 Manager-Tenant Statement of Condition of the Rental Property, March 2017  
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 \_\_\_\_\_/\_\_\_\_\_  
 \_\_\_\_\_  
 Owner/Manager's Initials  
 This form presented by Sabrina Murphy | Keller Williams Western MT | (406) 531-1717 | [sabrina@mt-properties.com](mailto:sabrina@mt-properties.com) TRANSACTIONS  
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RATINGS KEY			
1 – Poor 2 – Fair 3 – Good 4 – New Condition			
Item Rated	Rating	Photos Attached	Conditions & Comments
12. FURNITURE			
13. EXHAUST FAN			
14. COUNTER TOPS			
15. RANGE/OVEN			
16. REFRIGERATOR			
17. DISHWASHER			
18. OTHER			
<b>B. LIVINGROOM</b>			
1. WALLS (PAINT – HOLES)			
2. WINDOWS & SCREENS			
3. CURTAINS & DRAPES			
4. DOORS			
5. CEILINGS			
6. LAMPS/LIGHT FIXTURES			
7. LIGHT BULBS			
8. FLOORS & CARPETS			
9. MIRRORS			
10. CLOSETS & CUPBOARDS			
11. DRAWERS			
12. FURNITURE			
13. OTHER			
<b>C. BEDROOM #1</b>			
1. WALLS (PAINT – HOLES)			
2. WINDOWS & SCREENS			
3. CURTAINS & DRAPES			
4. DOORS			
5. CEILINGS			

\_\_\_\_\_/\_\_\_\_\_  
 \_\_\_\_\_  
 Tenant's Initials  
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 Transact on Desk Edition



RATINGS KEY			
1 – Poor 2 – Fair 3 – Good 4 – New Condition			
Item Rated	Rating	Photos Attached	Conditions & Comments
<b>G. BATHROOM #2</b>			
120			
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<b>H. HALL &amp; UTILITY ROOM</b>			
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148			

RATINGS KEY			
1 – Poor 2 – Fair 3 – Good 4 – New Condition			
Item Rated	Rating	Photos Attached	Conditions & Comments
149			
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155			
<b>I. BASEMENT</b>			
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<b>J. MISCELLANEOUS</b>			
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177			



PET AGREEMENT



1 Date: \_\_\_\_\_

3 PLEASE NOTE: Pets are a serious responsibility and risk for each tenant. If not properly controlled and cared for, pets  
4 can disturb the rights of others and cause significant damage for which tenants may be held liable.

6 Date of Rental Agreement: \_\_\_\_\_

8 Premises: \_\_\_\_\_

10 Tenant(s): \_\_\_\_\_

12 Owner/Manager: \_\_\_\_\_

14 TERMS:

- 1. Conditional Authorization for Pet. Tenant is hereby authorized to keep a pet which is described below at the above premises until the lease expires. Authorization may be terminated if tenant's right of occupancy is terminated or if the pet rules listed below are violated in any way by tenant or tenant's family, guests or invitees.
2. Additional Security Deposit. Tenant shall deposit with the Owner/Agent an "Additional Deposit" in the amount of \$\_\_\_\_\_ which shall be held as security for the faithful performance of this Pet Agreement and as an additional security deposit for any damages that may be caused by Tenant's pet(s).
3. Additional Pet Rent. Rent payable under the Rental Agreement referenced above will be increased by \$\_\_\_\_\_ per month, payable per the terms of said Rental Agreement.
4. No Limit on Liability. The additional security deposit to be paid by Tenant under this Pet Agreement is not a limit on tenant's liability for property damages, cleaning, deodorizing, defleaing, replacements and/or personal injuries set forth below or under applicable law.
5. Indemnification. Tenant shall indemnify and hold Owner and Agent harmless from any and all liability associated with Tenant keeping a pet on the premises including, without limitation, any damage to the premises, Tenant's personal property, and any damage or injuries to others.

36 DESCRIPTION:

- 6. Description of Pet. Only the following pet(s) are authorized to be kept on the premises. No substitutions are allowed. No other pets shall be permitted on the premises unless listed on this Pet Agreement.

Table with 6 columns: Species, Breed, Color, Age, Weight, Name

46 Attach Addendum if more lines are needed.

48 PET RULES:

- 7. Tenant is responsible for the actions of the pet at all times and agrees to abide by the following rules:
a. Tenant agrees that the pet will not disturb the rights, comforts or convenience of others. This applies to whether the pet is inside or outside the premises leased by Tenant.

- b. Unless Owner/Agent has restricted the pet(s) to a particular area of the premises, the entire premises leased may be used. However, Tenant is responsible to ensure that the premises are not damaged due to digging, overuse or defecation by the pet(s). Tenant shall promptly remove all solid pet waste. Pet must be leashed or confined to the leased premises at all times.
c. Pet will not be allowed to roam off the premises unattended.
d. No pet offspring are allowed.
e. No kittens or puppies are allowed.
f. This Agreement [ ] does [ ] does not give the tenant permission to allow pet inside the house or apartment.
8. Additional Rules: Landlord shall from time to time have the right to make reasonable changes and additions to the pet rules herein upon written notification to Tenant.

70 LIABILITY:

- 9. Liability for Damages:
a. Tenant(s) must provide Landlord with Renter's Insurance Policy that includes pets.
b. Tenants shall be liable for the entire amount of all damages caused by pet. This applies to carpets, doors, walls, drapes, windows, screens, furniture, appliances and any other part of the residence, including landscaping. If such items cannot be satisfactorily cleaned or repaired, tenant must pay for complete replacement by owner. Payment for damages, repairs, cleaning, replacements, etc. shall be due immediately upon demand. Tenant shall be strictly liable for the entire amount of any injury to the person or property of others, caused by such pet, and tenant shall indemnify owner for all costs of litigation and attorney's fees resulting from same.
10. Move Out. Upon vacating the property, Tenant shall have the carpets cleaned and the property deodorized and treated for potential fleas, and shall provide Owner/Agent a receipt verifying such cleaning as follows:
11. Violation of rules. If any rule or provision of this Pet Agreement is violated by tenant, other occupants, guests or invitees, tenant shall at Owner's/Agent's option immediately and permanently remove the pet from the home upon written notice by Owner/Agent. Failure of Tenant to so remove the pet shall be considered a violation of the rental agreement and may subject Tenant to eviction.

THIS IS A BINDING LEGAL DOCUMENT. READ CAREFULLY BEFORE SIGNING.

Tenant's Signature \_\_\_\_\_ Date \_\_\_\_\_
Tenant's Signature \_\_\_\_\_ Date \_\_\_\_\_
Owner/Agent's Signature \_\_\_\_\_ Date \_\_\_\_\_

NOTE: Unless otherwise expressly stated the term "Days" means calendar days and not business days. Business days are defined as all days except Sundays and holidays. Any performance which is required to be completed on a Saturday, Sunday or holiday can be performed on the next business day.

# Tenant Relations

## 1. Why Tenant Relations Matter

- Positive tenant relations reduce turnover, late payments, and disputes.
- Good communication promotes longer tenancies, higher tenant satisfaction, and fewer legal issues.
- Property managers serve as the public face of the owner's investment.

## 2. Establishing a Professional Relationship

- Begins at first contact—lease-up, showing, and application stage.
- Tenants should be treated fairly, respectfully, and consistently in accordance with Fair Housing laws.
- Consistent policies and written procedures help avoid claims of discrimination.

## 3. Clear and Ongoing Communication

- All lease terms and expectations must be clearly explained at move-in.
- Use welcome packets, written rules, and orientation checklists to set standards.
- Maintain open channels for maintenance requests, concerns, and updates.
- Provide reasonable notice before entering occupied units and respect privacy.

# Tenant Relations

## 4. Handling Complaints and Conflict

- Respond promptly and professionally.
- Document all complaints and how they were handled.
- De-escalate when possible—tenant retention is more cost-effective than frequent turnover.
- Follow proper notice procedures when addressing lease violations.

## 5. Tenant Education and Involvement

- Encourage care for the property through education and reminders (e.g., seasonal newsletters or community bulletins).
- In HOAs or multifamily buildings, foster a sense of community and shared responsibility.

## 6. Tenant Retention Strategies

- Keep rent increases reasonable and justified.
- Offer lease renewal incentives where appropriate.
- Acknowledge long-term tenants with small gestures (thank-you notes, maintenance perks, etc.).

## 7. Move-Out Procedures

- Communicate expectations early (e.g., cleaning, keys, forwarding address).
- Use a move-out checklist and complete a documented walkthrough.
- Return security deposits within the required legal timeframe, including itemized deductions.

# Commercial Property Management

## 1. What Is Commercial Property Management?

- Involves managing income-producing nonresidential properties like:
- Office buildings
- Retail centers
- Industrial facilities
- Mixed-use developments

## 2. Key Differences from Residential Management

- Commercial tenants are business entities, not individuals.
- Lease terms are longer (often 3–10+ years).
- Leases are highly negotiable and tailored to each tenant.
- Rent structures often include CAM charges, escalations, and pass-throughs.

## 3. Types of Commercial Leases

- Gross Lease: Tenant pays rent; landlord covers expenses.
- Net Lease (Single/Double/Triple): Tenant pays rent + some or all operating expenses.
  - Single Net: Base rent plus property taxes.
  - Double Net: Base rent plus property taxes and building insurance.
  - Triple (Absolute) Net: Base rent plus property taxes, building insurance and CAM.
- Percentage Lease: Base rent plus a percentage of sales (common in retail).
- Modified Gross Lease: A hybrid—some expenses are shared.
- Ground Lease: A long term agreement where a landowner (lessor) leases the land to build on or improve the property.

# Commercial Property Management

## 4. Tenant Selection & Risk Management

- Commercial tenant selection focuses on:
  - Financial strength and creditworthiness
  - Business stability and reputation
  - Suitability for the space (retail synergy, zoning compliance)
- Risk management includes:
  - Insurance requirements
  - CAM reconciliation
  - Lease enforcement protocols

## 5. Lease Negotiation and Structuring

- More complex than residential leases—custom clauses for:
  - Build-out allowances (TI)
  - Rent escalation (step-up, CPI-based)
  - Exclusivity or non-compete clauses
  - Subleasing or assignment terms
- Property manager may work closely with attorneys and brokers during negotiation.

# Commercial Property Management

## 6. Operations and Maintenance

- Must balance tenant expectations with budget constraints.
- Services often include janitorial, security, landscaping, and HVAC.
- Preventive maintenance is key—mechanical systems are more complex and costly.
- CAM (Common Area Maintenance) budgeting and reconciliation are essential for transparency and cost recovery.

## 7. Reporting and Owner Communication

- Commercial owners expect professional, detailed financial reporting.
- Monthly reports typically include:
  - Rent roll
  - Variance reports (budget vs actual)
  - CAM tracking
  - Lease expiration/renewal schedule
- Managers are expected to think like asset managers, not just rent collectors.

# Parties to Contracts/Agreements

**Principal:** The principal is the party who authorizes another party (the agent) to act on their behalf. The principal is ultimately responsible for the actions taken by the agent within the scope of their authority.

**Agent:** The agent is the party who is authorized by the principal to act on their behalf. The agent's actions and decisions within the scope of their authority are legally binding on the principal.

**Fiduciary:** A fiduciary is a person or entity that has been entrusted with the responsibility to act in the best interests of another party. Fiduciaries have a legal and ethical obligation to act with loyalty and care. Typically, a fiduciary prudently takes care of money or other assets for another person.

**Guarantor:** The guarantor is a person or entity that agrees to be responsible for the obligations of another party if that party fails to meet their obligations. This often involves agreeing to pay debts or fulfill other contractual duties if the primary obligor defaults.

**Lessee:** The party who rents or leases a property from another party. The lessee is the tenant who gains the right to use and occupy the property according to the lease agreement.

**Lessor:** The party who owns and rents out the property to another party. The lessor is the landlord who grants the lessee the right to use and occupy the property in exchange for rent.

# Parties to Contracts/Agreements

**Bilateral Agreement:** A bilateral agreement is a type of contract where both parties make mutual promises to each other. Each party agrees to perform certain obligations or provide certain benefits to the other party, creating reciprocal commitments.

**Meeting of the Minds:** A "meeting of the minds" occurs when all parties involved in a contract have a clear and mutual understanding of its terms and conditions, leading to a valid and enforceable agreement. It signifies that everyone agrees on the essential aspects of the contract and their respective obligations.

## **Element Requirements for a Valid Contract:**

1. **Offer and Acceptance:** Clear agreement on lease terms between lessor and lessee.
2. **Mutual Consent:** Both parties understand and agree to the terms.
3. **Consideration:** Exchange of value, typically rent.
4. **Legal Capacity:** Parties must be of legal age and mentally competent.

**Asset Manager:** A professional responsible for maximizing the financial performance and long-term value of a property or a portfolio of properties. Unlike property managers who handle the day-to-day operations, an asset manager takes a strategic, high-level approach focused on investment, profitability, and overall asset growth.

# Environmental Issues & Tenant Hazards

## 1. Why Environmental Issues Matter

- Environmental hazards can pose serious health risks to tenants and legal risks to owners.
- Property managers are responsible for identifying, disclosing, and when necessary, mitigating environmental dangers.
- Failing to act can result in lawsuits, government fines, and long-term damage to the property's reputation.

## 2. Common Environmental Hazards in Rental Properties

- Lead-Based Paint
  - Found in homes built before 1978.
  - Dangerous when paint is peeling or disturbed—can cause developmental issues in children.
  - Managers must provide tenants with disclosure forms and EPA pamphlets during leasing.
- Asbestos
  - Used in older insulation, floor tiles, and siding.
  - Harmless when intact but dangerous if disturbed—linked to lung diseases.
  - Only licensed professionals should inspect or remove asbestos-containing materials.
- Mold
  - Grows in damp, poorly ventilated areas (bathrooms, basements, under sinks).
  - Can cause respiratory issues, allergic reactions, and lawsuits if left untreated.
  - Tenants should be encouraged to report leaks or humidity issues immediately.

# Environmental Issues & Tenant Hazards

## 2. Common Environmental Hazards in Rental Properties CONT.

- Radon Gas
  - Odorless, colorless gas that seeps into buildings from soil.
  - Leading cause of lung cancer in non-smokers.
  - Especially common in basements and crawl spaces—testing and mitigation is recommended.
  -
- Water Intrusion
  - From roof leaks, foundation cracks, or plumbing failures.
  - Can lead to mold, rotting wood, and pest infestation.
  - Fast response and proper repairs are key to preventing long-term damage.

## 3. Manager Responsibilities

- Disclosure: Provide tenants with all legally required environmental disclosures.
- Inspection: Regularly inspect for signs of leaks, moisture, or deterioration.
- Remediation: Hire qualified contractors for cleanup and repairs.
- Education: Instruct tenants to report problems early (e.g., smells, leaks, staining).
- Documentation: Keep records of all inspections, complaints, and repair work..

## 4. Legal Risk & Liability

- Managers can be held liable for negligence if hazards are ignored.
- Tenants may claim health impacts, habitability issues, or constructive eviction.
- Staying proactive is far cheaper (and safer) than defending a lawsuit later.

# EPA RRP Rule for Property Managers

## 1. Who Must Comply

- Any firm—including property managers—that performs, offers, or claims to perform renovation, repair, or painting services in pre-1978 residential buildings or child-occupied facilities must be a Lead-Safe Certified Firm.
- Choosing certified contractors is not enough—if the property manager’s company oversees, manages, or contracts the work, they must be certified too.

## 2. Firm Certification & Certified Renovator

- Certification applies at the company level. Property management companies must apply to the EPA (or an authorized state agency) to become a Lead-Safe Certified Firm.
- At least one staff member must become a Certified Renovator by completing an EPA-accredited training course.
- The Certified Renovator must supervise jobs, train non-certified workers, and ensure compliance on-site.

## 3. Pre-Renovation Requirements

- Before starting any covered work:
- Distribute the “Renovate Right” EPA pamphlet to tenants or property owners.
- Obtain and document receipt or delivery of the pamphlet.
- Confirm whether lead-based paint is present, assumed, or tested for before disturbing painted surfaces.

# EPA RRP Rule for Property Managers

## 4. Lead-Safe Work Practices

- The RRP rule requires:
- Containment: Use plastic barriers to seal off work areas and prevent dust spread.
- Dust Minimization: Use wet sanding, prohibit open-flame burning, and use HEPA-filtered vacuums and tools.
- Cleanup & Verification: Perform a thorough daily cleanup and verify it meets EPA standards before re-occupancy.

## 5. Record-Keeping

- Certified firms must keep job records for at least three years, including:
- Firm and renovator certifications.
- Documentation of pre-renovation pamphlet distribution.
- Details of lead testing (or assumption of lead).
- Descriptions of lead-safe work practices used.
- Cleaning verification forms and photos (if required).
- 

## 6. Liability & Enforcement

- Property managers can face civil penalties of over \$40,000 per violation, per day.
- If your company coordinates or supervises the work—even if subcontracted—you're still liable.
- EPA has clarified that property management companies are subject to the rule, not just contractors.

LEAD-BASED PAINT DISCLOSURE  
(Rental/Lease)



1 Date: \_\_\_\_\_

3 This Lead-Based Paint Disclosure pertains to the property located at:

4 \_\_\_\_\_

6 **Lead Warning Statement:** Housing built before 1978 may contain lead-based paint. Lead from paint, paint chips, and dust can pose health hazards if not managed properly. Lead exposure is especially harmful to young children and pregnant women. Before renting pre-1978 housing, lessors must disclose the presence of lead-based paint and/or lead-based paint hazards in the dwelling. Lessees must also receive a federally approved pamphlet on lead poisoning prevention.

11 **Lessor's Disclosures:** The Lessor hereby discloses the presence of lead-based paint and/or lead-based paint hazards by initializing the blanks and checking the appropriate boxes as follows:

13 (a) Presence of lead-based paint and/or lead-based paint hazards (check one below):

14  Lessor knows that lead-based paint and/or lead-based paint hazards are present in the property (explain):

15 \_\_\_\_\_

17  Lessor has no knowledge of lead-based paint and/or lead-based paint hazards in the property.

18 (b) Records and Reports available to the Lessor (check one below):

19  Lessor has provided the Lessee with all available records and reports pertaining to lead-based paint and/or lead-based paint hazards in the property. Those reports and records are itemized as follows:

21 \_\_\_\_\_

23  Lessor has no records or reports pertaining to lead-based paint and/or lead-based paint hazards in the property.

25 **Lessee's Acknowledgment:** Lessee acknowledges, by his/her initials in the blanks provided below, as follows:

26 (c) \_\_\_\_\_ Lessee has received copies of all information listed in item (b).

27 (d) \_\_\_\_\_ Lessee has received the pamphlet "Protect Your Family From Lead in Your Home."

29 **Manager's Acknowledgment:** The Manager acknowledges, by his/her initials in the blanks provided below, as follows:

30 (e) \_\_\_\_\_ Manager has informed the Lessor of the premises of Lessor's obligations under 42 U.S.C. 4852(d) and is aware of his/her responsibility to ensure compliance.

33 **Certifications:** The parties have reviewed the information above and certify, to the best of their knowledge, that the information, which they have provided is true and accurate.

37 Lessee's Signature \_\_\_\_\_ Date \_\_\_\_\_

40 Lessee's Signature \_\_\_\_\_ Date \_\_\_\_\_

43 Lessee's Signature \_\_\_\_\_ Date \_\_\_\_\_ Lessor's Signature \_\_\_\_\_ Date \_\_\_\_\_

46 Lessee's Signature \_\_\_\_\_ Date \_\_\_\_\_ Manager's Signature \_\_\_\_\_ Date \_\_\_\_\_

**NOTE:** Unless otherwise expressly stated the term days means calendar days and not business days. Business days are defined as all days except Sundays and Montana or federal holidays.

# MOLD DISCLOSURE



1 Date: \_\_\_\_\_  
2  
3 Property Address: \_\_\_\_\_  
4

5 MOLD DISCLOSURE: There are many types of mold. Inhabitable properties are not, and cannot be, constructed to exclude  
6 mold. Moisture is one of the most significant factors contributing to mold growth. Information about controlling mold growth  
7 may be available from your county extension agent or health department. Certain strains of mold may cause damage to  
8 property and may adversely affect the health of susceptible persons, including allergic reactions that may include skin, eye,  
9 nose, and throat irritation. Certain strains of mold may cause infections, particularly in individuals with suppressed immune  
10 systems. Some experts contend that certain strains of mold may cause serious and even life-threatening diseases.  
11 However, experts do not agree about the nature and extent of the health problems caused by mold or about the level of  
12 mold exposure that may cause health problems. The Centers for Disease Control and Prevention is studying the link  
13 between mold and serious health conditions. The seller, landlord, seller's agent, buyer's agent, or property manager cannot  
14 and does not represent or warrant the absence of mold. It is the buyer's or tenant's obligation to determine whether a mold  
15 problem is present. To do so, the buyer or tenant should hire a qualified inspector and make any contract to purchase, rent,  
16 or lease contingent upon the results of that inspection. A seller, landlord, seller's agent, buyer's agent, or property manager  
17 who provides this mold disclosure statement, provides for the disclosure of any prior testing and any subsequent mitigation  
18 or treatment for mold, and discloses any knowledge of mold is not liable in any action based on the presence of or  
19 propensity for mold in a building that is subject to any contract to purchase, rent, or lease.  
20

21 The undersigned, Seller, Landlord, Seller's Agent and/or Property Manager disclose that they have knowledge that the  
22 building or buildings on the property have mold present in them. This disclosure is made in recognition that all  
23 inhabitable properties contain mold, as defined by the Montana Mold Disclosure Act (any mold, fungus, mildew or  
24 spores). The undersigned are not representing that a significant mold problem exists or does not exist on the property,  
25 as such a determination may only be made by a qualified inspector.  
26

27 If Seller/Landlord knows a building located on the property has been tested for mold, Seller/Landlord has previously  
28 provided or with this Disclosure provides the Buyer/Tenant a copy of the results of that test (if available) and evidence of  
29 any subsequent mitigation or treatment.  
30

31  
32 Seller/Landlord \_\_\_\_\_ Date \_\_\_\_\_ Seller's Agent/Property Manager \_\_\_\_\_ Date \_\_\_\_\_  
33  
34  
35 Seller/Landlord \_\_\_\_\_ Date \_\_\_\_\_ Seller's Agent/Property Manager \_\_\_\_\_ Date \_\_\_\_\_  
36

37 ACKNOWLEDGMENT: The undersigned Buyer/Tenant, Buyer's Agent or Statutory Broker acknowledges receipt of this  
38 Disclosure, the test results (if available) and evidence of subsequent mitigation or treatment. The undersigned  
39 Buyer/Tenant agrees that it is their responsibility to hire a qualified inspector to determine if a significant mold problem  
40 exists or does not exist on the property. They further acknowledge that the Seller, Landlord, Seller's Agent, Buyer's  
41 Agent, Statutory Broker and/or Property Manager, who have provided this Disclosure, are not liable for any action based  
42 on the presence of or propensity for mold in the property.  
43

44  
45 Buyer/Tenant \_\_\_\_\_ Date \_\_\_\_\_ Buyer's Agent/Statutory Broker \_\_\_\_\_ Date \_\_\_\_\_  
46  
47  
48 Buyer/Tenant \_\_\_\_\_ Date \_\_\_\_\_ Buyer's Agent/Statutory Broker \_\_\_\_\_ Date \_\_\_\_\_

**NOTE:** Unless otherwise expressly stated the term "days" means calendar days and not business days. Business days are defined as all days except Sundays and Montana or federal holidays.



# Discussion & Review On Starting Your Company?





# Trust Accounts

# Trust Account Rules

## Property Management Program

**24.209.601**

# Trust Accounts

A centralized place to deposit, safeguard and track money belonging to others. . .



# Trust Account Overview

- Purpose of Trust Accounting
  - Keep others' money separate from yours (or your business)
  - Keep track of all monies, at all times
    - Not allow "commingling"
  - Necessary to have one (or more) central "trust account" to avoid the impracticalities of having a different account for every principal or 3<sup>rd</sup> party



# Trust Account Overview

- Don't get caught-up on the term "trust account"
  - The actual account can be a regular checking account (there are some labeling regulations we will cover).



# Act Like a Bank

- Keep track of the money as if you were a bank
- Keep track of the total money in the each trust account (checkbook register) as well as the money of each individual depositor (principals, tenants, etc.)
  - This is accomplished by having separate ledgers



# Trust Account Requirements

ARM 24.209.601

# 24.209.601 TRUST ACCOUNTS

**(1)** Property managers who receive any deposits, rent payments, or other monies on behalf of other persons must deposit such funds in a trust account per **37-56-101**, MCA, and maintain the account according to this rule.

A Trust Account must contain:

- Security deposits
- Additional deposits
- Rent payments
- Other trust funds received on behalf of any other person

## 24.209.601 TRUST ACCOUNTS (Account Setup)

**(2)** Trust accounts must be:

**(a) liquid;**

**(b) readily accessible;**

**(c) insured in Montana financial institutions;**

**(d) identified as trust accounts;** and

**(e) reconciled each month having activity.**

## 24.209.601 TRUST ACCOUNTS

**(3)** Trust funds **cannot be:**

**(a)** maintained **in sweep accounts;** or

**(b) invested** in certificates of deposit, repurchase agreements, or any other method that places funds at risk.

## 24.209.601 TRUST ACCOUNTS

(4) Property managers:

(a) may separately maintain multiple trust accounts;

(b) are responsible for all funds in and maintenance of their trust accounts;

(c) may delegate authority for trust account maintenance to another licensed property manager. Both property managers are responsible for failure to comply with trust account requirements; and

(d) must **deposit monies belonging to others into a trust account within three business days**, unless otherwise provided in the lease or rental agreement.

## 24.209.601 TRUST ACCOUNTS

**(5)** Trust funds **may be maintained in interest-bearing accounts with interest payable to the property manager** or any other person. Interest payable to a property manager must be identified as consideration for services performed and are personal funds unless otherwise designated.

## 24.209.601 TRUST ACCOUNTS

**(6)** Property managers may deposit and hold in a trust account up to **\$1000 of personal funds** that include interest accrued to the property manager.

**(a)** Personal funds may be distributed for trust account bank charges, related trust account maintenance expenses, and when due and payable to the property manager.

**(b) Money due the property manager must be withdrawn within ten business days once due and payable.**

# Personal Funds

What are “Personal Funds”?

Funds used for the purpose of maintaining the Trust Account itself, such as:

- Cost for Checks
- Office Supplies
- Interest earning (if designated in agreement)
- Transfer Fees
- NSF Fees



## 24.209.601 TRUST ACCOUNTS

**(7) When managing one's own real estate, property managers must deposit security deposits** in a trust account. Rents and disbursements are managed as follows:

**(a)** Property managers owning 100 percent of the real estate are not required to place rents in a trust account but may do so.

**(b)** Property managers owning less than 100 percent of the real estate must place all rents in a trust account.

**(c)** If rents are included in a trust account, all disbursements must be described in the property management agreement.

**(d)** Disbursements may not be considered personal indebtedness if used for the maintenance of the property itself.

## 24.209.601 TRUST ACCOUNTS

**(8)** Property managers must maintain complete and chronological records of all trust account funds received and disbursed including personal funds per (6). Each record must include a running balance and clearly identify for all transactions:

**(a)** dates;

**(b)** parties, payees, and sources of funds; and

**(c)** amounts received, disbursed, and deposited.

# Which example meets the requirements?

**Deposit Slip**

My Company's Trust Account 301 S. Park Ave. Helena, MT 59602	Cash	25.00
	Check No. 627	850.00
	8972	550.00
	96237	250.00
Date: <u>1/10/2014</u>		
County Bank PO Box 200513 Helena, MT 59620		
	Subtotal:	1675.00
	Less Cash Received:	0.00
	Total Deposit:	1675.00
55555555 5555555555		

**Deposit Slip**

My Company's Trust Account 301 S. Park Ave. Helena, MT 59602	Cash	25.00
	Check No.	850.00
		550.00
		250.00
Date: <u>1/10/2014</u>		
County Bank PO Box 200513 Helena, MT 59620		
	Subtotal:	1675.00
	Less Cash Received:	0.00
	Total Deposit:	1675.00
55555555 5555555555		

**Deposit Slip**

My Company's Trust Account 301 S. Park Ave. Helena, MT 59602	Cash <i>Willson</i>	25.00
	Check No. <i>Jones #6</i>	850.00
	<i>Henderson #A</i>	550.00
	<i>196 Milky Way</i>	250.00
Date: <u>1/10/2014</u>		
County Bank PO Box 200513 Helena, MT 59620		
	Subtotal:	1675.00
	Less Cash Received:	0.00
	Total Deposit:	1675.00
55555555 5555555555		

# Which example meets the requirements?

**Deposit Slip**

My Company's Trust Account  
301 S. Park Ave.  
Helena, MT 59602

Date: 1/10/2014

Cash		25.00
Check No.	627	850.00
	8972	550.00
	96237	250.00

County Bank  
PO Box 200513  
Helena, MT 59620

555555555 555555555

Subtotal:		1675.00
Less Cash Received:		0.00
Total Deposit:		1675.00

**Deposit Slip**

My Company's Trust Account  
301 S. Park Ave.  
Helena, MT 59602

Date: 1/10/2014

Cash		25.00
Check No.		850.00
		550.00
		250.00

County Bank  
PO Box 200513  
Helena, MT 59620

555555555 555555555

Subtotal:		1675.00
Less Cash Received:		0.00
Total Deposit:		1675.00

**Deposit Slip**

My Company's Trust Account  
301 S. Park Ave.  
Helena, MT 59602

Date: 1/10/2014

Cash	<i>Willson</i>	25.00
Check No.	<i>Jones #6</i>	850.00
	<i>Henderson #A</i>	550.00
	<i>196 Milky Way</i>	250.00

County Bank  
PO Box 200513  
Helena, MT 59620

555555555 555555555

Subtotal:		1675.00
Less Cash Received:		0.00
Total Deposit:		1675.00

## 24.209.601 TRUST ACCOUNTS

**(9)** When a property management agreement is terminated, a rental agreement is still in effect, and the property manager is holding tenant funds, the property manager must:

**(a)** notify the tenant, in writing and within five business days of termination that:

**(i)** the agreement is terminated; and **(ii)** funds and current tenant files will be transferred to the property owner or designee within 30 days of the termination;

**(ii)** funds and current tenant files will be transferred to the property owner or designee within 30 days of the termination;

## 24.209.601 TRUST ACCOUNTS

**(b)** provide the name and contact information of the person receiving the transfer; and

**(c)** within 30 days of termination, transfer all funds and current tenant files to the property owner or designee.

## 24.209.601 TRUST ACCOUNTS

**(10)** Property managers must **maintain the following documents for at least eight years** from the property

management agreement termination **even if the property manager sells or ceases to operate the business:**

- (a)** trust account records:
- (b)** complete files of properties managed; and
- (c)** all related documents.

## 24.209.601 TRUST ACCOUNTS

**(11)** Trust account records must be maintained to facilitate auditing.

# Paying Property Expenses From Trust Funds

The PM can write checks out of the trust account to pay an owner's property expenses. The PM must not, as some have reported doing, write a check from the Trust Account and deposit it in the PM's operating account and then write a check from the company's account to pay the property expenses. This is considered commingling.

# Paying Property Expenses From Trust Funds

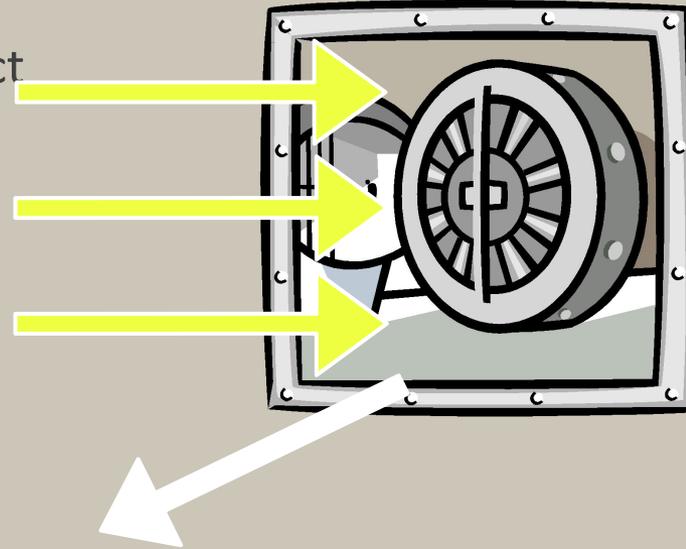
The PM must not write checks for expenses on an owner's property unless that owner has sufficient funds in the trust account to cover those checks.

Regardless of the overall balance in a trust account, a PM cannot write a check from that account to pay an owner's expenses unless that owner has sufficient funds on deposit in that account to cover the check.

# Trust Acct Commingling

- Example

- **123 Main St** pays rent of \$200 into the Trust Acct
- **321 1st St** pays rent of \$200 into the Trust Acct
- **111 3rd St** pays rent of \$200 into the Trust Acct



**Total in the account: 600.00**

- **Utility bill for \$250** is due for **123 Main St**
  - Is there enough money in the Trust Acct to cover the withdrawal request?
  - Should we pay the bill?

If we pay the \$250 bill we would have **commingled** the money of the other properties!

# What does an Auditor look for?

- Timely deposits (3 business days, unless otherwise specified in lease/rental agreement)
- Management fees withdrawn w/in 10 business days or when property ledger is reconciled
- Personal funds are between \$0 and \$1,000 at all times
- Funds are not commingled
- Personal debts not paid from the trust account
- Not engaging or recommending the services of an attorney, insurance company, or other like person/entity, on behalf of a responsible party (\$) without disclosing:
  - family relationship
  - business relationship
  - financial interest

- Residential Tenants' Security Deposits (70-25, MCA)
- Landlord Tenant Act (70-24, MCA)
  - Providing applicable notices
  - Prorating rents accurately
- Landlord and Tenant Residential and Commercial (70-26, MCA)

Don't forget – you must also be in compliance with...

**State and Federal human rights statutes**

**Americans with Disabilities Act**



# Property Management Accounting

## Receivable Terms

**Charge** - A demand for funds from a resident (tenant or homeowner). This is a prompt to have money arrive on the resident's property. Only residents can be charged, not properties or owners.

**Receipt** - Money that is received onto a property. Commonly, receipts come from residents when they pay off charges, but they can also come from owners or outside entities.

**Credit (Receivables)** - An item that "pays off" a charge, but does not affect cash on a property.

## Payable Terms

**Bill** - A demand for funds to be paid to a vendor, owner, property manager, or resident. This is a prompt to have money leave the property.

**Payment** - Money that is spent from a property to pay off a bill.

**Credit (Payables)** - An item that "pays off" a bill, but does not affect cash on a property.

**Journal Entry** - A journal entry refers to a record of a financial transaction that is entered into the accounting system of the property management company or property owner. These entries are part of the double-entry bookkeeping process, where every transaction affects at least two accounts—one as a debit and one as a credit. Debits and Credits affect GL accounts depending on the type of account.

<b>Account Type</b>	<b>Increase or Decrease Balance</b>	<b>Debit or Credit Column on Reports</b>
<b>Asset</b>	Increase	Debit
	Decrease	Credit
<b>Cash</b>	Increase	Debit
	Decrease	Credit
<b>Liability</b>	Decrease	Debit
	Increase	Credit
<b>Capital</b>	Decrease	Debit
	Increase	Credit
<b>Income/ Other Income</b>	Decrease	Debit
	Increase	Credit
<b>Expense/ Other Expense</b>	Decrease	Credit
	Increase	Debit

# Tenant Rent Payment

Date ↑	Payer	Description	Charges	Payments	Balance
04/01/2024		Rent Income - April 2024	1,600.00		1,600.00
04/16/2024	MT Properties Group	Payment (Reference #ACH)		1,600.00	0.00
05/01/2024		Rent Income - May 2024	1,600.00		1,600.00
05/04/2024	MT Properties Group	Payment (Reference #ACH)		1,600.00	0.00
06/01/2024		Rent Income - June 2024	1,600.00		1,600.00
06/28/2024	MT Properties Group	Payment (Reference #ACH)		1,600.00	0.00
07/01/2024		Rent Income - July 2024	1,600.00		1,600.00
07/04/2024	MT Properties Group	Payment (Reference #ACH)		1,600.00	0.00
08/01/2024		Rent Income - August 2024	1,600.00		1,600.00
08/06/2024	MT Properties Group	Payment (Reference #ACH)		1,600.00	0.00

# Paying a Property Invoice/Bill

Property	Unit	GL Account	Description	Service Dates	Amount	Status	Pay Date
2250 South Ave W - 2250 South Ave W Missoula, MT 59801	--	6173: Water/Storm Water/Sewer	INV# 071676 - 7/02-8/01	07/02/2024 - 08/01/2024	\$513.22	Paid Check 6926	08/19/2024

# Owner Statement

Date	Payee / Payer	Type	Reference	Description	Income	Expense	Balance
				Beginning Cash Balance as of 08/01/2024			0.00
08/06/2024	MT Properties Group	Receipt	ACH	Garage - Rent Income - August 2024	<u>1,600.00</u>		1,600.00
08/09/2024	MT Properties Group - Maintenance	Check	6904	General Repairs / Maintenance - Change house locks + Material		<u>100.13</u>	1,499.87
08/19/2024	Missoula Water	Check	6926	Water/Storm Water/Sewer - INV# 071676 - 7/02-8/01		<u>513.22</u>	986.65
08/21/2024	Big Girl Panties LLC	Receipt	ACH	Owner Contribution	<u>1,800.00</u>		2,786.65
08/23/2024	NorthWestern Energy	Check	1116	House - Gas / Electricity - ACT#4135565-2		<u>54.86</u>	2,731.79
08/23/2024	NorthWestern Energy	Check	1124	Garage - Gas / Electricity - ACT#4135566-0 GRG 7/16-8/15		<u>8.96</u>	2,722.83
08/23/2024	Carmody Holliday Legal Services, PLLC	Bill Pay Check	3000002769	House - Legal Fees - INV#03236 - July Invoice		<u>2,438.23</u>	284.60
				Ending Cash Balance			284.60

Management Company

50 Castillian Drive  
Goleta, CA 93117  
(904) 338-9524



Timothy Simms

4821 Atlantic Blvd.  
Jacksonville, CA 32207

Owner Statement  
Aug 01, 2018 - Aug 31, 2018

Paradise Road - 50 Castillian Drive - A, Goleta, CA 93117

Property Cash Summary

Beginning Balance	3,075.48
Cash In	2,500.00
Cash Out	-383.00
Owner Disbursements	-5,112.48
Ending Cash Balance	100.00
Unpaid Bills	-100.00
Net Owner Funds	0.00

Transactions

Date	Payee / Payer	Type	Reference	Description	Cash In	Cash Out	Balance
				Beginning Cash Balance as of 08/01/2018			3,075.48
08/01/2018	Aurthur Darien	Receipt		A - Rent income - August 2018	1,000.00		4,075.48
08/01/2018	Samuel Tenor	Receipt		B - Rent income - Rent	1,500.00		5,575.48
08/11/2018	Carpet Cleaning Inc.	Check	4381	A - Rugs/ Carpet/ Flooring - Unit A Carpet Cleaning		238.00	5,337.48
08/14/2018	Management Company	Check	4393	Management Fees - Management Fees for 08/2018		125.00	5,212.48
08/15/2018	Timothy Simms	Payment	eCheck	Capital Distributions - Owner payment for 08/2018		5,112.48	100.00
				Ending Cash Balance			100.00
<b>Total</b>					<b>2,500.00</b>	<b>5,475.48</b>	

Bills Due

Due Date	Payee	Description	Unpaid
07/28/2018	ACES	fence repair	100.00
<b>Total</b>			<b>100.00</b>

## Cash Flow - 12 Month

### Management Company

Properties: Danjur Luxury Towers - 1669 Danjur Street San Diego, CA 92129

Period Beginning: Jan 2014

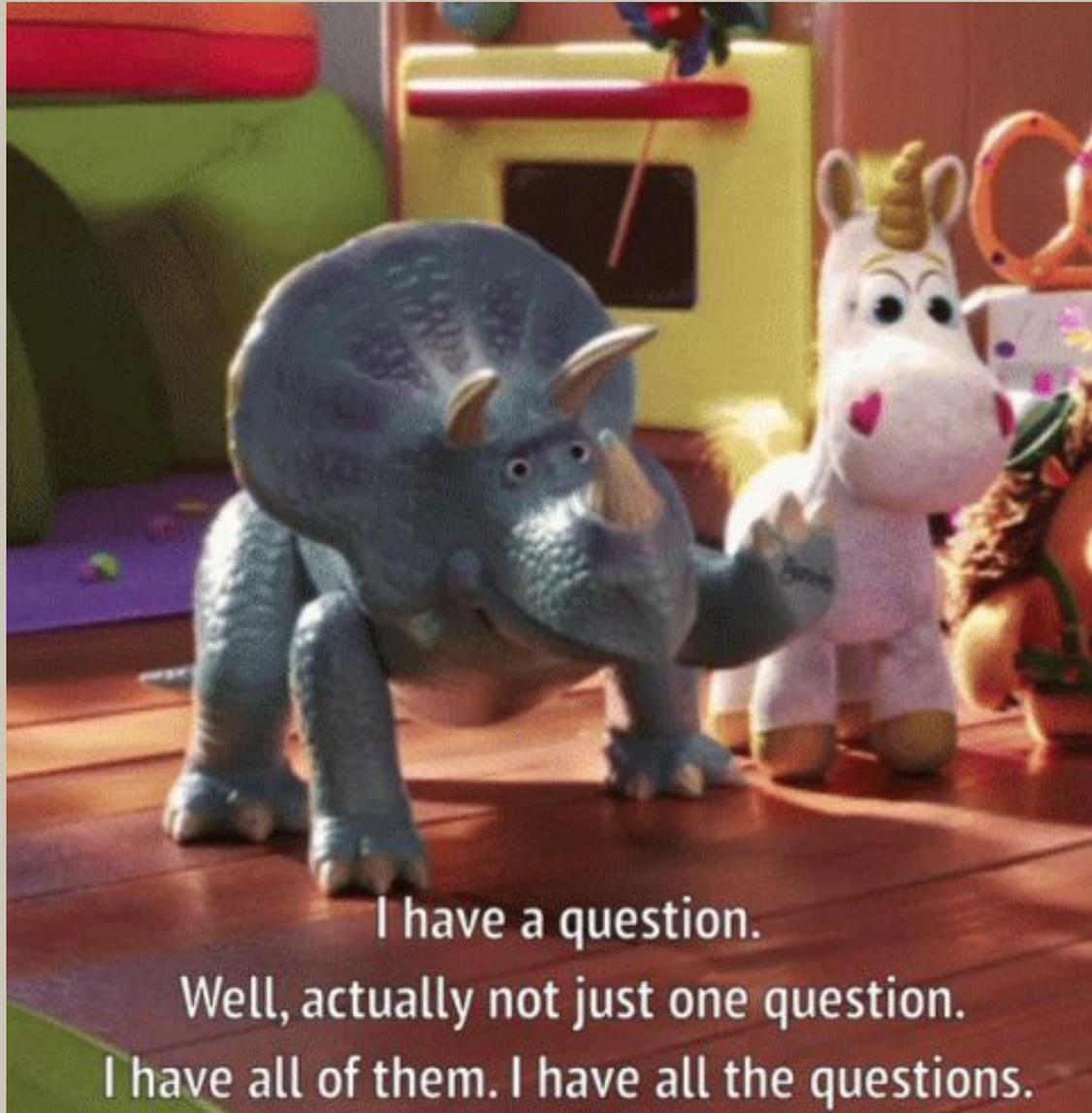
Period Ending: Dec 2014

Accounting Basis: Cash

Account Name	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	Jul 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014	Total
<b>Operating Income &amp; Expense</b>													
<b>Income</b>													
<b>RENT INCOME</b>													
Parking	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	4,200.00
Rent	186,115.00	186,115.00	186,115.00	186,115.00	186,115.00	186,115.00	186,115.00	186,115.00	186,115.00	186,115.00	186,115.00	186,115.00	2,233,380.00
<b>Total RENT INCOME</b>	<b>186,465.00</b>	<b>2,237,580.00</b>											
<b>Total Operating Income</b>	<b>186,465.00</b>	<b>2,237,580.00</b>											
<b>Expense</b>													
Repair	0.00	0.00	0.00	0.00	0.00	0.00	0.00	200.00	0.00	140.00	200.00	175.00	715.00
Carpet Cleaning	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	350.00	0.00	350.00
Commissions Paid	18,646.50	18,646.50	18,646.50	18,646.50	18,646.50	18,646.50	18,646.50	18,646.50	18,646.50	18,646.50	18,646.50	18,646.50	223,758.00
Plumbing	0.00	0.00	0.00	0.00	0.00	200.00	0.00	0.00	0.00	0.00	0.00	75.00	275.00
Window Cleaning Expense	1,000.00	1,000.00	1,000.00	2,000.00	0.00	2,000.00	0.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	12,000.00
<b>Total Operating Expense</b>	<b>19,646.50</b>	<b>19,646.50</b>	<b>19,646.50</b>	<b>20,646.50</b>	<b>18,646.50</b>	<b>20,846.50</b>	<b>18,646.50</b>	<b>19,846.50</b>	<b>19,646.50</b>	<b>19,786.50</b>	<b>20,196.50</b>	<b>19,896.50</b>	<b>237,098.00</b>
<b>NOI - Net Operating Income</b>	<b>166,818.50</b>	<b>166,818.50</b>	<b>166,818.50</b>	<b>165,818.50</b>	<b>167,818.50</b>	<b>165,618.50</b>	<b>167,818.50</b>	<b>166,618.50</b>	<b>166,818.50</b>	<b>166,678.50</b>	<b>166,268.50</b>	<b>166,568.50</b>	<b>2,000,482.00</b>
<b>Total Income</b>	<b>186,465.00</b>	<b>2,237,580.00</b>											
<b>Total Expense</b>	<b>19,646.50</b>	<b>19,646.50</b>	<b>19,646.50</b>	<b>20,646.50</b>	<b>18,646.50</b>	<b>20,846.50</b>	<b>18,646.50</b>	<b>19,846.50</b>	<b>19,646.50</b>	<b>19,786.50</b>	<b>20,196.50</b>	<b>19,896.50</b>	<b>237,098.00</b>
<b>Net Income</b>	<b>166,818.50</b>	<b>166,818.50</b>	<b>166,818.50</b>	<b>165,818.50</b>	<b>167,818.50</b>	<b>165,618.50</b>	<b>167,818.50</b>	<b>166,618.50</b>	<b>166,818.50</b>	<b>166,678.50</b>	<b>166,268.50</b>	<b>166,568.50</b>	<b>2,000,482.00</b>
<b>Cash Flow</b>	<b>166,818.50</b>	<b>166,818.50</b>	<b>166,818.50</b>	<b>165,818.50</b>	<b>167,818.50</b>	<b>165,618.50</b>	<b>167,818.50</b>	<b>166,618.50</b>	<b>166,818.50</b>	<b>166,678.50</b>	<b>166,268.50</b>	<b>166,568.50</b>	<b>2,000,482.00</b>

### Cash Flow - 12 Month

Account Name	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	Jul 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014	Total
Beginning Cash	13,500.00	13,500.00	13,500.00	13,500.00	13,450.00	13,500.00	13,500.00	13,500.00	13,500.00	13,500.00	13,500.00	16,000.00	13,500.00
Beginning Cash + Cash Flow	180,318.50	180,318.50	180,318.50	179,318.50	181,268.50	179,118.50	181,318.50	180,118.50	180,318.50	180,178.50	179,768.50	182,568.50	2,013,982.00
Actual Ending Cash	13,500.00	13,500.00	13,500.00	13,450.00	13,500.00	13,500.00	13,500.00	13,500.00	13,500.00	13,500.00	16,000.00	13,500.00	13,500.00



I have a question.

Well, actually not just one question.

I have all of them. I have all the questions.