

IN THE KNOW

TIPS AND TOOLS FROM THE RESIDENT SCREENING EXPERTS

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RentGrow
RESIDENT SCREENING EXPERTS

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President's Letter



This month's newsletter discusses something that many multifamily operators have experienced: qualified applicants that apply, then cancel rather than leasing.

Recently, cancellations have been on the rise for many clients. This issue may be hitting home for you right now, or it may be off your radar. Either way, we hope these ideas and information offer interesting food for thought.

As always, your feedback on our newsletter is welcome.

Sincerely,
[Mike Lapsley](#), CEO
RentGrow, Inc.

RentGrow "In the Know"

When Qualified Applicants Walk Away

Over the last 12 to 18 months we have had many discussions with clients regarding evaluation of their applicant pool and screening criteria. These discussions are often focused on analyzing their "borderline" and "rejectable" applicant pool. With occupancy rates and application volumes at historical lows, this is to be expected.

As we analyzed their applicant pools, we uncovered an important trend: in many cases, cancellation rates are at historical highs. In this market, more qualified applicants are choosing not to move in to communities at which they were accepted and offered leases. Based on conversations with several clients, we have identified three common themes related to this trend.

Low Consumer Confidence

According to surveys by Thomson Reuters/University of Michigan, consumer confidence has been at a historic low over the last 24 months. While the index seems to be improving overall, "households with incomes below \$75,000 continued to report high levels of financial distress," according to Richard Curtin, Director of Surveys of Consumers. This indicates that the renter demographic may be slower to recover than the American population as a whole.

For landlords, this has a significant impact. A job loss, reduction in hours, or the fear of either of these occurring can lead to a reduction in confidence about one's personal finances. As a result, potential renters may be more likely to suddenly take themselves out of the market, resulting in a cancellation.

Elimination of Application Fees and Security Deposits

In many markets, application fees and security deposits have been significantly reduced or eliminated. As a result, many applicants have no vested financial commitment to a single property and may apply at multiple properties to see who offers the best deal.

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Here's a solution that one client has implemented to help address this challenge: charge a nominal application fee and either offer to refund the fee if the application is denied or credit the fee toward their first month's rent if they are accepted and move in.

Inconsistent Measurement and Understanding of Why Applicants Cancel

When discussing the cancellation trend with industry professionals, several management companies attested to the fact that they don't have a thorough understanding of the reasons for their cancellations. While the auto, mortgage and banking industries spend large quantities of time and money tracking this data, this is not always the case in the multifamily industry.

Why would someone go through the effort of locating and researching a potential residence, visit in person, fill out a lengthy application, receive an acceptance and lease offer and then not move in? Did something suddenly change in their financial situation? Did they find a better deal at a competing community? Did they desire certain amenities or services that you couldn't offer, resulting in a last minute deal-breaker? Did they have a negative experience with an employee during the application process? It could be any number reasons, but no matter what the cause, if it's not being measured, it can't be managed.

We recommend conducting web or phone surveys with applicants who cancel, coupled with periodic review of the data, in order to identify themes in your cancellations. Then you can take the proper actions to reduce your cancellation rate and capture more leases.

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