

How Background Digging Can Unearth Prime Tenants

Rental applications, screening services' reports, and telephone calls can turn up the truth about prospective residents. By Marcie Geffner

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—Larry Daniels, a marketing representative with CBCAMRent

Landlords know it's not always easy to find tenants who maintain their units, respect their neighbors, and pay their rent on time every month. But these tenants can be found by using the right techniques. Although the process may seem tedious, a thorough effort can mean the difference between a good tenant and a landlord's nightmare.

"One bad decision can lead to a lot of different things—damaged units, court expenses, safety issues, or resident retention [problems]," warned Larry Daniels, a marketing representative with CBCAMRent, a tenant screening service in Columbus, Ohio. "One bad decision can affect the individual landlord a lot more than it would affect a corporation or a larger company."

Tapping databases

Screening services provide reports based on searches of credit files, criminal records, registered sex offenders Web sites and proprietary databases that track renters' move-in, move-out, eviction, and rent-skipping behavior. This data may be available to the public free or by subscription or may be accessible only through a screening service, according to Linda Richer, director of

resident screening at CBCAMRent.

These reports can cost as little as \$10 for a credit history or upward of \$75 for a full records search. Smaller customers are "at a disadvantage from a pricing standpoint" because they don't generate as much business for the supplier as larger apartment firms, Richer noted. Some larger agencies don't welcome business from small-scale operators, who may find it easier to get reports from smaller companies instead.

Landlords who want to supplement reports with additional information should ask objective questions, such as how faithfully the applicant paid the rent, rather than subjective ones, such as whether the applicant was a "good" tenant. That keeps the focus on facts and can help the landlord make equitable decisions, Richer said.

Consistent use of third-party reports may help landlords comply with fair housing regulations, too, she suggested. For example, if a landlord obtained a credit report and researched several Web sites to obtain information about applicants of one ethnicity, but did not conduct the same investigation for applicants of another ethnicity, such disparate treatment could create the appearance of discrimination, whereas purchasing the same reports for all applicants could help the landlord be consistent and "do the same for everybody," Richer said.

Investigating applicants

One skeptic of third-party reports is

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ket with falling energy prices.”

Home Properties turned around its lackluster gains last month to end as our top dollar and percentage gainer this month.

The company agreed to sell the entire contents of its upstate New York portfolio to a group of three regional property owners and developers. The buyers made a nonrefundable deposit of \$6 million for the portfolio of 18 properties with 4,567 units, but other terms of the deal were not disclosed. Home Properties said it will use the proceeds to pay off \$79 million in debt, buy back stock, and acquire property in targeted areas. Investment firm Wachovia upped its rating on Home to “outperform” from “market perform” after the announce-

Top gainers/losers

from 9/15/06 to 10/13/06

Top \$ Gainer	Home Properties, Inc.	4.62
Top \$ Loser	CharterMac	-0.49
	Forest City Enterprises, Inc.	-0.49
Top % Gainer	Home Properties, Inc.	8.01
Top % Loser	CharterMac	-2.37

Source: Trade Trends, Inc.

ment. Home Properties added 4.62 points, or 8.01 percent, and closed at 62.33.

Two companies tied for the top dollar loser: CharterMac and Forest City Enterprises. However, the loss was a mere 0.49 points. CharterMac was still smarting from last month's decision to terminate its option to purchase a 49 percent stake in Capri Capital Advisors in exchange for a \$6 million termination fee. CharterMac

closed off 2.37 percent at 20.22 and was also the top percentage loser this month.

Forest City edged south despite announcing a stock repurchase plan of \$25 million. Forest City said it has authorized \$250 million in bonds with options to convert the debt, at 3.63 percent interest, into company stock. Forest City shed 0.89 percent and closed at 54.70. ■

—Margot Crabtree

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attorney Janet Portman. The managing editor of Nolo Press and author of *Every Landlord's Guide to Finding Great Tenants*, she believes these reports can be “extremely misleading,” in part because the data may be inaccurate or outdated. Nolo Press is a publisher of legal self-help books in Berkeley, Calif.

Landlords also need to be cautious about using a criminal background check to refuse to rent housing to an applicant, Portman added.

“The question is: Can you say that this person is a current and direct threat to persons or property? Unless you can say yes, you are taking a chance legally by rejecting him,” she warned.

Another potential legal problem, in Portman's opinion, is that doing criminal background checks might create a false sense of security for the property.

“You run a check on Mr. Jones and it comes back negative because, let's say, he's changed his name, [although] he, in fact, is one dangerous dude,” she said. “You rent to him, thinking you've done your duty because he didn't turn up on anybody's list, and he commits a crime on your property against someone who turns to you and says, ‘I thought this

was a safe place and you assured me you were doing criminal checks.’ ... The landlord now has big problems.”

Instead, landlords should interview the applicant, then make some telephone calls, she advised. Ask a prior landlord: “Did these renters pay the rent on time? Did they make unreasonable demands with respect to maintenance? Did they leave the place in good shape? Would you rent to them again?” Ask an employer to verify the applicant's income and answer such questions as: “Does the person come to work on time? Does he get along with his co-workers? Is his work area neat and clean?” That information is useful because “a lot of the qualities that make a good tenant also make a good employee,” Portman said.

Unmasking fake references

Tim Clark Sr., principal of TLC Rentals, relies on credit reports and his own investigations to find tenants for 30 apartment units, mobile homes, and single-family houses he owns in Junction City, Ohio. He requires a rental application, a credit history that he purchases from a third-party agency, a criminal background check that the applicant obtains from the local sheriff's department, telephone calls to the applicant's employers and landlords,

and an interview that he conducts while he shows the unit.

One of Clark's strategies is to use other sources of information to verify the answers on the rental application. For example, he compares the prior known addresses listed on the credit history with the applicant's list of prior addresses and asks him or her to explain any inconsistencies. He also checks the credit history to ascertain whether the applicant owes money to other landlords.

“I'm a big believer in the credit report,” he said. “There are exceptions, but that's probably 75 percent of the decision of whether I rent to someone. The other 25 percent is talking to the previous landlord, verifying the employment and verifying that the person is telling me the truth on the other information.”

One trap Clark has encountered: applicants who've listed friends on their application in the guise of landlords or employers.

“I make those telephone calls myself because I have certain questions that I ask: ‘Where is your apartment building located? How many properties do you have? Do they pay the rent?’ You can get a really good feel for whether you are talking to another landlord or not,” he said. ■