

Mind Your Business - Tia's Tips for Better Rental Management

Screening: The Essentials

By Tia Politi, ROA President

I often say that if you have good tenants, there is no easier job in the world than being a landlord. But many inexperienced landlords are approached by someone who says the right things and shows them the money, only to discover that they have fallen prey to "professional tenants." These people are con artists who know more about the law than most landlords, and also seem adept at spotting the soft-hearted. They say the right things, seem open, friendly and responsible, and may have cash on hand to move in, but they are predators who will create expensive problems for you. Proper, thorough screening will save you time and trouble in the long run, so don't take shortcuts.

I fell into a professional tenant's trap when I was starting out. I was anxious about our rental property sitting vacant and the cost of that on our family budget. I was approached by a family who looked good, had a nice car, three lovely daughters, and a very sweet dog. They appeared honest when they told me about their recent bankruptcy and their problems with a real estate deal that fell apart. It was only after their check for the deposit and the first month's rent bounced, that reality hit me smack in the face: I had made some costly errors. (Accepting a personal check for their move in costs was, of course, one of those.) I had called for a verification of employment, but didn't ask for pay stubs; I called a prior landlord, but failed to check on whether I was speaking to the owner of the property. Later I discovered that I had been set up with false references for both. My flub cost my husband and me more than \$1100, and two-and-a-half months of stress and anxiety.

Proper screening is essential, and you should never rush the process. Have all adults who intend to reside in the home fill out an application. Require and copy a legitimate photo ID for each applicant. Require documentation for income, whether the source is employment, retirement, disability, etc. Never accept an incomplete application. Complete means every line is filled out, every question is answered, including all contact numbers, names, addresses, references, and social security number. When you receive an application, go over it carefully, line by line, to determine whether it is actually complete. Missing address? Ask about that. Can't remember their former landlord's number? Tell them to come back when they get it. Didn't check yes or no regarding eviction or criminal history? Ask them to check the appropriate answer.

If you charge a fee for screening, you must have written screening criteria available for your applicants, you must give them a receipt for the fee, and the fee must have some actual relation to your costs of the screening. You must also disclose your screening process and whether you use a screening service, pull credit reports, access public record or criminal records, or contact employers, landlords or other references. You must have or expect to have an available unit and provide the applicant with the approximate number of rental units of the type and in the area sought by the applicant. You must disclose how many applications are in line ahead of theirs, if any. You must disclose the amount of rent you will charge and the standard deposits, as well as whether or not you will be requiring renter's liability insurance. A screening fee may not exceed the amount, "customary to your local area." In our area, I see fees ranging from \$25-\$50 per applicant. To stay out of hot water with Fair Housing, I recommend written screening criteria whether or not you choose to charge a fee.

Applications should be accepted on a first-come, first-served basis. Write the date and time you receive any completed application at the top, and screen applicants in order. If you accept back-up applications and fees, but end up not screening the applicant for whatever reason, you must return the fee. Do not

take multiple applications and pick who you like best. That is a violation of Fair Housing law. You may not discriminate against applicants in regards to: race, creed, color, familial status, marital status, disability, sexual orientation, gender, gender identity, religion, national origin, or source of income. It is also a violation to ask questions about any of those things, but of course you may require documentation in regards to source of income, but as long as the source is legal, you may not decline an applicant because you don't care for their line of work.

Whether or not you charge a fee, should you deny an application and the denial is based in whole or in part on a tenant screening company or consumer credit reporting agency, you must give the applicant actual notice of the fact at the same time that you notify the applicant of the denial. If you have not previously disclosed the name of the company or credit reporting agency to the applicant, you must do so as part of the denial. If you accept a fee, you must also give written notice of the applicant's rights to dispute the accuracy of any information provided by the screening company or credit agency.

Credit reports are a valuable screening tool, but unless you have a business that meets the criteria, private landlords don't have access to those anymore. I recommend either using an accredited screening service (check the ROA bulletin for referrals), or require your applicants to provide you with a copy of their credit report pulled within the last 30 days. You can also require that they pull their credit in your presence on your computer. Every American citizen can pull their credit report from each of the three reporting companies (Experian, TransUnion, Equifax) for free once per year at the website www.freeannualcreditreport.com, so it costs them nothing. Credit reports may contain errors. If something comes up, ask for an explanation. I have had several instances where people (including a 22-year-old single mom) were reported to be registered sex offenders on the criminal section of their report, only to find that there was an error. Mistakes happen, so dig further. If the person has resided in Oregon their whole life, it is easy enough to go to the courthouse (125 E 8th Avenue, Eugene) and look them up in the OJIN database. If not, then you will need to rely on a screening service to check out their criminal history.

When evaluating creditworthiness, we normally disregard medical collections (although in one memorable incident my boss related to me, an applicant had a medical collection related to a breast augmentation, so you might want to ask about them). The types of collection accounts that concern me most are related to unpaid credit card debt, unpaid phone and utility bills, and online or mail order collections. These indicate to me that this applicant likes to have "stuff" but doesn't like to pay for it. That's a bad sign. Another bad sign is an applicant's debt-to-income ratio. Even if they have not defaulted on anything yet, they may have built a "house of cards" that will collapse in the event of a job loss or medical problem. So, check out whether a person is living within their means, or if they have overextended themselves, because their problem may become yours.

If you do choose to rent to someone with shaky credit, lack of rental history, or any other issue (and few people have perfect everything), you may want to get an additional deposit or a co-signer. Where I work, if someone meets our criteria perfectly (good credit/criminal history, three years of positive rental or home ownership history, and gross household income three times the monthly rent or higher), they are entitled to our base deposit. If they are shaky in one or more areas, we may still give them a conditional approval, but require a higher deposit, a qualified co-signer or a combination of both. How much more we ask for depends on how bad things are. If you are taking an "adverse action" in this regard, make sure that you treat people equally.

Not only should you evaluate an applicant's ability to pay in full and on time, and their rental and

criminal history, but also their personality. Will these be easy people to work with? That's the harder part of checking someone out. Asking pertinent questions can help, just make sure you are not asking questions that would violate Fair Housing law. We usually ask questions when we are showing a property, such as, "How does this unit compare to what you're seeing out there?" "When were you looking to move?" "Is there any feedback you'd like to give me about the condition of the property or the amenities we offer?" "Why are you moving?" Listen carefully to the answers. Not only will it give you valuable information about your unit, it will give you the opportunity to see if they are open and communicative, or difficult and defensive. While some folks are just more private than others, a lack of willingness to be forthcoming with answers is not a good sign. Do they treat you with courtesy? Pay attention to how they speak to each other or their children. Rudeness, anger, foul language, raised voices, are all bad signs; after all, they should be on their best behavior. If they are willing to be unkind or nasty in front of a stranger, how bad are things when no one is around?

Some people are not rude, but can be huge pests. This week, we have had a lady who is interested in seeing a property we are managing, but the owners have no keys and we have been waiting for the past tenants to bring them by. This lady called our receptionist four times, our leasing agent twice, and even our bookkeeper once, all in one day. She has been informed of our problem, yet continues to hound our staff relentlessly. We will decline to accept an application from her based only on this interaction. I can only imagine what we would endure if she had to put in a maintenance request. Remember, whether someone is hostile and argumentative, or just a pain in the neck, "jerk" is not a protected class under Fair Housing law!

Red Flags...

- 1.) Some landlords deem that the condition of a person's car is a valuable screening tool. In my experience, it is not. The tenants who ripped me off drove a very nice car (which got repossessed soon after they moved in). My car is old, has a cracked windshield, various dings and scratches, and tends to be quite dirty on the outside due to my long gravel driveway, and messy on the inside due to using it as a traveling office! But, it's paid for and I would make a great tenant. An older model car may indicate a person who lives within their means and that's a good sign.
- 2.) Beware when a tenant tells you their past landlord died. Recently, an applicant gave us his previous landlord's name, but then said the landlord had died. It only took a few minutes to Google the man's name and locate his contact information. I called his place of business and spoke to the receptionist who informed me that indeed, her boss was very much alive. He contacted me later with a very negative reference.
- 3.) In another instance, I suspected we were being set up with a false rental reference, so I called the "landlord" back to verify the exact address where her "tenant" lived. She balked and stammered and then said she and her husband owned several properties on that street and she couldn't remember the exact address. I already knew she was lying because I had already looked up the property at the Assessment & Taxation website.

www.co.lane.or.us/Departments/AssessmentandTaxation/Pages/default.aspx)

I confirmed she was not the owner of record, but it was fun to hear her try to come up with an answer. Who among you does not remember the exact address of every single property you own? I would guess the number would be zero.

- 4.) Beware of addresses that pop up on credit reports that the tenant says they know nothing about. I was recently screening an individual who denied knowing anything about an address on his credit

report, so I looked him up in OJIN and found a couple of cases he had been party to. I pulled the actual court files and while I was thumbing through the pages, I discovered a photocopy of his ID in the record with that address on it. I then knew he was lying and that was the end of that.

In screening, sometimes you have to do a bit of detective work, but it is well worth your time and trouble, whether you find nothing and have peace of mind, or whether you find you're being lied to and have the satisfaction of knowing you weren't conned.

This column offers general suggestions only and is no substitute for qualified legal advice. Please consult an attorney for advice related to your specific situation.