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**Marketplace Overtaking Rent Control,**

**By dan the roommate man**

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Rent control is one of those concepts that seems like a good idea, at least until you think about it for more than 60 seconds — an unusual event in an era of bumper-sticker philosophies and instant analysis.

The modern rent control era began with the federal Emergency Price Control Act of 1942. Such legislation was enacted while the country was at war both in Europe and Asia, and there was a need to prevent profiteering at home. Once the war was over, the need for price controls went away — except for rent control.

In 1946, for example, despite the fact that we won the war and no emergency was in sight, the "Emergency Housing Rent Control Law" was passed in New York state, and that law still represents the basis for the control of more than 1 million rental units in New York City today.

Rent control regulations also arose in other jurisdictions, often because of concerns that tenants would be "abused" by "greedy" landlords and — not incidentally — because the number of tenants greatly exceeds the number of property owners, an important matter when it comes time to vote.

But rent control is wrong precisely because it hurts the people it is allegedly designed to protect.

Let's assume that people are economically rational. Thus, if you had money to invest, you would weigh such matters as risk, possible appreciation, and personal preferences as you decide where to put your money. You might see, for example, that there is no limit on stock profits — profits which can often be made higher by downsizing and moving production overseas — but income restrictions on real property in rent control areas. Being sensible, you would likely invest in securities rather than local communities.

If enough people make such decisions, money will pour into the stock market and realty demand will wane. The result will be fewer rental units than might otherwise will be built. Given less supply and a growing population, the natural result is higher rents — precisely the opposite goal of rent control.

## Marketplace Overtaking Rent Control,

But not only does rent control turn economics upside-down, it is terribly irrational for other reasons.

First, if we impose rent controls we limit property owner income. But we do not limit costs for repairs, utilities, management, appliances, or other expenses. And certainly we don't limit tax increases, the mother's milk of big government. One is tempted to suggest some linkage, say an increase in rents that is directly proportional to the growth of government budgets....

Second, we do not show equal concern for the poor in other areas. Imagine walking into a supermarket redesigned with price controls in mind. You could buy apples at, say, 69¢ a pound -- but only if you earn less than \$15,000 a year and have four or more dependents. Those in higher brackets would pay more. Rather than a single price for each item, there would be a spreadsheet where your price would be determined by the item being bought, your income, age, dependents, and other factors. And

naturally, we would need lots of inspectors and regulations to make sure those pricing notices conform to appropriate guidelines.

Third, we now discuss the U.S. Constitution almost daily and how it might apply to current events in Washington. The Fifth Amendment, in words everyone can understand, plainly says that the government cannot take your property without just compensation. And that's exactly what rent control is -- a "taking" that arbitrarily deprives landlords from receiving income they would properly earn in a free marketplace.

The good news is that more and more states are prohibiting rent control. There's more work to do, but at least we're heading in the right direction.

### Question Of The Week

Q We have been advised that a land contract can be used to avoid the due-on-sale clause for an existing mortgage. Is this correct?

A This is a debatable issue.

Most loans today contain a "due on sale" clause which provides that a lender may call a loan under certain conditions such as an ownership change. This clause prevents loans from being assumed by borrowers unknown and not qualified by lenders.

A "land contract" is an installment sale where title is not transferred until some or all payments are made.

Some attorneys -- and certainly most lenders -- argue that a land contract can set off a due-on-sale clause because the borrower has given up possession of the property and the right to future appreciation.

Others say that until there is a transfer of title lenders cannot accelerate loans when a property is purchased with a land contract.

There is also the practical issue that if a loan has a sufficiently high interest level and payments are timely and complete, a lender may not want to call a loan even if it has the right to do so.

The view here is that one should not suppose an installment sale can prevent a lender from calling a loan. Land contract rules differ by state, not all loan agreements have the same terms, different conditions may apply to FHA and VA financing, and being wrong could be costly and terribly inconvenient. Before signing anything, please speak with an attorney in the state where the property is located.

#### Weekly Resource

One of the best sites online for legal information is Findlaw. In addition to a variety of useful features, Findlaw offers an excellent review of the anti-trust allegations facing Microsoft, including an extensive link collection.

Since 1989 dan the roommate man has helped 1000's of people find roommates. Need help? Contact him at 800-487-8050 or [www.roommateexpress.com](http://www.roommateexpress.com)

### **HOW TO CHANGE ROOMMATES OR NAMES ON**

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Steps:

1. Ask permission to change roommates or names on a lease by submitting a written request to your landlord.
2. Include some background information on your prospective roommate, such as employment status and rental history, in your written request to the landlord.
3. Obtain a rental application for your prospective roommate if the landlord agrees to your request.
4. Realize that your landlord will probably require you and your new roommate to sign a new lease or rental agreement as co-tenants, giving both of you equal rights and responsibilities.
5. Be aware that your landlord may change the terms of your new lease or rental agreement and may have the right to increase your rent or security deposit, subject to the rent laws in your municipality.

Tips:

Because your landlord will probably check your prospective roommate's credit history, ask your prospective roommate to provide your landlord with a copy of his or her credit report to save time

during the rental application process.

If your landlord increases the rent for you and your new roommate, try to negotiate the amount of the increase with a lower counteroffer.

Warnings:

Some state and municipal rent control laws limit increases in rent and security deposits; check with local housing authorities about the rent control laws in your area in order to protect your best interests.

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