



New Possibilities in Resident Screening

Automated Rental Payment History

By Tony Karels
Vice President
Rental History Reports

The greatest predictor of how a resident will pay rent is past rental history, not their credit scores

As an industry, we have long relied on credit bureaus for our resident screening. Years ago, the credit bureau idea began simply: merchants extended credit to customers and kept a list of those that didn't pay.

Merchants shared these delinquent lists with other local business owners to protect themselves from loaning to the same risky consumers again.

Fast forward to 2010 and credit bureaus have become highly sophisticated consumer scoring machines relied upon by a myriad of industries, including our own multi-family.

» **Unfortunately, this new breed of giant credit bureau, on its own, is not a perfect fit for our resident screening purposes for two reasons:**

1. Rental payment history is not included in traditional credit bureau data.
2. Reported collections data is often 30-120 days old, which can be long enough for an apartment manager to, unwittingly, rent to a risky prospect.

We now know that the greatest predictor of how a resident will pay rent is past rental history, not their credit scores or any other markers. So, with the old-fashioned merchant/credit example in mind, it makes sense for the multi-family industry to use a similarly collaborative information sharing system, to protect itself from tenants who default, damage property, or skip.

Historically, our industry has not had a consistent database for consolidating rental payment information, and determining past rental history typically includes cumbersome phone calls and faxes to previous landlords. But this is all changing as the industry enters a new age in rental data usage. Now, rental payment history data is available through a neutral repository and can be seamlessly reported directly from existing property management software systems including Yardi, AMSI and MRI.

Rental history data is now being seamlessly integrated into some resident screening solutions, allowing property managers to make more informed applicant decisions than ever before. Rental History Reports has partnered with RentBureau to provide access to a nationwide rental history database.

If just 10% of bad debt could be recaptured, it would fall straight to the bottom line and could add 1-2% in net operating income.

» How Does Rental Payment History Data Fit into the Resident Screening Process?

The apartment industry generates roughly \$120 billion in annual revenue, yet still loses \$5 billion to bad debt, skips and evicts, even though nearly all applicants are screened before being offered a lease.

That doesn't include the associated costs that go beyond just the dollars lost: there is time and effort filing court documents and chasing down skippers, etc. If just 10% of this bad debt could be recaptured, it would fall straight to the bottom line and could add 1-2% in net operating income.

Rental payment history significantly bolsters the traditional sources of applicant background information such as credit reports, criminal records and landlord and tenant civil records. Surprisingly, rental payments have never been a part of a traditional credit score. But that is changing now that rental payment history data can be integrated into resident screening solutions.

This reliable, instantly available data can take the place of landlord phone references and allow for more time selling and filling leases with responsible tenants.

» How Rental Payment Data Can Benefit Your Resident Screening:

- It's FREE. The rental history database is accessed for free if you furnish your data. If you don't furnish, you will be required to pay an access fee per inquiry. Furnishing data is cost-free and automatic so it requires no daily interaction from staff members.
- Increases knowledge. Renters' payment history is an ideal way to predict the probability of rental payment behavior.
- Lays out the facts. If an applicant writes a bad check, defaults on a lease, or even damages property, you have a fact finder that provides straight forward, accurate, updated, unbiased information, keeping you in the know. Most importantly it eliminates human subjectivity on how "good" a renter has been.
- Saves time. The industry is moving away from phone references and fax verifications on applicants. Rental payment history offers a more objective and timely way to verify residence history.
- Updated daily. The collection and rental payment information must be updated daily, so it can pick up collection or payment issues that do not yet appear on an applicant's credit report.
- Prevents skips. Management companies that opt to furnish their rental payment history data to a credit bureau such as RentBureau will have an automatic system that tracks and prevents serial skippers from popping up at more than one of their properties. Residents who leave owing money cannot rent elsewhere until their obligation is paid off.

We offer the flexibility and customization to fit virtually any unique need suggested by our clients.

» **Reliable tracking of rental payments represents a major step ahead for the multi-family industry, and is now becoming a competitive advantage for screening companies and property managers alike.**

Rental History Reports is an expert resident screening company operating for over 15 years. RHR is unique in the sense that we combine the fast, internet-driven technical capabilities of the large national suppliers with the exceptional personal service of a small, local company.

Working with us offers the best of both worlds.

In addition, RHR is constantly researching and developing new technologies that further separate our service from the rest of the traditional screening agencies of today, while also allowing us the flexibility and customization to fit virtually any unique need suggested by our clients.

Dare to compare RHR against your current screening partner and you will see that we truly provide the right path to the right people!