

Should You Discriminate? You Better Believe It! 22 Reasons to Reject an Applicant

by Robert L. Cain

Yes, you may discriminate. There is nothing wrong with discrimination, only with illegal discrimination. We discriminate hundreds of times every day. We discriminate by buying Del Monte green beans instead of the store brand whenever we go to the grocery store. We discriminate by buying gas at the station that is two cents cheaper per gallon than the station with the more gouging prices. We discriminate when we choose to do business in one store rather than the one where the clerks are surly and discourteous. Smart landlords discriminate every time they have a vacancy by renting to a qualified applicant, rather than one who has bad credit, a sketchy rental history and three convictions for dealing dope.

Unschooling and inexperienced landlords live in abject terror of refusing to rent to a bad tenant, especially one who is a minority or otherwise a member of a protected class. They somehow believe that bad tenants who are minorities have an inalienable right to rent anywhere they want so they can inflict themselves on landlords and other tenants. Not so.

There is a Fair Housing official in a major US city, also a minority, who could not find an apartment complex that would rent to him because his credit was horrible. He wanted to file a complaint for illegal discrimination against the complexes, but was advised against it by his co-workers because having bad credit was and is a perfectly legitimate and businesslike reason for rejecting an applicant.

Illegal discrimination is refusing to rent to, creating higher standards for, making it more difficult for or treating differently an applicant because he or she is a member of a protected class. Legal and businesslike discrimination is refusing to rent to or treating differently an applicant who does not meet a landlord's rental criteria, regardless of that applicant's minority or protected class status is concerned.

One bad tenant can cost at least three months rent and untold grief. The most important job a landlord can do is select good tenants. Good tenants make the mortgage payments. Good tenants turn the property owner a profit. Good tenants maintain the property where they live and increase the value of the owner's investment.

Many times landlords are in too much of a hurry to rent their property and they take the first warm body who comes along with cash in hand. They may also be suckered into renting to a bad tenant by a sob story that bears little or no relation to the truth. They live to regret that decision. A careful tenant screening process pays far more dividends than losing a couple of weeks or even months of rent.

Okay, then, with all this talk about the importance of good tenants, how do you go about deciding who is acceptable? It's up to you. You are in charge of deciding, not the applicant.

How to Decide

Do you know who will be an acceptable tenant for your rental property? If you don't know, how will you recognize him or her when he or she shows up? The fact is, every property is different and the kinds of renters each property attracts are different. Accordingly, you need to have a specific idea of who the acceptable tenant is for each of your properties.

Different properties attract renters with different characteristics. Obviously, a \$300 a month studio apartment in an undesirable part of town is going to attract a much different tenant than a 3,500 square foot home with a 360 degree vista overlooking a lush valley, a swimming pool, hot tub, sauna, three-car garage and situated in a prime neighborhood that rents for \$4,000 a month. You will need to create standards appropriate to each property. You can't do that without knowing the characteristics of the tenants and the property.

Pick one of your properties, possibly one that is available now. List the physical characteristics of the property. You can go over, look and measure, if need be. List the rent, bedrooms, baths, number of levels, if there is a basement or storage. Is there parking or a garage; appliances included, washer/dryer hookup? List how many square feet, what type of flooring, air conditioning, heating, nearby schools and/or the name and quality of the neighborhood along with any special features the building offers.

Tenant characteristics are harder. Remember the tenant's who've rented the unit. Think about their income, the number of people living in the unit, the family composition, debt ratio, credit problems, rental history, reasons for moving out of their previous rentals, number of vehicles, hobbies and interests, and anything else that comes to mind about the demographics of previous tenants. Use old rental applications and your old memory.

If you just bought the property, or otherwise acquired it, you don't have that information. Possibly the previous owner can help. That failing, if you have similar properties in the same neighborhood and of the same characteristics, they might be a guide for the one you are working on, in that they will attract the same kind of tenant.

Even if you can't get help, you can still create criteria, even though it may not be so fine tuned. Look at the current renter, if there is one – take out all the bad characteristics and leave the neutral or good ones. That will be your acceptable tenant.

This will take some time and work, but eh payoff can be phenomenal. You will have started a database of the characteristics of each of your properties, this being the first. Later, you can do one for each as they available or when you have time.

At that point, you can look at who each property attracts and see if that is the best tenant who would want to live in the property. If it isn't, what can you do to improve the quality? Until you know where you are now, though, you have no chance of creating a plan to improve the situation.

Keep the property data form for each property in the property file, together with the ads you have written for the property, marketing materials and appropriate information that will help you select a tenant the next time the need arises.

Standards You Must Have

Even if you have no other standards, here are four that are absolutely essential and that are independent of the quality or rental amount of the property. You have to be certain that the information the applicant provides is complete and accurate. If it is not, reject him or her.

1. Fills out application completely and truthfully.
2. Has a verifiable source of income
3. Provides verifiable information on the application
4. Provides appropriate identification

When the applicant fills out the application and hands it to you, look at it. Too often landlords and leasing agents just stick the application in a file folder or pocket and never look at it again until it is time to do the screening. Your first job for screening is to actually look at the application before you accept it. Are all the spaces filled out? Can you read everything? If not, hand it back and tell the applicant it **MUST** be completed.

If the applicant doesn't know some of the information about previous landlords, such as names and phone numbers, you have two options. One is to hand it back to the applicant and tell him or her to find out and bring the application back to you. The other is to take the application and tell him or her to call you with the missing information. Always add the caveat that you will not begin screening until you have an application that has all the required information on it. If, in the meantime, another applicant fills out an application completely, you will begin checking that one.

How do you know how much an applicant earns? That is important because the amount of a tenant's income goes a long way toward determining how much rent he or she can afford. Should you believe the amount entered on the rental application? If you do, you will end up with bad tenants eventually. The applicant should be able to provide pay stubs, tax returns, w2s or some other form of evidence of income. If he or she cannot, he or she does not get to rent from you.

Can you verify everything on the rental application including dates of residence and employment? If you can't, you will eventually end up with a bad tenant. Make sure everything is as the application says, especially dates. Too many times applicants will skip over previous landlords, you know, the ones where they were evicted or asked to leave, by adding time to a place listed on their rental applications.

Does that applicant have picture identification proving who he or she is? If not, make the applicant get it. It's usually a driver's license. If the applicant doesn't have one with him and drove a car to the appointment, you would have to wonder how he got there. If he has it with him, look at the address on the license. Does that address appear

on the rental application? If not, run up the red flag. Why not? How long since he moved from that address? You can either reject the applicant out of hand or demand more information that will answer your question.

The most important thing to remember in the application process is that you are in charge, not the applicant. You set the standards and you, not the applicant, decide when you will accept an application. Do not be bullied or cajoled. Do not be in a hurry or feel sorry for someone. Discriminate, legally of course.

22 Reasons to Reject an Applicant

- Cannot pay the security deposit or fees in advance.
- Has a credit history of unpaid bills, collections, liens or judgments or has no credit history.
- Is an unmarried minor with no responsible adult to cosign the rental agreement.
- Previous landlord was not given proper notice or would not re-rent to the applicant.
- Previous landlord has given the applicant written notices for noncompliance.
- Cannot provide two forms of identification (one photo).
- Fails to complete and sign the rental application. One for each adult 18 years or older.
- Falsifies information on any form.
- Will not furnish references from at least two previous landlords.
- Has more people than permitted by legally adopted occupancy guidelines.
- Has pets and your policy firmly prohibits them.
- Has a waterbed and your policy firmly prohibits them (you can require insurance).
- Has several large objects that cannot be stored on the property.
- Has more than the allowed number of vehicles or has a loud motorcycle or hotrod.
- Has a history of property destruction.
- Has a history of disturbing neighbors.
- Has certain types of criminal convictions, civil judgments or eviction judgments.
- Plans to use the premises for something other than living purposes, such as a business.
- Does not earn enough to qualify for the rent which you are asking.
- Writes an initial check that is not honored by the bank.
- Cannot pay the full month's rent in advance.

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