



## **Texas Homes Realty & Management**

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### **What Happens with Early Termination of the Texas Lease?**

Most leases in Texas are written for initial fixed terms, usually 12 months. Renewal periods are also written for a fixed number of months. During these fixed terms, the tenant has agreed to remain in the property and pay rent through a certain date, and the landlord is obligated and required to allow the tenant to remain for that period of time. The only exception is a month-to-month lease which can be terminated with a 30-day notice by either party.

So, what happens if it's October, your lease doesn't end until the following May 31<sup>st</sup>, but life circumstances are forcing an early departure from your rental home?

Perhaps you've lost your old job and already found a new one, but the new job requires relocation to another city? Sometimes tenants divorce and neither can afford the rent alone, so both have to move. Sometimes tenants are under no financial distress but elect to buy a new home and terminate early, and simply include the early termination costs in the overall financial decision to buy the new home.

There are a number of life circumstances that can cause a tenant to contact us and ask, "what happens if I can't finish my lease term"?

This is called Early Termination and is covered by paragraphs 27 and 28 of the Texas Association of Realtors Residential Lease Agreement.

Paragraph 27 covers Default, whereby a tenant simply moves out and stops paying rent. We call this a "skip" and it results in legal action, damage to the tenant's credit report, and ultimately the account being placed for collection. In the event the tenant buys a house, our attorney will sue, then after obtaining judgement, we place a lien on the property. In other words, the worst financial and credit consequences possible are realized, and the price is paid for years to come.

Paragraph 28 provides a graceful exit from the lease. Most tenants want to avoid damaged credit, ruined rental history and collection, a judgement and a lien on their new home, so we more commonly operate under Paragraph 28, which involves locating a replacement tenant to take over the occupancy of the home and allows the tenant to depart on good terms. Below, we will outline how this works:

In a nut shell, when you want to move early and wish to do so in a way that follows the lease agreement and avoids negative consequences, all the costs of your decision to terminate early must be absorbed and paid by you, not the property owner.

This is a simple concept for most to understand. The owner of your rental has no obligation or desire to subsidize your moving costs by absorbing lost rent and other turnover expenses created by your early departure, so all of the financial consequences of your decision to leave early belong to you. The following steps must happen if you are a Texas Homes Realty & Management tenant:

- 1) You must provide written notice of your intent to terminate early, including a move-out date.
- 2) Your written termination notice must include payment of the reletting fee listed in paragraph 28 of your lease agreement. The reletting fee is typically 150% of one month's rent. Check your specific lease agreement or renewal for your amount.
- 3) You must continue paying rent each month on the first, until a replacement tenant is found and starts paying rent for you.
- 4) You must continue your utility services after vacating, until a new tenant moves in.
- 5) You must arrange for lawn service after you vacate, until a new tenant moves in.
- 6) All other terms and conditions of your lease agreement must continue to be met and you are still responsible for periodically checking up on the property unless you've arranged with us to do it for you.

That's it in a nutshell. It's not negotiable. In fact, we don't even *have* to allow Paragraph 28 departure. So, when tenants argue or want to do it a different way (which always involves shifting costs and risk away from tenant and to the owner), we simply don't do it.

Once the above steps are accomplished, you leave with a good rental history, receive your deposit refund, and have completed your lease agreement on good terms. You haven't technically "broken" the lease, but instead satisfied the requirements of Early Termination.

It should be noted, however, that you are still legally obligated until the end of your remaining lease term in the event your replacement tenant defaults. This does not happen often though, as we carefully screen replacement tenants the same as any other new tenant.

## Frequently Asked Questions:

**Q: Can I wait until you find a tenant to provide notice?**

A: No, we won't initiate any efforts to locate a replacement tenant until/unless we have written notice to vacate with a move-out date and payment of your reletting fee. Understand that we don't even have the legal right to promise the property to a new tenant if we haven't received written notice from you, so your status is either one of 100% staying, or 100% leaving – there is no “maybe” or in between status that can be accommodated. We can't market a property without a defined availability date for move-in.

**Q: I don't want to pay the reletting fee. Do I really have to, or can I pay it later?**

A: You already agreed to pay it when you signed your lease. You are simply keeping an agreement you already made. It must be paid up front, as agreed in the lease.

**Q: If I know someone who wants to rent the house, can I refer them to you?**

A: Yes, of course. They must submit an application and qualify the same as any tenant. You may not “market” the house though once we begin marketing efforts. You can tell your friends and co-workers about it and try to help find a tenant, but you can't, for example, put your own sign in the yard.

**Q: Why should I have to keep paying rent after I move out?**

A: That's the agreement you made when signing the lease. Failure to pay rent will represent a default of the lease. Continuing to pay rent allows us to keep sending the owner her monthly proceeds and it keeps you in compliance with your lease agreement and in good standing, which is the goal of paragraph 28 of your lease agreement.

**Q: How long will it take to find a new tenant?**

A: We normally locate a new tenant within 30 to 60 days, sometimes sooner. But it could also take longer depending on the time of year, market conditions, how well the house shows, and other variables.

**Q: What if I only have 2 months remaining on my lease? Can I avoid the Early Termination fees?**

A: Yes, If you have less than 3 months remaining on your lease, you're probably better off finishing your lease or paying out your remaining rent in full rather than terminating early. When a tenant pays the final month of a lease term and also notifies us in writing they will be departing by a date sooner than the last day of the lease, we will market the property as available on the earlier date. You will still have to maintain utilities and yard care per your lease agreement through the final day of the lease, but if a new tenant is located and moves in prior to the end of your lease term, you'll receive a rent rebate and will have successfully completed your lease term without having to pay a reletting fee. If you have more than 3 months remaining on your lease term, you're probably better off paying the reletting fee through and letting us find a replacement tenant.