

# Trend Watch: Current Applicant Credit Profiles

By Mike Lapsley, President and CEO, RentGrow, Inc.

With almost all property management companies reviewing credit as part of their screening process, resident screening providers get a first-hand look at important credit trends affecting our industry. Through ongoing analysis of applicant profiles and property performance our team has uncov-

ered some interesting credit trends in the current renter applicant pool. Your understanding of these trends will allow you to consider how your property management company can best maneuver in current market conditions.

### Bankruptcies on the Rise

The trend is clear: bankruptcies are on the rise while foreclosures remain flat. Since the collapse of the housing market, the nation, and property management companies in particular, have been keenly focused on the growing number of foreclosures in the US. Interestingly, the foreclosure rate observed on apartment applicant credit reports remains relatively unchanged since 2009, while the number of renter applications with recent bankruptcies on their credit reports has increased by 9%, compared to this time a year ago.

Have you reviewed the way you evaluate applicants with bankruptcies on their credit report? Work with your screening provider to understand how these applicants are performing, and whether you think you need to make a change to your screening criteria.

sumers, and now properties are receiving more rental applications from prospects with thin credit files. In Q1 2010, over 32% of apartment applicants had thin or no credit history - almost 1/3 of the renter applicant population!

Based on historical data, applicants with thin credit files could be considered high risk. In terms of lease performance, these applicants perform similarly to applicants with moderate credit risk profiles. If you haven't already, you may want to make sure you are adequately gauging and managing the risk associated with applicants in this category. Work with your screening company to understand how these applicants are performing, and whether you think you need to make an adjustment, such as modifying deposit levels or conditional acceptance policies.

### Applicants with Medical Debt

Property management companies are processing more applicants with unpaid medical debt than ever

*Continued on page 13*

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**Trend Watch** ...continued from page 4

before. Many people are stretched financially and often defer medical payments due to higher priority living expenses, such as housing and transportation. Rental applicants with recent medical debt are up 5% from last year, impacting almost 37% of applicants nationally. Since most property management companies overlook medical debts in their screening criteria, this trend tends to have a lesser impact on a property's applicant quality and acceptance rate. Ensure that your management company doesn't miss out on this enormous group of, in many cases, otherwise qualified applicants by taking advantage of medical debt filters in your screening process. Consult your screening company to determine if you currently score medical debts and

whether it's advantageous to make this adjustment.

**Conclusion**

By understanding these credit trends, you can better evaluate the renter applicant pool and adjust screening criteria to increase occupancy. Although the trends outlined above may not be visibly impacting your business at the moment, they may in the near future. As always, RentGrow will continue to monitor these and other trends to educate ourselves, our clients and the industry.

Mike Lapsley is president and CEO of RentGrow, Inc., the resident screening experts ([www.rentgrow.com](http://www.rentgrow.com)). He can be reached at [lapsley@rentgrow.com](mailto:lapsley@rentgrow.com).

**Tenant and Landlord** ...continued from page 7

respects the property and its owners is able to navigate issues and problems with much more ease. Clear communication and respect can prevent many disagreements before they start. These are essential skills for managing property.

Connor R. Sullivan recently met with an expert in property management RI to help him find office space in the area. He was very pleased with RI property management in helping him find an office space in the area.

By Connor Sullivan  
[www.artipot.com](http://www.artipot.com)

**Form of the Month**  
**Smoke Alarm/Carbon Monoxide Alarm - Form #M005 OR**

**METRO**  
**SMOKE ALARM/ CARBON MONOXIDE ALARM**

DATE: \_\_\_\_\_ PROPERTY NAME / NUMBER: \_\_\_\_\_

RESIDENT NAME(S): \_\_\_\_\_

UNIT NUMBER: \_\_\_\_\_ STREET ADDRESS: \_\_\_\_\_ STATE: \_\_\_\_\_ CITY: \_\_\_\_\_ ZIP: \_\_\_\_\_

**SMOKE ALARM**  
A  10-Year Battery  Electric  Electric with Battery Backup powered smoke alarm has been installed in the above-noted unit for resident protection. The smoke alarm was tested by the Owner/Agent on \_\_\_\_\_ and found to be in working condition.

**CARBON MONOXIDE ALARM**  
If required, a  Battery  Electric  Electric with Battery Backup powered carbon monoxide alarm has been installed in the above-noted unit for resident protection. The carbon monoxide alarm was tested by the Owner/Agent on \_\_\_\_\_ and found to be in working condition.

**THE RESIDENT SHALL TEST THE ALARMS AT LEAST EVERY SIX MONTHS AND REPLACE THE BATTERIES AS NEEDED; AND NOT REMOVE OR TAMPER WITH A PROPERLY WORKING SMOKE ALARM AND/OR A PROPERLY WORKING CARBON MONOXIDE ALARM, INCLUDING REMOVING WORKING BATTERIES. OWNER/AGENT MAY CHARGE RESIDENT A FEE OF UP TO \$250.00 FOR ANY NON-COMPLIANCE WITH THESE DUTIES.**

**TESTING THE SMOKE ALARM AND CARBON MONOXIDE ALARM**  
Test by pushing the button on the cover. The alarm will sound if all electronic circuitry, horn and battery are working. If no alarm sounds, the unit has a defective battery or other failure. You can also test the smoke alarm by blowing smoke into it.

**SMOKE ALARM HUSH FEATURE**  
If the smoke alarm has a hush feature, you can silence the alarm by pushing the hush button on the cover and holding for three seconds.

**BATTERY REPLACEMENT (where applicable)**  
If the alarm is powered by a 10-year battery, it may not test for 10 years. The alarm has a low-battery indicator which will "chirp" at 30-second intervals for a minimum of 7 days. Replace the battery when chirping occurs. If the alarm is equipped with a 10-year battery, replace it only with a 10-year battery. If the alarm is electric with battery backup, use Military MNI 604 or Eveready 552 9-volt alkaline battery or equivalent sold at most drug, department, hardware or electronics parts stores. Never use an ordinary or heavy-duty carbon-zinc battery.

**It is your responsibility to report any deficiency in either the smoke alarm or carbon monoxide alarm to the Owner/Agent immediately in writing. The Owner/Agent will correct the deficiency as soon as practical.**

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OR BITE  RESIDENT  MANY OFFICE OF REQUIREMENT

The Smoke Alarm & Carbon Monoxide Alarm addendum is one of the most necessary, non-negotiable, must-have forms for any new tenancy. Correctly completed and signed by all residents and landlord, it is your liability protection in case of a fire or carbon monoxide tragedy at your property. Smoke alarms are already required for all rental properties. Beginning July 1, 2010 all new tenancies in the state of Oregon with a qualifying carbon monoxide source must have a carbon monoxide alarm installed. For existing tenancies that have a carbon monoxide source, Landlords have until April 2011 to install the carbon monoxide alarm. This form provides both the smoke alarm and carbon monoxide alarm written disclosure to the tenant that is required by law. The alarm type must be specified and the location and testing procedures shown to the tenant at move-in. This form includes the statutory language detailing the prohibition of tampering or removing the alarm, the tenant's responsibility to test the alarm every six months, and also to replace batteries when needed. The landlord may charge the resident a fee of up to \$250 for any non-compliance with these duties.

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