

9 KEYS TO CREDIT SCREENING

CHAPTER 7

Your first line of defense against property damage and collection problems is credit screening. Credit screening will save you a lot of grief.

1 Without credit screening, bad risks will find you

Residents who don't pay their rent or break house rules are not randomly distributed across rental communities. Higher concentrations of less desirable applicants inevitably occur in the communities that don't screen well. Make sure you scrutinize your prospects' history.

2 Bad risks waste staff time

The cost of managing and removing delinquent residents is significant, but the cost of eviction is even higher. The most effective, least expensive means of handling resident risk is to screen bad residents out at the beginning of the process.

3 Establish standards

When screening credit, establish a minimum required credit score, and adhere to it. Understand that inconsistencies in this area can appear to be a Fair Housing violation. There are professional shoppers who earn their living finding Fair Housing violations.

4 Do not relax them

When occupancy is down, it is tempting to relax credit screening standards. The temptation is worse when aggressive lease-ups are required. Do not succumb to pressure. Poor risks invariably cost far more in the long run than an apartment left vacant until a qualified resident comes along.

5 Screen prudently

Screen prudently for credit, current employment, income, and rental experience. Keep your focus on the applicant's history and ability to pay rent on time and follow community rules. Follow screening procedures consistently to protect yourself from Fair Housing litigation.

6 Require confirmation

Require a copy of a recent pay stub to confirm employment and ensure net pay is a specific multiple of the monthly rent. The actual percentage varies with the market. The most important point is to establish and adhere to one standard.

7 Obtain unlawful detainer reports

When evaluating a prospect's rental experience, use a reporting service that checks for unlawful detainer actions against the applicant. Confirm that the name on the report exactly matches the name of the applicant. Then verify the name with the evicting attorney or landlord before rejecting the application.

8 Verify identification

The experienced "bad resident" is familiar with how properties screen and often use an alias or proxy. To ensure valid identification, require a government-issued, picture identification card from all applicants. Include every adult living in the apartment in the application and screening process. This will ensure that a proxy applicant is not fronting for a bad prospect.

9 Handle exceptions offsite

Occasionally, someone who does not quite meet standards will ask for an exception. One example of a viable exception is someone who has recently changed jobs. Another example is a resident with adequate credit and income but no previous rental experience.

Do not discuss exceptions with an applicant before accepting and processing an application. Never discuss potential problems or hypothetical situations before taking an application. This invites a Fair Housing complaint. Defer the decision to an off-site management team review, which takes the pressure off your property manager.