

The Essential Step-by-Step Guide to **Tenant Screening**

The Building Blocks for
Successfully Picking
Good Tenants





CBA + TENANTALERT

Introduction

The type of prospective tenant you attract is largely contingent on a number of factors including neighborhood, unit mix, rent rates, and your marketing methods. Attracting the best possible prospective tenant is the first step to selecting the best possible tenant.

The relationship between a landlord and a tenant should be cooperative, not adversarial. Much like a shopkeeper and his customer, a landlord and his tenant want to establish a long term mutually beneficial relationship. It must be based on respect for each other's property, privacy, and right to profit.

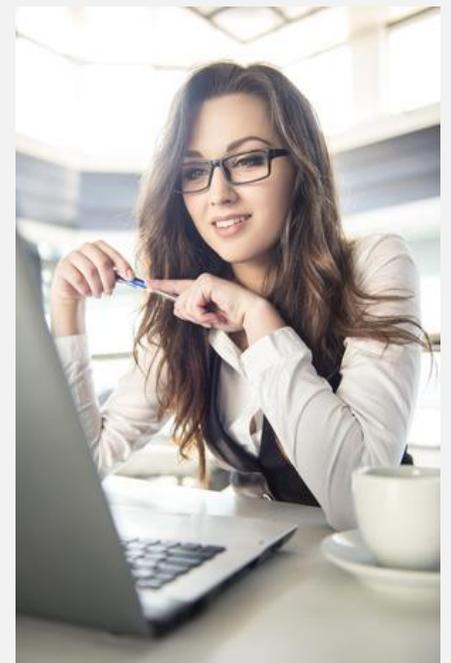
As a shopkeeper markets to the appropriate customer for his wares, a landlord must understand how to market to attract quality tenants. As a successful shopkeeper knows how to display his product in an attractive, neat and clean setting, a landlord must be sure that his available unit is ready to be shown to the most particular tenant. As a shopkeeper

knows that if he is not priced competitively his prospective customer can shop elsewhere, a landlord must know the rental market and keep his rents competitive. A landlord that maintains a quality product will attract quality tenants or to say it in the negative - the best defense against attracting undesirable tenants is to be professional and prepared in your presentation.

Besides a professional image, nothing should be more important than your intuition or gut feeling about a prospective tenant. Unfortunately, relying on your instincts or worse yet, a manager's first impression, is no way to run a business or determine who will be a responsible tenant. All too often a tenant may appear to be more substantial and claim to be more financially capable than he truly is. No matter what your gut feeling is about a prospective tenant - check him or her out!

A Free Declination Letter is now included in every report!

Print and share with tenants who don't qualify for your rental.



Application

The application is the backbone of tenant screening. CBA + TenantAlert now offers a free online detailed rental application designed to get a prospective tenant to provide the most crucial information accurately. It not only asks the applicant the most important questions, but has been created to eliminate the possibility of errors or omission and minimize confusion. It is absolutely imperative that a proper application form be used. The key to reading a prospective tenant application is to recognize inconsistencies. The categories that follow are mandatory for successful tenant screening.



What's In a Name?

The most obvious criteria of all is often left partially incomplete. A full, complete and current name must be provided for every resident. Since the presumption is that you may have to ultimately sue for possession and back rent, it must be clear who the responsible parties are. When filling out the name block on the application be sure it is properly spelled and a middle name is included. Be sure nicknames and AKA's (also known as) are also included. Check a driver's license or passport to confirm as well.

Whenever a female tenant is one of the applicants be sure to obtain their maiden name as well as any former married names. This will help to obtain the proper screening report on the right person. You should run a report on both names or the name they have had the longest.

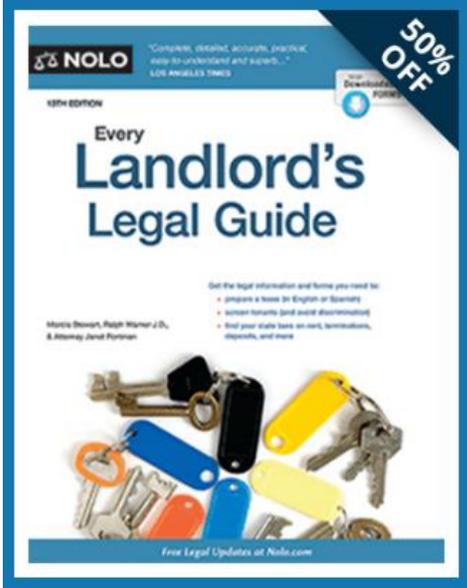
Children and other occupants must also be clearly identified. Children may move in as minors, but be evicted later as adults.

Additionally, complete names of children may be helpful later when trying to locate delinquent tenants for collection purposes.

Be sure the generation, gender, and name of the primary tenant is clear. Confusion, whether intentional or not, is a significant factor when evaluating a prospective tenant. The confusion over generation should be clarified between a junior and senior on a II and III generation. As to gender, it is not always clear from a collection stand point, if the delinquent tenant/debtor is male or female. This can be critical for a private investigator researching a debtor's assets.

If this is a commercial property, be sure all of the various business names, fictitious business names, DBA's (doing business as), and corporate names are included along with the responsible individuals. All of the business names used by the individuals can be verified through public records or through an information provider.

SPONSORED BY:

A Must-Read Book for Landlords

Rent out your residential property with this all-in-one legal guide. You'll get all the key information, legal forms, and state laws a savvy landlord needs. *Every Landlord's Legal Guide* helps you:

- Prepare leases and rental agreements (In English or Spanish)
- Collect and return deposits
- Minimize your liability
- Includes more than 36 essential legal forms!

Visit Nolo.com to Buy It!

FAST FACT

50%

Today, nearly half of all renters pay more than 30% of their income on rent, according to the *New York Times*.



"You're trying to tell me you don't know your date of birth because you were too young to remember?"

Birth Data

Social Security Number

Other than the tenant's name, the social security number is the most important piece of information required. Confirm the social security number by checking and cross-checking as many ways as possible. If available, ask for the prospective tenant's social security card and compare it to the number provided on the application. Be careful to check for transposition of numbers and inconsistencies with the name.

Use the CBA + TenantAlert online rental application that breaks down the social security number into three groups. This tends to minimize errors or omission.

Next, ask for the prospective tenant to provide a copy of his pay stub and/or most recent W-2 Form. Compare the consistency of the social security number with the one provided on the application.

Once you are satisfied that you have adequate evidence to show the number provided may be legitimate, it's time to check it even further. While many people will not be able to provide you with a copy of their social security card, keep in mind that a counterfeit social security card can be purchased for as little as \$40. We review files everyday with fake social security numbers, numbers of deceased individuals and stolen social security numbers.

The next step is to learn how to read the

social security number. A social security number is always broken into three sets of numbers. Except for a few numbers issued to the military during the mid-1970s, all social security numbers contain nine digits. Those that were issued with ten numbers all begin with zero. The first three digits will indicate where the card originated from.

If a number originates from Montana and the prospective tenant shows previous addresses from New York and Florida, claims to be born in Texas, and is now applying to rent your apartment in California, there may be a problem. In other words, you must be smart and play detective. Ask the prospective tenant what state they received their social security card. The chart on page 10 will show you how to easily interpret the first three digits and establish a state of origin.

If a prospective tenant provides a social security number with the area number not corresponding with any of the fifty states reflected in the chart on page 10, assume this is a fraudulent social security number and send him on his way. To further determine the legitimacy of a social security number several states use it on their driver's license. Please refer to the list on page 10 to cross-check a driver's license with a social.

We cannot emphasize enough the importance of verifying a social security number. More discussion will follow when we discuss obtaining a credit report.

Date of Birth

Although a fairly simple request, it is often incomplete or inconsistent with other information. First of all get a complete date of birth - month, day, and year. Very often this is the only thing to differentiate people with similar or common names. Secondly, be sure it is consistent with all other information. Compare it to a driver's license and any other information available. Many states incorporate the date of birth within the driver's license number.

Place of Birth

The city and state or country of origin is valuable for verification and additional cross-checking. Remember, every piece of information must be consistent. The place of birth may reflect an inconsistency with the origin of the social security number or list of previous residences. An accurate place of birth will help locate relatives in case the need arises to locate the tenant for collection purposes.

Mother's Maiden Name

Along with place and date of birth, knowing a mother's maiden name can be the most important piece of the puzzle when searching for assets. A mother's maiden name not only helps confirm the applicant's background, but may be the difference in locating assets and detecting fraud.

Other Info

References

Obtaining references on a tenant application is important for a variety of reasons, but references are worthless unless they are checked out. The most important reference is the current or previous landlord. Call the previous landlord and inquire about the type of tenants they were and their payment habits. Did they obey the rules and respect the property? You would be surprised all you can learn from one call. Be aware you may be calling a landlord who is anxious to get rid of their tenant and might not be honest. Also, an applicant may give you a friend's number who will pose as the previous landlord. Regardless of what references say, ask the prospective tenant to give you proof that they have paid rent, such as a rent receipt.

Other references such as friends and relatives are equally important in the event of an emergency or need to locate the tenant after they have moved out. These references are key to any collector doing skip tracing on a tenant that left owing you money. It is also an excellent cross-check that the telephone numbers of friends and relatives are from the same geographical

area that the prospective tenant claims to be from.

Address History

The importance of an address history cannot be overstated. In terms of fraud and detection, confirming an accurate address history at the time of screening may be the one fact that cannot be recreated from the person whose identity may have been stolen.

If you suspect that the address history is inconsistent with the other documentation provided by the applicant ask for copies of old checks, tax returns, or other evidence confirming these addresses. The screening report should also provide an address history consistent with that represented in the application.

If the address history is accurate, it may be very helpful to an investigator searching to locate an evicted tenant.



"Yes Sir, our tenant screening is extremely thorough."

Need help checking references?

Log in to your account to order a landlord or employment reference and we'll verify important information you need to make a rental decision.



Tenant Assets

Bank and Savings Account

Although the importance of bank account information may appear obvious to many, it is amazing how many landlords overlook it or don't check it out. A prospective tenant that does not have a checking account is a red flag. An adult without a checking account is probably a very high risk tenant. They either could not get an account due to improper identification or their account was closed by the bank for bouncing too many checks. In any event, landlords beware.

Assuming your prospective tenant has a bank account, check it out. Call the bank to confirm the funds and ask for account rating. Most banks will indicate when the account was opened, the range of their average balance and verify whether or not the check they have given you is good. Do not let them move in until you have received this information. You can also order a TeleCheck report from CBA + TenantAlert to find out if they have written bad checks.

Once again the information provided is perfect for cross-checking. Are the names and addresses on the check consistent with all of the other information provided? If a photocopy machine is not available, write the name, address, and account number on to the application.

If the name on the check happens to be someone other than your prospective tenant, ask questions. Is it a prospective roommate? Is a parent helping out? If so, this may indicate the need for a co-signer or guarantor.

The existence of a bank account is an indication of stability and responsibility. It is also an indication of where to go to levy money in the event the tenant gets evicted

for defaulting on the rent. As an added precaution confirm the bank account information each month the rent is paid. Doing this will ensure that your records are always kept current and will flag a possible change in responsible parties or a tenant in trouble.

Employment

The importance of a source of income further insures your security in renting to a prospective tenant. Be certain that the complete company name, address, and telephone number are provided. The name of a supervisor, length of term of employment, and pay rate are all important pieces of information that must be confirmed. Many large employers have toll free electronic employment verification telephone numbers. In the event your prospective tenant works for a smaller company, it is equally important to confirm his claims. Ask for a pay stub and even a tax return or W-2 form to verify the information provided. Remember to cross-check the social security number and name with the other information provided.

If your tenant claims to be self-employed, an independent contractor or a partner or owner of a company, he must provide proof. At minimum a business card will indicate a place of business and field of work. If it appears to be a field that requires a license such as a contractor, real estate agent, nurse, or hair stylist, to mention only a few, ask to see a copy of their license. You can order an employment verification from CBA + TenantAlert to find out if the license is active and in good standing.

If the prospective tenant claims to own his own business, check with public records or a private information provider to be sure such a business exists and that he is, in fact, the owner.



"But your Honor, if you force me out of my apartment the State won't know where to mail my unemployment check!"



Detecting Fraud

Fraud comes in several forms. Some are subtle, taking the form of an “honest” mistake and transpositions or omissions. Other times fraud can be direct and bold. A significant number of rental applications that are completely fabricated. From the applicant’s name and social security number to job, bank and personal references. Many delinquent tenants are better at writing fiction than holding down a job!



“According to his credit report, this guy pays less frequently than a broken slot machine.”

Reviewing an application is more than reading the information. An application conveys an “attitude.” An applicant may transpose numbers or omit information with the intent to mislead a landlord. If the landlord does not notice the “error” the applicant gets away with providing false information. If the landlord does notice it, the applicant simply responds that he has made a careless mistake and offers to correct it. It is at this point that the “attitude” may be displayed. Was it an honest mistake or an attempt to defraud the property owner?

You may never know for certain, but an unwillingness to immediately correct the error or a response like “you really don’t need to know that stuff” would be a red

flag. An “attitude” of uncooperativeness or arrogance at the application stage may indicate an equally unpleasant experience throughout the tenancy. Use caution, especially when dealing with the more subtle types of fraud.

Although you may think that more direct forms of fraud are easier to catch, they are not. The bolder forms of fraud include stolen or counterfeit forms of identification and often are used by smooth fast talking con artists that truly are professional cheats. There are many tips on how to detect counterfeit identifications in this booklet. As for stolen identification this can be the most difficult. In this case, the con artist is pretending to be a real person with a real job, credit cards and probably great credit history. How do you know he is who he says he is?

Our experience with stolen identities take one or two forms. Either the perpetrator knows the individual he is impersonating extremely well, or he has stolen a wallet or purse. In the latter, the applicant generally has limited knowledge of the person he is impersonating. Believe it or not, they generally create an application that is a hybrid of truth and fiction. The application will have the name, address, social security number, and other vital statistics reflected by the stolen identification. The balance of the information, such as personal references, jobs and address history are usually consistent with the con artist’s real life! If you check out references the inconsistencies will likely be obvious.

As to the former example of fraud, it may be the most difficult to detect. We have seen countless examples of adult children using their parents’ identification, ex-friends stealing identities from one another, and occasionally parents stealing the identity of their minor children. In the first two examples, a lying applicant may know everything about the person he is impersonating.

Employment, address history, and bank account numbers are often verified or legitimate when cross-checked against the other vital statistics provided. The differences may be as subtle as a “Jr.” or “Sr.,” a designation that is omitted on an application but is displayed on a driver’s license. Carefully review the date of birth on a driver’s license and application with how old your applicant appears. If he claims to be born in 1950 but appears to be in his mid-twenties, wake up!

If you verify the bank account has been open for 15 years or the employer verifies he is a long term career employee eligible for retirement, wake up! You would be surprised how frequently the need to fill a vacancy clouds the thinking of the most astute landlords.

Lastly, it is worth mentioning that lately we have seen some fraudulent applicants using the name and social security number of a minor child, often a baby. This has been a less frequent type of fraud but seems to be a growing concern lately. The parent, abusing the child’s identity assumes a clean credit and address history is better than his lifetime of delinquency. Unfortunately, some landlords pull a credit report and see it is effectively blank and assume no information is good information.



Tenant Screening Reports

The importance of a tenant screening report cannot be overstated. A tenant screening report will either confirm your first impression or expose undetected false statements in an application.

Although there are subtle differences in the information provided by each of the major credit bureaus, a credit report from any one will give a landlord a fairly clear picture of the financial status and credit habits of the prospective tenant. A screening report should at minimum confirm the accuracy of the social security number, the most current previous address, and indicate the payment history of the prospective tenant.

It is the display of the payment history that will demonstrate the financial character of the prospective tenant. The payment history and any collection accounts will indicate whether the prospective tenant paid his bills timely or developed habits of paying late. Furthermore, as of June 2017 the credit bureaus no longer report most public records on a credit report so be sure to order TenantAlert's Tax Liens, Bankruptcies, and Judgments report in addition to a credit report to get this key information.

Obtain a screening report on every applicant including roommates, spouse, and cosigners. A screening report on every applicant provides an independent and affordable cross-check to the information provided by the prospective tenant. A screening report is the most affordable insurance against a potentially deadbeat tenant.

TenantAlert allows a landlord to quickly and easily access any information needed to check a prospective tenant, employee, or business. You can run a credit report with TenantAlert by providing the tenant's name, email, address, date of birth, and social security number. Then instantly access the screening report online.

QUICK TIPS

Check Proof of Income

Ask the prospective tenant to provide proof of income either as a pay check stub, bank statement, tax documents, or proof of other income if they are not employed.

- Does the applicant receive enough income to cover the cost of rent and their debt as shown on the credit report?
- Does the paycheck stub match their employment reference? Call the company to confirm.

Check License Plate

If possible look at the license plate on the applicant's car.

- Is it from the same state as indicated on the application?
- Is it the same plate number, make, and model as the car indicated on the application?

Check Social Security Number

Check the first number of the social security number provided by the applicant. This can be done by using the social security number chart provided in this book or by ordering a SSN Fraud Verification report from TenantAlert.



"If February is a short month, why do I have to pay a full month's rent?"

NEW TENANT SCREENING SERVICES!

Telecheck Verification

Make sure your applicant doesn't have a history of writing bad checks with insufficient funds.

Bank Verification

Verify direct deposits, account balance, overdraft fees, and other red flags.

Lease Guarantee

Get more protection than a security deposit for legal fees, lost rent, and damages up to \$10,000.

Previous Address History

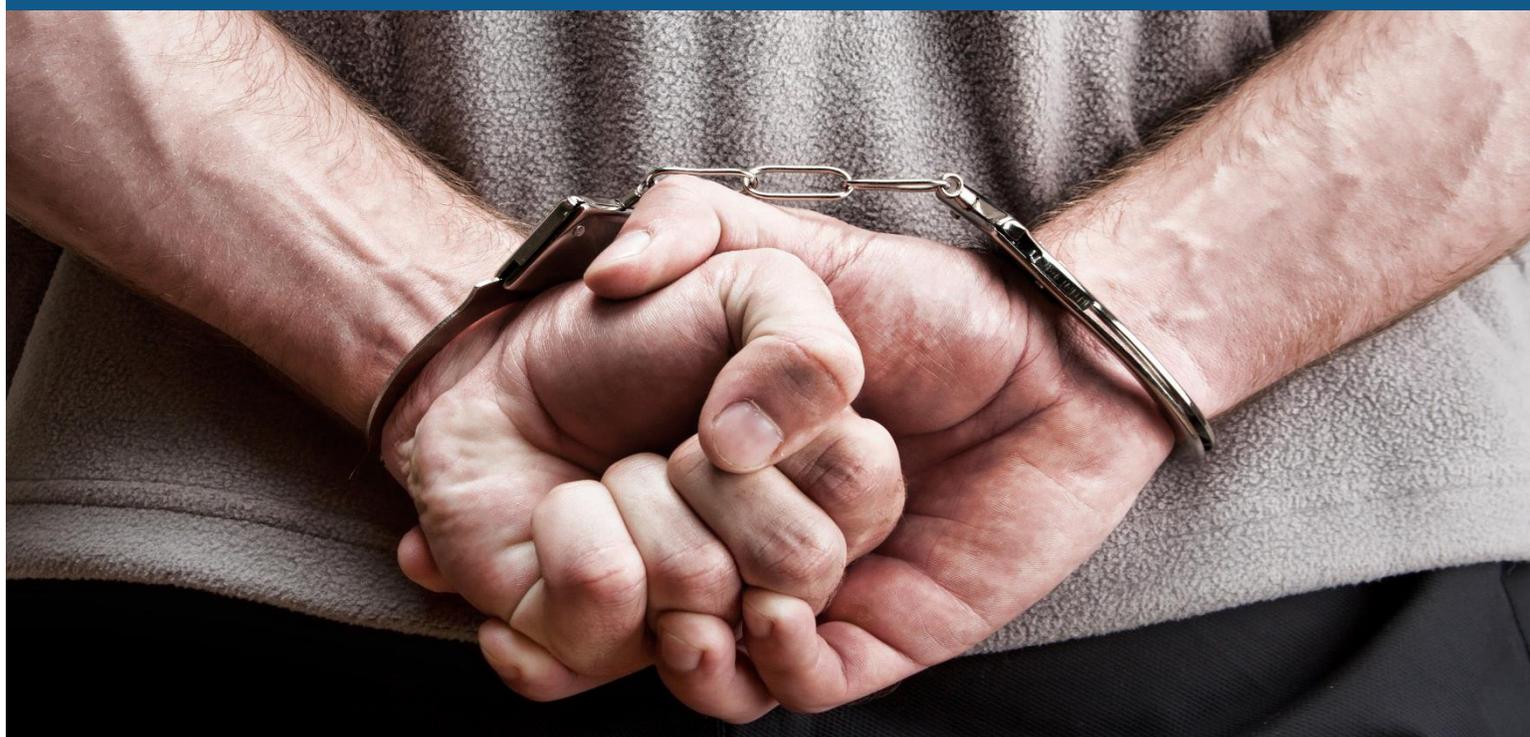
We search hundreds of databases to find tenant addresses and alias names.

Terrorist and Federal Crime Search

This database contains high-risk offenders nationwide guilty of federal crimes.

Tax Liens, Bankruptcies, and Judgments

Find out if your applicant has public records in their name you should know about.



Criminal Background

Given the crime rate in our urban areas, property owners must be concerned with introducing a dangerous or undesirable tenant into their building. The proliferation of drugs and gangs in cities throughout the United States has turned once beautiful neighborhoods into blighted and unsafe war zones. As a property owner, you must protect your tenants as well as your investment.

Nearly all criminal records are public. Generally, the easiest access to criminal records is through a tenant screening provider, like TenantAlert. When ordering your screening report TenantAlert offers the option of a nationwide criminal background check. The turnover time is nearly immediate. Since there is no single source for criminal background checks nationwide, TenantAlert accesses data from thousands of online databases throughout the country.

However, not all criminal information is available online instantly. Sometimes certain counties may take longer to upload

their records online or some counties may report less information. To conduct the most thorough and updated search we recommend adding a manual county repository search in which a court runner physically goes to the court and pulls the applicant's record. This guarantees the most updated and complete information. The search results for a manual report can take 2-5 business days depending upon the county or state you are pulling records from.

TenantAlert is compliant with the Fair Credit Report Act, which places a limit on the types of records data providers can supply landlords. For example, arrests or pending cases are not to be included in criminal search results, nor are crimes that occurred more than seven years ago. Also, in some special cases court records may be sealed and are made inaccessible to anyone conducting a criminal search.

Other important criminal searches include sex offender searches, federal crimes, and terrorist crimes. TenantAlert's sex offender

report searches all 50 states automatically. Federal crimes are usually crimes against the government or crimes that occur across state lines.

Before ordering a criminal background on a prospective tenant, it is important that you have sufficiently cross-checked the application. If you enter details incorrectly when you place your order your search results may be incorrect. Once you are satisfied that the address history is accurate, you can then request the criminal background from a specific county or state



"When you fill out the rental application don't lie. Just recreate the truth."

Due Diligence

New Acquisition

Frequently we get calls from landlords who have rented to tenants without requiring any tenant documentation, leases, or rental applications. If you find yourself under contract to purchase an income producing property, the life blood of that purchase is the income derived from the tenants. Taking the time to create tenant files that are correct and current can save you incalculable thousands in the future.

During a due diligence period, request copies of the leases, tenancy agreements, rent receipt books, and/or bank deposits to verify income. Compare all documentation for consistency.

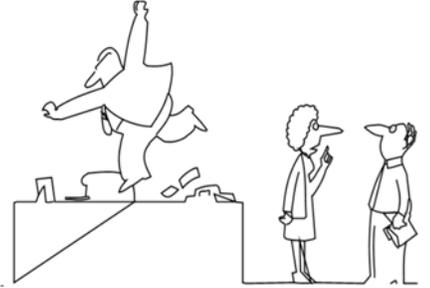
Maintaining a current and correct tenant file is a simple way to protect your valuable investment. Tenancies change, lives change, and circumstances can occur that

may turn a long term tenant into a potential collection problem.

5 Red Flags You Should Look Out For:

1. Refusal of a prospective tenant to completely fill out the application.
2. Refusal of a prospective tenant to provide necessary documentary proof of information on the application.
3. Inconsistencies on the application itself or between the application and something the prospective tenant has said.
4. Information that, upon verification, appears to be false or inconsistent.
5. A prospective tenant that appears nervous or in a rush to move in. He tries to dissuade you from verifying the

application and basically encourages you to trust him.



"It's taken months but he's finally found a tenant with a job, good credit, and an address history from this planet."



Social Security Index

*As of June 2011 Social Security Numbers are not issued based on state

Valid Social Security #s:

001-003 New Hampshire
 004-007 Maine
 008-009 Vermont
 010-034 Massachusetts
 035-039 Rhode Island
 040-049 Connecticut
 050-134 New York
 135-158 New Jersey
 159-211 Pennsylvania
 212-220 Maryland
 221-222 Delaware
 223-231 Virginia
 232-236 West Virginia
 237-246 North Carolina
 247-251 South Carolina
 252-260 Georgia
 261-267 Florida
 268-302 Ohio
 303-317 Indiana
 318-361 Illinois
 362-386 Michigan
 387-399 Wisconsin
 400-407 Kentucky
 408-415 Tennessee
 416-424 Alabama
 425-428 Mississippi
 429-432 Arkansas
 433-439 Louisiana
 440-448 Oklahoma
 449-467 Texas
 468-477 Minnesota
 478-485 Iowa
 486-500 Missouri
 501-502 North Dakota
 503-504 South Dakota
 505-508 Nebraska
 509-515 Kansas
 516-517 Montana
 518-519 Idaho
 520 Wyoming
 521-524 Colorado
 525 New Mexico
 526-527 Arizona
 528-529 Utah
 530 Nevada
 531-539 Washington
 540-544 Oregon
 545-573 California

574 Alaska
 575-576 Hawaii
 577-579 District of Columbia
 580 Virgin Islands
 581-585 Puerto Rico, New Mexico American Samoa, Guam Philippine Islands
 586 Guam, American Samoa, Philippines, Mariana Islands
 588 Mississippi
 589-595 Florida
 596-599 Puerto Rico
 600-601 Arizona
 602-626 California
 627-645 Texas
 646-647 Utah
 648-649 New Mexico
 700-729 Railroad

Invalid Social Security #s:

- ✓ Three or more leading zeros
- ✓ Ending in four zeros
- ✓ Leading numbers 73-79
- ✓ Leading numbers 6 or 8
- ✓ Leading number of 9 is suspect, very few ever issued

States that may use the SSN as a driver license:

- ✓ Arizona
- ✓ Massachusetts
- ✓ Arkansas
- ✓ Mississippi
- ✓ District of Columbia
- ✓ Montana
- ✓ Georgia
- ✓ Nevada
- ✓ Hawaii
- ✓ North Dakota
- ✓ Idaho (after June 88')
- ✓ Indiana
- ✓ Oklahoma
- ✓ Iowa
- ✓ South Dakota
- ✓ Kentucky
- ✓ Virginia

States that have part of the DOB within the driver license number:

Connecticut: Nine digit number. The first two digits indicate month of birth.

Florida: The second to last set of numbers give you the year and month of birth.

Illinois: Either 11 or 12 digits. The last set of digits gives you the month and year of birth.

Maryland: 12 digits. The last set of digits gives you the month and year of birth.

Michigan: Uses a Soundex system with the last three digits used as a code for the month and day of birth.

Missouri: 15 digits. Digits 4-15: Coded for the first name, middle initial, month and day of birth, sex.

Nevada: Last two digits are year of birth.

New Hampshire: Second to last set of four digits gives you the year and month of birth.

New Jersey: 15 characters. Last 5 digits gives you month, year of birth, color of eyes.

New York: Last section of digits gives you month, day and year of birth.

South Dakota: Last section of digits gives you month and year of birth.

Washington: Year of birth encoded by subtracting 100.

Wisconsin: Cut off the last two digits. The next five give you year, month and day of birth in that order.



"Perhaps we should start screening these new applicants."