

How to CONDUCT TENANT BACKGROUND SCREENINGS

by Joe Hoover, Anni Adkins and Dr. Lew Deitch



Most property managers have experienced the wild Saturday night party when neighbors must summon the police to quiet a rowdy crowd. They are equally familiar with walking into a property after a tenant has vacated only to find the premises in shambles, requiring almost total renovation. In residential leases, there is a potential for lost income resulting from the time to complete extensive repairs, or if a tenant breaks a lease and suddenly vacates. These are nightmare scenarios that can be minimized by conducting background checks before renting a property to a prospective tenant. The steps presented in this article will reduce the dangers of facing later evictions or costly repairs.

WHY SCREEN POTENTIAL RENTERS?

The implementation of a tenant screening process will minimize future tenant problems. By checking on the background of a potential renter, the risk of experiencing the scenarios noted above becomes far lower. Not only do bad tenants cost owners and managers money, their actions can also bring unforeseen liabilities for a tenant's actions.

The Telephone Interview: Often the first contact with a prospective tenant is by telephone, especially if the rental has been advertised in a local newspaper. This is the time to ask the right questions that initiate the qualification process. Questions to be asked to renters should include:

- Name of prospective tenant
- Telephone contact number
- Date prospective tenant wishes to occupy premises
- Does the prospective tenant have landlord references?
- Reason for choosing to move
- Number of people in family
- Number of children and their ages
- Type and number of pets, if any
- Is anyone in the family a smoker?

In addition to asking the above questions, the prospective tenant should be informed of the monthly rent, security deposit or other up-front fees, as this often will eliminate the need for further screening if the person cannot afford the price and fees quoted.

Personal Interview: If both parties are satisfied following the telephone interview, it is normal for a prospective tenant to wish to see the property. This also affords the owner or property manager an opportunity to meet the party in question.

The following are important items to note when meeting a prospective tenant:

- Appearance – Is the person neatly groomed? Does the person make a good first impression? A person that is unkempt is often one whose personal living space will be similarly in disarray.
- Vehicle – What type of conveyance does the person drive? It is neat and clean? Also make note of the age and make of the vehicle, for this can give some indication of either income level or a person's expense habits.
- Personal Demeanor – It is important to appraise the person's overall attitude and manners. Is the individual respectful, or is this the type of person that will be difficult to deal with if any criticism or complaints should arise? If any family members or friends accompany the prospective renter, also observe their demeanor. Depending upon conditions, did the renter, family members or friends wipe their feet when entering the premises? Were any parties smoking without first asking permission? These mannerisms can tell a lot about people.

The Rental Application Form: A rental application form should require the following information:

- Full name of applicant, social security number, date of birth and current address
- Rental history for past ten years (if rented during this time)
- Applicant's current employment and current salary
- Applicant's job description or occupation
- Applicant's past employment for a minimum of three years
- Applicant's highest level of education
- Credit references and a question regarding bankruptcy
- Questions regarding misdemeanor or felony record for applicant
- Names of all co-renters and occupants
- For co-renters who are not family members, a separate application should be completed by each person.
- Three personal references, including addresses and telephone numbers
- Name of a relative not living with applicant, including relationship, address and telephone number
- Driver's license number and state of issue (also make a copy of license)
- List of vehicles and license plate numbers

Remember that this information should be confirmed by use of a database search. If, during the search, names of friends or relatives not listed on the application should appear, it is a good idea to check with these individuals, as it may reveal hidden negative information the application was attempting to hide.

Personal references and past landlords are very major sources of the type of information regarding character, demeanor and manner in which the applicant maintains their personal property. Always ask a referee how long they have known the applicant and if they deem the person to be reliable. Inquire about such matters as their relationships with neighbors, any noise they or their pets may have made that disturbed others, and whether they left the property in good condition. If it is possible to find other residents still living where the applicant resided, further validate the person's character by talking to them.

Employers are a valuable source of information regarding an applicant's integrity, interpersonal work skills and demeanor. Contact human resources or supervisory personnel to inquire about the person's work record for the dates they have indicated. Also ask if the person was terminated or left of their own accord.

If an applicant is self-employed or a business owner, ask for copies of business banking statements for the past few months or for tax filings for the past year. Also, the Secretary of State's corporation division will have information on businesses that are incorporated. Business background checks can also be run to verify the applicant's credit-worthiness and public relationships.

The signed application should include a "Release of Information Statement," which enables the landlord to then check the person's background to determine if they have been truthful in answering all questions. This check is vital to determining the character of a potential renter. In addition, a complete background check will also determine financial responsibility and stability.

Signed applications with a "Release of Information Statement" should be obtained from all adult parties who will occupy the premises. Each application should be properly screened to eliminate later problems regarding financial stability and personal behavior.

Essentially, the background check validates the honesty of the prospective tenant. Thus it is important to follow through with an actual screening check to verify the information. Otherwise the application form serves no real purpose. Also look for inconsistencies between

parties when applications are cross-checked. Background information may be confirmed by contacting references or through records searches.

If a decision is made to deny rental, the application, along with information learned through the screening, must be disclosed to the applicant.

For a sample Release of Information Form, download the PDF here: <http://investigativeprofessionals.com/releases/applicant-release-tenant.pdf>. You may download the Word DOC version here: <http://investigativeprofessionals.com/releases/applicant-release-tenant.doc>.

For a sample Application & Notification for the Release of Information, download the PDF here: <http://investigativeprofessionals.com/releases/applicant-release-information-tenant.pdf>. You may download a Word DOC file here: <http://investigativeprofessionals.com/releases/applicant-release-information-tenant.doc>.

SEARCHING FOR TENANT BACKGROUND INFORMATION

Credit Information: Obtain a credit report on a prospective tenant from one of the three major credit reporting bureaus. This step is especially important because it will indicate whether a person has a history of paying bills on time.

If denying an applicant because of negative information on a credit report, the applicant must be sent an "adverse action" letter, which informs the applicant of three things: the reason for rejection, the name and address of the agency that reported the negative information, and the applicant's right to obtain a free copy of the report by requesting it from that agency within 60 days.

Criminal History Data: If there is any doubt as to the applicant's personal or moral character, it is important to check for criminal history background. Criminal information is public record held by the various courts. Federal records are maintained at Federal District Courts. The State Department of Justice keeps state records. State records are stored in Criminal Records Repositories. The most comprehensive block of criminal files will be found at any county courthouse.

Criminal history searches should include a county criminal court search, a statewide criminal courts search, a national Department of Corrections felon search, and a search of sexual offender databases.

Law Suits, Liens, Judgments, Bankruptcy Filings, and Tax Liens: These records contain information pertaining to adjudication, assets, tax liens and mechanics liens against individuals, business owners and principals. These records are mostly stored at the county courthouse where the individual or business is located. State Records contain UCC filings, information about liens, collateral, litigation, and judgments. Litigation initiated by the government, such as bankruptcy filings and tax liens, are within the Federal Court System.

IMPORTANT DATABASE SEARCH REMINDERS

When searching the various databases, keep in mind that previous addresses, landowners, and roommates are often revealed in these database searches.

- Eviction database searches confirm application input information.
- Sex Offender databases can be scrutinized.
- National trace detail searches confirm identity, past addresses, and identify neighbors.
- Credit Header searches confirm social security numbers provided by applicant.

If selecting an information provider or tenant screening company, look for one with connections to a network of nationwide eviction databases and with direct access and fast turnaround time. A local eviction or skip tracer database source may not provide sufficient background information on a tenant moving in from another state.

Article provided by Investigative Professionals LLC, ©2007 Information Providers. How to Investigate: <http://howtoinvestigate.com> for Individuals. Investigative Professionals: <http://InvestigativeProfessionals.com> for Businesses.