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10 Suggestions When Qualifying a Tenant

by Shaya Stauber

In today's market it is a challenge to find a new tenant, but you don't want to act desperate and accept the wrong one. Here are 10 things to do when screening a potential tenant. Many landlords will make rules about credit scores and say anyone with a score below 600 is bad and anyone above 700 is great. Unfortunately, both of these statements can be incorrect. Some tenants with low scores had tough times in years past, but are stable now and some with great credit are currently struggling and might not be able to pay the rent.

The credit and eviction reports from AOA are great and provide a lot of data that can be

used to evaluate the tenant beyond the score. Every situation

This might seem like a lot of work to qualify one tenant, but imagine the work needed for an eviction. If you pick the right tenant you might not need to do this work again for that unit for many years.

is unique, so treat each tenant accordingly, but these suggestions can be applied to most situations. When qualifying a tenant these should be the land-

lord's three primary concerns:

- Can they can pay the rent on time
- Will they will be a good neighbor
- Will they will maintain the apartment

It can be tricky balancing their ability to pay and if they will be a good resident, so you have to decide what is most important to you.

1. ***Look deeper than the credit score*** for the root of the problem. Evictions and bankruptcy are bad, but a foreclosure or a collection can have a reasonable explanation. A late payment will affect the credit score the same regardless of when it was in the past few years, but from a landlord's perspective, it will make a difference if it happened years ago or last month. The difference being if the problem is behind them or if it just started. The credit score might be the same for two people, but for completely different reasons,

so you need to research the underlying information to know what happened. Look at each negative event individually to find the root of the score.

2. **Look at the employer**, the industry and the length of time they have been at their job. If their industry has downsized recently they might be in trouble, but if they are in a more secure field, like a nurse, they have more security. Decide for yourself which jobs and industries are safe. Talk to their employer to get a sense of their job performance. Their job is what allows them to pay the rent, but equally important it tells you about person. Good work habits and workplace responsibil-

ity are the makings of a good tenant. Listen to the tone of the employer since they might not be allowed to say anything negative, but their voice might tell you what they are thinking. Obviously, look at their income after deducting expenses to ensure there is a cushion to pay the rent. Look at the physical location of their job; the closer they are to your apartment the less of a chance they will vacate after the lease is up. If they are far, they will probably try and find a closer place to work with all else being equal. The employer can be a great source of information you just need to know which questions to ask and how to interpret the an-

swers.

3. **Check where they live currently** as well as in the past. Many landlords will only look at their current residence, but look as far back as possible. Often a tenant is a good tenant in their current building, but a disaster in the apartment before that one. Use the credit report and application to find their previous addresses. After sending the standard written questionnaire about the tenant to their current manager, follow up with a call and ask what type of tenant they were, and as many questions as you can to learn more about the tenant. A red flag is if the tenant

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has moved often, it might be nothing, but this should alert you to look deeper. It can happen that a tenant gives you a friend's number and says they are the building manager, and you might never know. There are two ways to try and catch someone who is doing this. Ask the alleged manager random questions to see if they hesitate or get nervous. Use industry related language such as "Have you ever issued them a three day". If they don't know what a three day notice is they are not the real manager. Second, try and verify the phone number of the manager independently by searching the internet or if possible drive by the building. By

getting the number yourself, you can assure you are talking to the real manager. This doesn't happen often, but if you have any suspicions it doesn't hurt to verify.

4. Check the local court for any lawsuits naming the tenant as a defendant or a plaintiff. Credit reports will show evictions but will not show if a tenant has sued or been sued by a landlord. I encountered a tenant that was kicked out of his prior two apartments, but was never evicted because he sued the landlord and an out of court settlement allowed him to leave the building with an unpaid balance. This didn't show up on the credit or eviction re-

port, but by checking the court records, it was clear this person was a problem. Check to see if they sued or were sued by other residents. At the very least you can ask them to explain and decide if you believe their answer. I am not saying not to rent to a tenant who has sued or was sued, but it will give you a good indication of them as a tenant.

5. Check the type of car they drive and compare it to their income and their anticipated rent. Ideally, you would like a tenant to drive a car that is well within their means and costs 20% of their rental payment. If the car payment is 20% of their

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income, than that is a problem. Looking at the car may seem superficial, but it gives insight into what type of person they are and their level of responsibility. You want a tenant that cares more about getting from point A to point B and paying their bills than how they look behind the wheel. This is not to say that someone with a nice car won't be a great tenant, but if it is a car they can't afford, they are choosing vanity over practicality, which can be dangerous.

6. ***Check their checking and savings accounts*** to see their financial responsibility. In my experience, people who are financially responsible are

more likely to take care of the apartment and pay the rent. Financial planners say you should have six months of living expenses in cash, so this is the ideal situation. This doesn't mean that if they have less it is a deal breaker, but the more savings the more security. Beyond just indicating their level of responsibility, the more they have in the bank the more they have to lose if they breach their lease or damage the building.

7. ***Check credit card balances*** to see if they are over-extended or have an acceptable amount of debt relative to their income. This will tell you if they live within their means or if they spend first and worry

about the consequences later. Someone that has high balances is more likely to sign a lease for an apartment they can't afford and not live up to their obligation. You want someone who has a manageable amount of debt, which they can pay back over a small amount of time, but not someone that based on their current income and debt will never be able to pay off their balances, short of winning the lottery.

8. ***See if the tenant has family or friends*** living in the building or immediate area. The rental application should have a place for personal references to obtain this information. If the tenant has friends or family

nearby or in the building, they will be more likely to stay than if they didn't know anyone. Finding someone who knows current tenants is ideal and will help build a community that should translate into lower turnover. If they don't know people in the immediate area, they are more likely to move closer to friends and family after their lease expires. This is helpful if you have equally qualified tenants to use as a tie breaker.

9. If you are unsure about the tenant or something doesn't feel right, meet the person face to face. You can learn a lot about a person from a meeting that can't be found on a piece of paper or from other people's

opinions. A personal meeting can be crucial and that is why so many deals get done with a hand shake or on the golf course. There is something to be said for looking someone in the eyes before making a deal. A meeting is the ideal situation, but many times it is not practical and that is why I suggest using it only when you have a funny feeling or something doesn't smell right.

10. Consider if the tenant is downgrading or upgrading from their past residence. It is preferable if they are moving up in quality or size. Today, it is common to see people moving from a home to an apartment and while it is a concern,

it shouldn't be a deal breaker. If someone is downgrading from a better building in a better area, this usually indicates they are going through tough times and their ability to pay the rent is in question. Many people are struggling, but if you have an option, choose the tenant that is upgrading.

Qualifying a tenant is like painting. Each piece of information is like a color that can be used. The more information you have at your disposal the more color options you have to create your art. It is possible to paint a picture with only two colors, but more colors will

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translate to a better picture. This might seem like a lot of work to qualify one tenant, but imagine the work needed for an eviction. You just need to know what to look for and what to ask to gather the information. If you pick the right tenant you might not need to do this work again for that unit for many years. **AOA**

Shaya Stauber is a principal with Ratner Property Management - R.E. License 01385202. Ratner Property Management has been managing properties in Southern California for over 90 years. For more information, call (818) 767-4750 or email info@ratnerpm.com.