

10 Things to do to Select Good Tenants by Robert L. Cain

There are only two times landlords get into trouble in tenant selection: when they're in a hurry and when they feel sorry for somebody. Bad tenants know that and count on it to sleaze their way into our rental properties. Proper tenant selection sends these people on their way, off to bother some other landlord.

That's why we will discuss here, the ABC's of ensuring that we rent to people who have earned the right to rent from us by paying the rent on time, being good citizens and taking proper care of their homes. We can't expect bad tenants to change their behavior just as we can't expect a politician to tell the whole truth. Their bad behavior has worked for them in the past and we have no reason to believe they will change.

The most important axiom to remember is the one I once heard: "Better no tenant than a bad tenant."

Certainly, we will hear claims such as "I wasn't a real tenant before, but I've learned my lesson." Sure they did. They learned some lesson, but we don't know what it was. And why should we expect that they will suddenly change? Show us evidence, such as a satisfactory rental history.

The most important axiom to remember is the one I once heard: "Better no tenant than a bad tenant." Here are 10 things to do to ensure that bad tenants will either "take the application home to fill it out" and disappear, never to be seen again or that you will catch them in their lies.

1. Verify Everything: The easiest way to stop a bad tenant in his tracks is through the verification process. All that information on the rental application needs to be verified. We need to verify that they have listed all the places they have lived; that the landlord reference phone number they gave is indeed a landlord they rented from and not just a friend of theirs; that they work where they say they do and that the name on the application is really his or her name. If we can't verify any piece of information or if we discover inconsistencies in their application, that is ground to immediately reject. If they have an explanation, it had better be really good – and verifiable.

2. Have Rental Policies and Standards: If you don't know who is an acceptable applicant, how will you know when he or she shows up? And how will you know when an unacceptable one applies? Rental policies and standards give us and applicants those guidelines. When we hand the application to a prospective tenant, we need to attach the rental standards with the statement, "these are our rental standards, if you meet them, please apply."

What goes into the rental policies and standards? Start with income requirements. Those can be whatever you believe are appropriate. You can require that the applicant has lived in his or her last home for a minimum period of time and has been on the job or the same line of work for a specified time. You can refuse to accept a tenant who has been evicted or been sued by or sued a landlord. You can refuse to accept a tenant who has been convicted of drug dealing.

Those are all legitimate, businesslike reasons to reject an applicant. It is up to you to decide what is appropriate for your property.

3. Make Sure the Application is Completely Filled Out: It must be filled out to your satisfaction, not the applicant's. That means all the blanks are either filled in or have a N/A or dashes in them.

What happens all too often is that a landlord is so excited about actually getting an application that he or she simply takes it, never looks at it and sticks it in a folder or pocket. Then when it comes time to do the verification screening, he or she discovers there are blank spaces on the application. Even such things as their last address are sometimes missing. Now what do you do? You feel silly calling them for more information but it's either that or try to screen with what you have.

So, when you get an application, look at it. If anything is not filled out to your satisfaction, hand it back to the applicant. If he or she says “I don’t have all that information with me,” tell them you will take it, but he or she needs to call you with the rest of it. Always add the warning that you screen applications in the order they are received “completely filled out”. If another application comes in that is completely filled out before this applicant gets back to you, you will take the other one first.

4. Take Your Time: That is one of the times that a landlord gets into trouble – when he’s in a hurry. It’s an old salesman’s trick to try to get you to make a decision before you are ready. By the same token, don’t allow an applicant to make you miss any steps in the screening process. Each one is important and can result in clues about something a bad tenant is trying to hide.

5. Have Checklists and Procedures: That is one way to keep yourself from being in a hurry. It is also a terrific way to keep from forgetting anything. Every step is important. Go through each of them from checking the application to see that it’s filled out to the move-in checklist. You can create your own checklist or use the one at the end of this article.

6. Pull Credit Reports: Credit reports tell a lot more about an applicant than just how well they paid their bills, even though that is an important consideration. They also tell where the applicant works, some previous addresses and information about judgments.

That is a wealth of information that can tell you is someone has told you the whole truth. Imagine your surprise if an address appears on the credit report that was not on the rental application. That would be interesting, wouldn’t it? What if a judgment appears from a previous landlord? That might be a reason to think twice about an applicant. **[Editor’s Note: It is wise to also run an Eviction Report on your applicant to determine if they have ever been evicted before. Most of the time, evictions do not show up on credit reports. Call AOA for your “instant” low-cost credit and eviction reports!]**

That means if they can catch a landlord violating a provision of the Fair Housing Act, they can file a complaint and get part of the fine that is assessed.

7. Know the Fair Housing Law: Fair Housing persecutors love it when landlords don’t know the provisions of the Fair Housing Act. They love it for two reasons. The first reason is many Fair Housing organizations depend on fines paid by landlords for their continued existence. That means if they can catch a landlord violating a provision of the Fair Housing Act, they can file a complaint and get part of the fine that is assessed. Those fines are not small; they can range from \$11,000 to \$10,000, depending on if they can convince a HUD judge, and they are hired by HUD, that the landlord has no regard for Fair Housing.

The second reason is that ignorance of the provisions of the Fair Housing Act can mean landlords rent to anybody, because they are afraid any kind of discrimination will bring the wrath of the Fair Housing persecutors. The fact is that there is nothing wrong with discrimination, only illegal discrimination.

We discriminate every day. We discriminate against one product over another in a grocery store because one costs more than the one we buy. We discriminate against businesses by not buying from them because their service is horrible. We discriminate against people we think about hiring because they don’t have the skills to do the job.

What IS illegal is using race, religion, national origin, familial status, color, ethnicity, or disability as a basis for refusing to rent to someone. It is perfectly legal to discriminate against an applicant because of a bad rental history, bad credit, lack of sufficient income, lies on a rental application or any other reason that has nothing to do with religion, national origin, familial status, color, ethnicity, or disability. In fact, it is good business to refuse to rent to people who lack the ability to be good tenants.

Ignorance of the Fair Housing provisions can affect your income another way. Landlords take their property off the market to avoid having a Fair Housing complaint filed against them.

They don't want to rent to any of the applicants they have because none of them are qualified. What results is they end up eventually with a less qualified tenant than they would have had they used objective standards and screening.

8. Drive by their Present Home: This works especially well if their current home is a single-family or small-plex. Apartments are another story. Drive all around the property. How does it look from the outside? Forget about paint and repairs that should be done, those are not their job. How about trash, junker cars in the driveway, junk piled up around the house? How they are living where they are will be the same way they live everywhere. If you rent to them, count on it looking the same way on your property.

9. Use a Rental Agreement for Your State: Every state law is different. If you use an article that is not consistent with the law in your state, you could be unable to evict a tenant for nonpayment of rent, for trashing the property, for too many people moving in, or for any number of other reasons. I see so many of what purport to be legal rental forms being sold on the internet that are so generic they won't fly in any court. **(Editor's Note: AOA's Rental Agreement may be downloaded by members for free via the website.)**

10. Reject by Mail: Nobody likes to be rejected. But sometimes, you do have to let an applicant know that you cannot rent to him or her. However, when you do turn down an applicant, it is wise, fair and sometimes legally required that you let him know why. In some areas, it is required by law that you tell him the name of the agency that gave you the information that caused you to turn them down.

Remember, you are required by the Fair Credit Reporting Act to disclose to an applicant where you got the information you rejected him or her on the basis of a report from a credit reporting agency. They will have the opportunity to contest the information contained in that report. **(Editor's Note: Members may obtain a "Tenant Rejection Form" from AOA that properly notifies the applicant that you cannot rent to him.)**

That does not mean that you have to hold the property unrented until the applicant contests the report, you can go ahead and rent it to an applicant who meets your standards. Never, never, never reject an applicant by phone. You could end up on the wrong side of a lawsuit or Fair Housing complaint. If applicants call inquiring about the status of their application, just let them know that you are still working on it and they should know in a day or two.

The Most Important Job

Tenant selection is the most important job we do as landlords. A bad tenant can destroy our investments. A bad tenant takes up space that could be used by a good tenant. A bad tenant drives off good tenants. Renting to bad tenants means sleepless nights, ulcers and unpredictable trips to eviction court.

You never have to deal with bad tenants if you don't rent to them in the first place. Meticulous applicant screening assures that our jobs as landlords don't include having to deal with the aggravation of bad tenants.

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