



# Tenant Screening 101

A LANDLORDS COMPLETE GUIDE

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# Introduction

Picking the right tenants is one of the most important ways you can protect yourself from losses on your property, and developing a thorough method is a critical part of creating a rock-solid tenant screening process.

This guide was created to help you decipher all the information you find through a tenant screening and to help you determine what to ask over the phone once you think you've found a qualified candidate. By approaching this as a two-step process, you can see who is serious about moving into your place and find out about their history as a renter.

## About Tenant Screenings

The rental application serves a very similar function as a resume. It includes basic information (name, address, phone number), and can be super important to have on hand after a renter moves in.

In fact, landlords and lawyers suggest doing an application renewal every year at the time of lease renewal so that you can keep your information current. This will come in handy if you ever have an emergency or need to reference it during the event of an eviction. However, an application can't tell you everything about a person. To dig deeper and look at key clues about what kind of tenant someone might be—including their credit history, eviction records, and income—you want to run a tenant screening.

**A comprehensive tenant screening should include the following:**

### **FULL CREDIT REPORT**

A credit report is a great tool to have when determining the financial risk involved with an applicant. The credit report should include access to public records, credit inquiries and payment history on all real estate, installment, and revolving credit accounts. It should also include a list of creditors within the last 7 years, liens, suits, judgments (within the last 7-10 years) and inquiries (within the last 2 years). A credit report will also include income verification which will help you determine if they can afford rent.

### **NATIONAL/COUNTY CRIMINAL RECORDS**

The criminal background portion of a screening is searched by name and verified by date of birth. It typically provides felony and misdemeanor records throughout the nation. Each state sets its own standards regarding the type of records that are available instantly, so the type of coverage varies from state to state. For example, in Utah both felonies and misdemeanor records are available from the Utah District Court, whereas Wyoming does not provide any information to the database. For a more comprehensive picture of someone's background, look for tenant screenings that also search county records.

### **NATIONAL SEX OFFENDER REGISTRY**

A screening should include a search of the National Sex Offender Registry for any records that may match your applicant's name and date of birth. When sex offender records are found, it will include the details of the offense and, in some cases, a picture of the offender.

### **SSN VERIFICATION**

Social Security Number verification, also known as a Person Search, is used as a research tool in conjunction with the multi-state criminal search. It lists names and addresses that have been associated with the Social Security Number within the last 10 years. The results of this search help provide an insight into whether your applicant is who they say they are.

### **NATIONAL EVICTION RECORDS**

This search includes eviction records on a national level. The records will show the name of the plaintiff that filed the eviction, when the eviction was filed, the address involved in the eviction and any court/judgment information available.

## **What to Look for**

**Once you get the screening back with all the details we outlined previously, here's what you will want to take a closer look at:**

### **INCOME**

While the industry recommendation is that renters bring home at least three times the cost of rent, financial gurus like Dave Ramsey say that housing should make up no more than 25 percent of someone's take-home pay. The tenant also needs to be able to sustain any increases in rent in the upcoming years.

Your rent will probably increase as your own expenses for the property increase, so it's important to consider the tenant's profession as part of their rent-income ratio.

### **CREDIT HISTORY**

A credit check is one of the most important parts of the background screening. It will show whether or not tenants can actually afford to rent your place after their bills are paid. It can also tell you if potential tenants have a history of bankruptcy-which can be a red flag.

**DEBT-TO-INCOME  
RATIO (DTI)**



**TOTAL MONTHLY DEBT PAYMENTS**

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**GROSS MONTHLY INCOME**

## ALTHOUGH 35% AND BELOW IS CONSIDERED THE IDEAL DTI RATIO, MORTGAGE LENDERS CONSIDER ANYTHING UNDER 43% ACCEPTABLE.

You can apply those same guidelines to renters. As you calculate DTI, keep in mind that there are different kinds of debt and not all are created equal. Student loan debt and auto loan debt are typical, and usually don't raise any red flags. However, excessive credit card debt (even if they have an acceptable DTI ratio) can be a warning sign.

You'll also see a credit score in a tenant screening. According to a TransUnion study, 43 percent of landlords surveyed said they perform credit checks as part of the leasing process and 48 percent of landlords said the results of a credit check are among the top three factors used when deciding whether or not to accept a tenant's lease application.

Credit scores can often indicate if a tenant is financially responsible and are broken down into five classifications: very poor, poor, fair, good, and excellent. A credit score of 700 or

above is what industry professionals recommend you look for on a tenant credit screening.

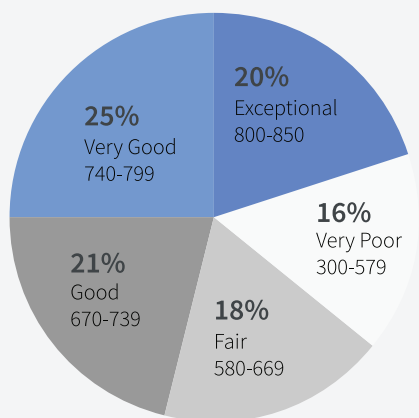
Keep in mind as you are analyzing a tenant's credit score that there are some situations that can negatively impact a credit score, even if a tenant is financially responsible. Although it's ultimately your judgement call, you may want to talk to a tenant to clarify any situations you may have a question about if everything else in their screening looks good. Typically, most landlords consider any federal or state-lines, unpaid alimony, child support, and judicial or civil judgments to be deal breakers. However, many will make an exception if a payment plan is in place for these types of debts.

You should also consider that if you require a certain score from tenants, you could be passing up on a great tenant who may not necessarily have had the guidance to establish their credit early and know how credit works; but would make a good tenant. Also, consumers with new credit may not necessarily have ever paid a creditor late, but their score is low, due to the fact that their credit is new. If everything else about an applicant feels good, this is something you should discuss with them further.

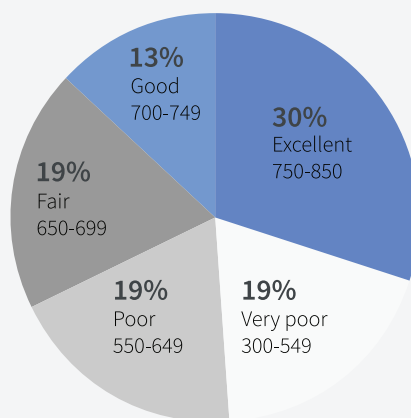
## CREDIT SCORE RANGES

% = PERCENTAGES OF ALL PEOPLE

### FICO SCORE CHART



### VANTAGE SCORE CHART



[Read the full report >](#)

## EVICTIION RECORDS

As outlined earlier in this guide, eviction records give you all the details about prior financial issues a renter has had, and what the outcome of these legal situations was. Evictions and late payment judgments stay on your record for seven years, and you will be able to see when and where the records happened.

## CRIMINAL HISTORY

Criminal history is very important to consider when accepting applications for your rental, but it's also a tricky topic due to discrimination laws. Discrimination laws vary from state to state and do not usually cover criminal convictions, but under federal law there are several guidelines for applicants with criminal history.

In 2016, the Department of Housing and Urban Development set forth additional guidelines to make it potentially easier for people with convictions to get housing. For landlords, that means that while people with criminal records aren't a protected class under the Fair Housing Act (i.e. state laws), blanket policies of refusing to rent to anybody with a criminal record may be considered illegal discrimination.

## SSN VERIFICATION

It can be helpful to verify a person's search identification or Social Security verification. This information provides address history, correct spelling of name(s), and most importantly, verification of an applicant's date of birth—all essential for making sure your tenant is who they say they are.

## TWO THINGS TO LOOK FOR WHEN CHECKING CRIMINAL HISTORY ON A BACKGROUND SCREENING:

### 1 CRIMINAL RECORDS

While you can overlook a youthful indiscretion, you may want to pass on any tenant with a lengthy or serious criminal record that poses a threat to the health and safety of neighbors or the community. Accepting a tenant with violent felony charges could put your other tenants or yourself in danger. Likewise, you can overlook older convictions that do not pose a threat to health and safety and/or do not demonstrate a risk of not being able to meet their obligations under the lease agreement.

**2 PUBLIC RECORDS** - If the tenant is involved in a legal battle, or has been sued in the past, it will show up in a background check. You may want to pass on a tenant who was sued for unpaid rent, unpaid child support, or another serious financial matter. All of these could indicate a pattern of nonpayment.

# After the Screening

**After you've done your research via a background check, the next step is to do a phone interview to pre-screen.**

You will be able to quickly determine if they're a legitimate candidate- saving both of you time and money. Below are some suggested questions to ask. After a phone interview, arrange an in-person interview. This will give applicants the chance to look at the place in-person, and it will give you the opportunity to find out more about them. Another thing we recommend

doing is asking for their ID when you meet them for the first time. This will help you verify that all the information on your tenant screening matches up with the right person.

By asking those questions, you should get an even better feel for who the applicants really are. Want to take it one step further? Look for small signs that they are responsible in day-to-day interactions. For example, do they show up on time to meetings? Are the responsive via email or text? Was their car clean when they showed up to take a tour of the place?

## KEY QUESTIONS TO ASK POTENTIAL RENTERS OVER THE PHONE OR EMAIL:

+ HAVE YOU ALREADY GIVEN A 30-DAY NOTICE TO YOUR CURRENT LANDLORD?

+ WHY ARE YOU MOVING?

+ WHAT DO YOU DO FOR WORK—DO YOU ENJOY IT?

+ HAVE YOU LIVED IN THIS AREA BEFORE?

+ WHY IS THIS UNIT APPEALING TO YOU?

## Frequently Asked Questions

### What if multiple people are applying?

If multiple people are applying to one rental most landlords will choose to accept multiple applications and the application fees associated, but will only choose one application to process and complete a background check on (especially if they pre-screen applicants). If you don't feel comfortable only screening one applicant, you may choose to screen all of them. However, if there are multiple groups of different applicants, make sure you're not screening all of them as the first step because it's a big waste of their money and your time.

To avoid the appearance of discrimination, you should review applications on a "first in" basis. That means you should have some preset criteria for acceptance then you review the first completed application submitted and move on accordingly. You should accept the first completed application that meets your criteria without regard to any factors that may be related to protected classes (i.e. race, color, national origin, religion, sex, familial status, disability, gender identification/sexual orientation, and depending on your location their source of income).

### Does screening my tenants impact their credit score?

Screening your tenants only counts as a hard inquiry (with negative consequences on a credit score) if a landlord is the one initiating it. If you use a service like Rentler for tenants screening, the rental applicant initiates the release of their credit and background history, so it is considered a "soft inquiry" and won't hurt their credit score.

### Is the screening process secure?

If you use Rentler's screening tools it is completely secure. Unlike other services that may have an applicant provide personal identifying information, like a Social Security number or account numbers, directly on a landlord application, with Rentler, the applicant provides his or her information directly to the credit bureau in a secure, online environment. A landlord never sees the sensitive information.

### Who pays for a tenant screening?

Although it's typically the applicant's responsibility to pay for a credit and background screening, some services (like Rentler) give landlords the choice to require payment or to pay for the report.

If you opt to have the tenant pay, the tenant will be asked credit card information before completing the screening via a unique invitation link. If a landlord chooses to pay, they will be prompted for payment upon inviting a tenant to complete the screening. If the applicant declines the screening authorization or decides not to rent your property, you will not be charged.

### **What can I do if my tenant is not qualified?**

One option is allowing a co-signer. Some landlords choose not to allow co-signers on their properties since parents often never believe their children are capable of doing wrong. If you plan to allow a co-signer, make sure they will be inseparable on a lease with the actual residents, which includes being copied or sent any communication with the actual residents.

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### **Should I call an applicant's boss to verify their employment?**

Yes! Most landlords and property managers will tell you that their #1 factor in determining a stable tenant is their length of employment. Since freelancing has become a more viable source of income for many renters, you may also want to ask at least a month's worth of pay stubs and two months' worth of bank statements.

### **What if my tenant is self-employed?**

If applicants are self-employed, you will want to be able to determine that they have a solid business and are not just doing a little work on the side. Legitimate business can be validated on paper. In addition to deposits and checks from clients, they will have a business checking account, a tax ID number, and deposits that you can verify outside of a standard credit and background check.

### **Should I call previous landlords? What do I ask?**

You ask for the contact information for two previous landlords and call both of them to get a full picture of your tenant's rental history. You can ask three basic questions to get all the information you need from previous landlords (without breaking any privacy laws):

- + What dates did they rent from you?**
- + Did they ever pay rent late, if so, how many times.**
- + How soon did they pay rent and/or late fees?**
- + Would you rent to them again?**

# Overview

You made it! Tenant laws and processes can be daunting, but they are so important. The time you spend now pre-screening a tenant, will end up saving you resources in the future.

In this guide we've established that a.) a tenant screening is a crucial step for protecting your rental and b.) there are certain key things to look for once you've completed one.

## KEY TAKEAWAYS

### Income Verification

**makes sure tenants can pay rent throughout the length of their lease**

### Credit Score

**good indicator of financial responsibility**

### Rental History

**Tells you what kind of tenant they are to help you identify issues that could become a problem**

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