

Trend Watch: Current Applicant Credit Profiles



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 uncovered 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.

More Applicants with Thin Credit Files

In the past few years, credit has become harder to obtain for consumers, 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 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.

Benita Hancock is the local sales consultant of RentGrow, Inc., the resident screening experts (www.rentgrow.com). She can be reached at hancockb@rentgrow.com or call (800)736-8476 ext.517.