Resident Screening Trends for 2011

By Mike Lapsley, General Manager and Vice President, RentGrow, Inc.

2010 has been another challenging year for many as the economy continues to rebound, but optimism prevails as we enter 2011 and anticipate significant improvements industry-wide. We all look forward to the fresh start that a new year provides – reinventing the existing, transforming the negative to positive, and working together as an industry to prosper. As we sets goals, plan budgets, and strategize for the year to come, keep in mind these resident screening tips and trends for planning your successful 2011.

Applicant Credit Trends

It is wise to understand the credit profiles of your applicant pool in order to best customize your screening criteria and accept all qualified applicants. Recently, two notable credit trends have emerged related to rental applicants with foreclosures and bankruptcies, as well as applicants with thin or no credit history.

1. More rental applicants with "older" foreclosures and bankruptcies.

When the housing bubble burst in 2008 and our nation fell into its current recession, there was a significant group of people who were immediately affected — the first to get laid off, lose their incomes, and see their strong credit histories deteriorate. As time has passed, many of these people are now beginning to re-emerge into the rental market with their credit delinquencies resolved. As an example, RentGrow has seen a 17.3% increase of applicants with foreclosures over 2 years old, from Q3 2009 to Q3 2010.

It is important to establish appropriate screening criteria with your screening provider to take advantage of this unique group of potentially qualified rental applicants.

2. Nearly 1/3 of rental applicants have thin or no credit.

Over 32% of applicants processed through RentGrow has thin or no credit history. RentGrow has seen this group of rental applicants grow consistently each year. Make sure you are adequately gauging and managing the opportunity associated with the large number of applicants in this category, as they can often present significant risk.

Work with your resident screening provider to understand how these applicants are performing at your properties, and whether you need to make any screening criteria adjustments, such as modifying deposit levels or conditional acceptance policies.

Online Leasing Continues to Grow

Online leasing is a growing technology in the multifamily industry that is proving an effective tool for capturing new leases and generating renewals. According to Multifamily Executive's article titled "Online Marketing and Leasing to Dominate 2011 Multifamily Tech Spend," Chicago-based AMLI Residential reports success using online leasing technology, stating that 67% of their leasing in 2010 was conducted online (MFE, 11/15/10).

When your online leasing goes from, let's say, 4% to 30% of your lead generation, are you and your staff going to be ready?

NMHC's 2009 Apartment Technology Conference and Exposition concluded that the business model is changing for property management companies as more operating functions are automated and more leasing is performed online. As a result, property management companies may need fewer—and possibly different—people staffing their properties (NMHC, 11/23/09). If you invest in online leasing technology, make sure your personnel align well with your online leasing initiative.

Adapt Screening Criteria to Trends

As always, market conditions, applicant traffic patterns and technology are going to evolve over time. It is important to stay up to date with resident screening trends so that you appropriately adapt your screening criteria for optimal results.

Contact your resident screening provider to discuss these trends and to better understand how your business is impacted.

Mike Lapsley is General Manager and Vice President of RentGrow, Inc., the resident screening experts (www.rentgrow.com). He can be reached at lapsley@rentgrow.com.