



# **Resident Background Checks:**

Cost or Competitive Edge?

Surprising Facts about Resident Background Checks  
for Managers of Multi-Unit Properties

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There's a way to turn background checks from a cost center into a competitive advantage.

If you own or manage multi-unit properties, you know how important background checks are to the rental process.

And you've probably worked with a resident screening service for several years without giving the process a second thought.

But did you know that your resident screening process might be setting you up for a costly mistake -- or a lawsuit?

And did you know there's a way to turn background checks from a cost center into a competitive advantage -- one that puts more renters in your property, faster?

**First, the two warning signs of a potentially dangerous screening process ...**

## **>> #1 Warning Sign – Low criminal “hit” rate**

What percentage of your background checks find criminal activity among prospective tenants? If you don't know, or you see fewer than 40% “hits” for crimes committed, watch out. You may be in for an expensive problem.

That's according to Tony Karels, Vice President at Minneapolis, MN-based Rental History Reports. “The average is 44% for crimes found when screening residents with the latest diagnostic tools -- nearly one out of two rental applicants has a criminal history.”

Of course, it's not always a high-level crime that was committed and you're not necessarily going to deny an applicant, according to Karels. “But knowing exactly what's on an applicant's criminal history is a lot better than not knowing.”

### **Bottom line:**

If you see fewer than 40% hits in criminal background checks, or don't know what your hit rate is, you may have inadequate screening.

## >> #2 Warning Sign – Redundant data entry

When it comes to performing a background check, does any of this sound familiar?

1. The applicant fills out a paper application by hand
2. The site manager types the information into the background check program
3. After the background check is approved, the site manager types the applicant's information into a lease document
4. Finally, the site manager types the applicant's information into their management software, so they can track them as a resident

That's a lot of typing, writing, and redundant data entry. And on top of being time consuming, the chance of making an error increases every time information is manually entered into your system.

Yet, none of it is necessary. Not with advances in integration between resident screening and property management systems.

It's possible for applicants to self-apply for background checks via secure Website that is co-branded as a part of your property. "This means they don't have to visit your office, fill out paperwork, drop off a check, etc. You can push that entire process onto the applicant, and have them pay by credit or debit card, too," says Karels.

In addition, a good screening system can auto-generate your lease document after the background check is completed, saving you additional time.

What can happen when lease documents are written manually? Legal trouble, if the handwriting is hard to read. "In disputes over leases, the property owner is often seen as the one with deep pockets who's taking advantage of renters. So, judges usually side with the renter," says Karels.

### **Bottom line:**

By ensuring that information is entered once (by the applicant) and removing the site manager as a middleman, a good resident screening solution saves time and eliminates costly errors.

With vacancies at a 10-year low nationwide, many buildings have occupancy rates of 95-98%. This makes it a seller's market for many property owners.

"Now is the perfect time to do two things: raise your rents a bit, and be more selective with the renters you accept," says Karels. "Beef up your selection criteria and do a better job of screening. This can eliminate costly headaches and maximize your profits."

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## » Here are three questions to ask ...

By saving up to 50% of time required to make leasing decisions, you can fill your property faster with income-producing renters and stop burdening your employees with extra paperwork.

### 1) Does your screening system render your lease decision automatically?

In the past, background screening providers delivered reams of raw information about the applicant – credit data, criminal data, housing data, income data, etc. Then it was up to the property manager to sort through it all, compare it to their resident criteria, and determine if the applicant qualified.

However, it's now possible for the screening system to make leasing decisions on the front end, automatically. This can reduce turnaround time up to 50%, according to Karels.

“Let's say an applicant comes in at 8:00 AM on a Monday. The first thing to do is get the background check done and returned. But, instead of reading through the background report and then making a decision, it's already done for you. The leasing decision appears on the report, based on the property manager's own criteria.”

#### **Bottom line:**

By saving up to 50% of time required to make leasing decisions, you can fill your property faster with income-producing renters -- and stop burdening your employees with extra paperwork.

### 2) Does your screening system avoid discrimination charges automatically?

The right screening system can avoid legal issues with discrimination. Fair housing compliance is a big concern in the industry, so you must be fair, firm and consistent with every potential renter who applies.

“Here's the problem. If you see the person walk in the door and you're the one making the leasing decision, the possibility exists that you might be influenced by their appearance,” says Karels.

“If you didn't like what you saw, can that have even a tiny impact on how you grade an applicant's background check? The answer is yes. And a court will penalize you for this.”

When a third-party screening company -- which has never laid eyes on the applicant -- makes a leasing decision based on the data alone, it's impossible for them to discriminate.

“It's nice from a property owner's perspective that they get to save time, but what is really important is how they can sidestep the legal danger of discrimination,” says Karels.

To protect your property and your residents, a screening system should include ongoing monitoring after the initial search.

## »» Three questions to ask (continued . . .)

### 3) Does your screening provide criminal monitoring automatically?

To protect your property and residents, a screening system should include ongoing monitoring after the initial search.

“A background check is really just a snapshot of somebody at one point in time -- the day they apply. You know their criminal status only up to that day,” says Karels.

“But what you don’t know is how that renter will behave in the future. For whatever reason, they may become a problem after they become your renter.”

A comprehensive screening service can provide ongoing criminal monitoring and notify you if a resident living in your property has become a liability.

“Depending on the criminal findings, a property manager may need to break the lease mid-stride, or simply use that information to determine lease renewals. As always, when potential lawsuits are concerned, knowing is better than not knowing,” says Karels.

## »» Mistakes in screening can cost you

You’ve heard the horror stories. Perhaps you’ve experienced them? When a renter with a bad rental history trashes your unit, it can cost more than \$3,500 to repair, on average.

Beyond that, the negative publicity you get for renting to the wrong person really can’t be quantified in dollars.

“We just helped a property manager who had been using another company for screening, but experienced a problem. They heard about our reputation and hired us to do a background check for them,” says Karels.

“Sure enough, I ran the criminal background check and found their applicant had actually robbed banks.”

“But of course, bank robbery is prosecuted by the FBI and not local law enforcement. Whoever they were using for screening had done a simple background check that missed it. So now one of their residents is a bank robber.”

What happened next?

“The FBI rolls up to their property with guns drawn, kicks the door, and hauls the guy away in handcuffs,” says Karels.

“This is a luxury community with rent at \$1,500 or more a month. Well, what are those residents thinking now? One of their fellow renters just got dragged off by the FBI. Those people probably feel less safe, less willing to pay higher rent, and more likely to look for another place to live.”

### **Bottom line:**

Renting to the wrong person can be costly.

The costs for inadequate screening can be huge - and every penny of that is your expense.

## >> So, what's the real value of screening?

You know how important it is to control costs. Yet, when it comes to background screening, nearly every property manager passes the cost on to new applicants as a fee, so the price for screening isn't really an expense for you.

On the other hand, the costs for inadequate screening can be huge – repairs to damaged property, loss of good residents, court costs for evictions, loss of rental income – and every penny of that is your expense.

## >> Special Offer: Free Competitive Analysis

Readers are eligible for a no-cost Competitive Analysis of their background screening services, provided by Tony Karels, the resident-screening expert featured in this report.

It's your opportunity to get your questions answered, and learn how to turn resident screening from a cost into a competitive advantage.

"The Competitive Analysis takes anywhere from 45 to 55 minutes. It's done either in person or via webinar," says Karels.

"We examine four key areas of any resident screening system. Among them are the process -- are your applicants paying for screenings and entering their own data, which takes that burden off your shoulders?"

There is no charge for this Competitive Analysis, but please note that Mr. Karels's schedule is extremely limited and this offer may be withdrawn without notice.

"As I tell people, screening is our business -- so that repairs, evictions and lawsuits don't have to be yours," says Karels.

To learn how the right resident screening solution can maximize your profits, please schedule your Free Competitive Analysis today.

To take advantage of this offer, please call **952.259.3022**, ask for Tony Karels, and mention this special report. Or send an email to **TonyK@RentalHistoryReports.com** and he will advise you regarding available time slots.

Since 1994, Rental History Reports has provided background screening for property managers in Florida, Minnesota, Iowa, and across America.