Protecting Your Rental Income in a Pandemic:
Screening & Leasing Strategies

AAOA
AMERICAN APARTMENT OWNERS ASSOCIATION

Before We Begin

The information provided in this webinar is not legal advice.

I am providing this information for your consideration as best practices for housing providers and is for educational purposes only.

If you have questions about a specific resident or situation, talk to an attorney.

Follow your policies – if I say something that differs, only implement change upon approval.

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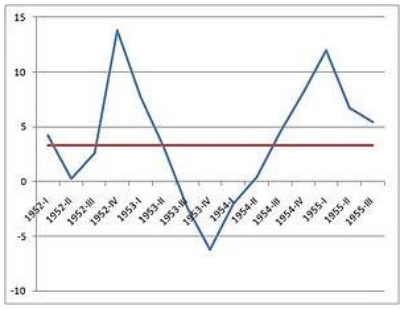
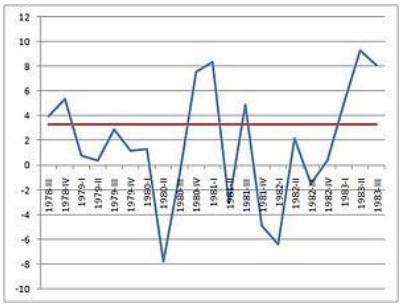
Predictions - Recession

V-SHAPE

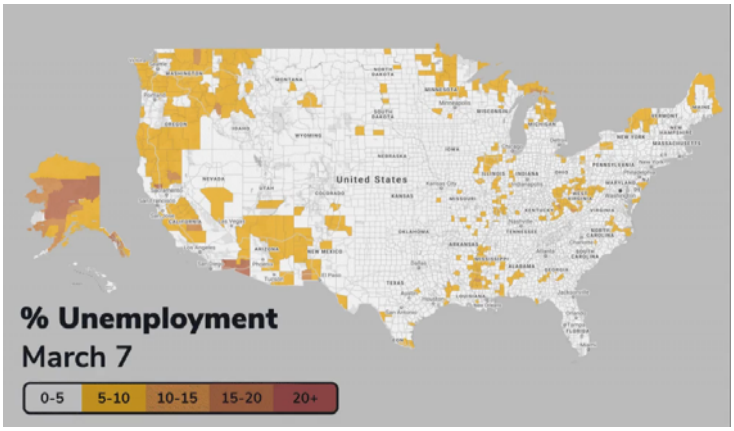


W-SHAPE



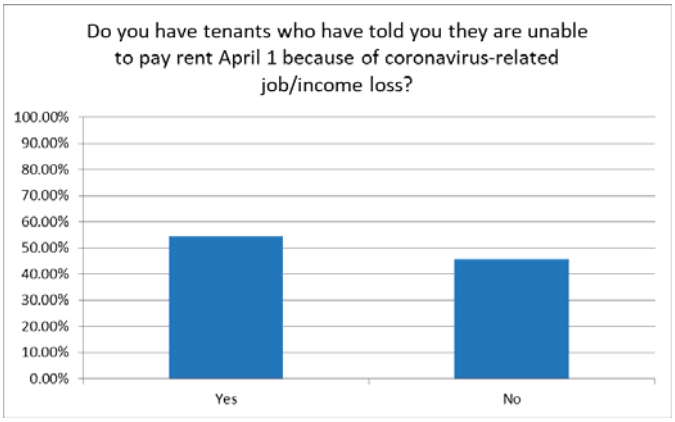
https://www.washingtonpost.com/business/2020/04/22/theres-growing-possibility-w-shaped-economic-recovery-its-scary/
https://en.wikipedia.org/wiki/Recession_shapes

Predictions - Recession



https://stats.sitesusa.com/unemployment

Predictions – Nonpayment of Rent



Unemployment benefits Congress approved will run out at the end of July

Predictions – Nonpayment of Rent



- Class C Properties

"40% of American adults have less than $400 in emergency cash" – Federal Reserve

- Rentals in cities with more hospitality and retail jobs

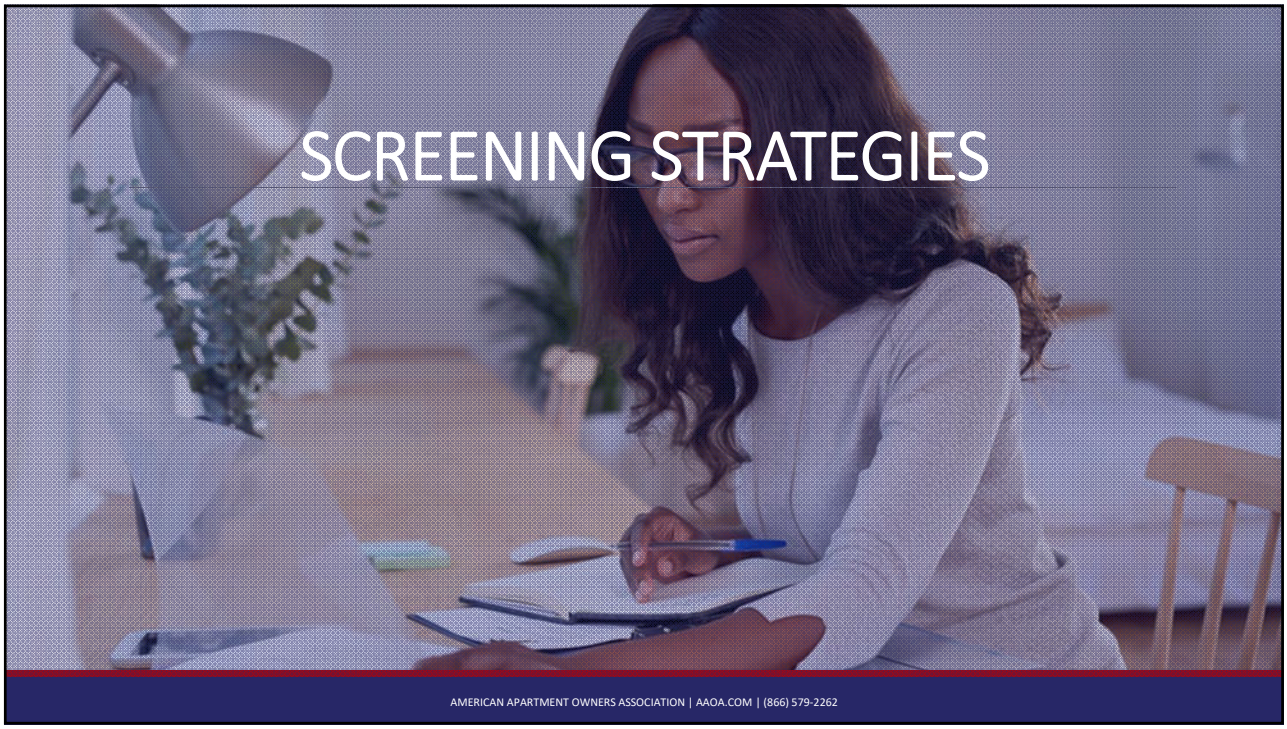
https://www.federalreserve.gov/publications/report-economic-well-being-us-households.htm

Predictions – Fewer Lease Signings



- New lease signings down 36%-45%
- Class A Properties
- Lease extensions
- Different than last recession

https://www.realpage.com/analytics/apartment-resident-turnover-down-covid-19-thats-good-bad/



Screening Strategies – Interview

1. Why are you moving?
2. What is your total monthly income?
3. How many people will be living in the unit?
4. Can you afford the application fee and security deposit?
5. Can you provide references from previous and current employers and landlords?
6. Do you have any questions?

Do not ask applicants if they feel ill or have been out of the country*

https://www.american-apartment-owners-association.org/webinars/part-two-coronavirus-and-landlords-qa/
https://www.american-apartment-owners-association.org/webinars/interview-potential-tenants/

Screening Strategies – Documentation



Screening Strategies – Documentation

"Source of income" means **lawful, verifiable income** paid directly to a tenant or to a representative of a tenant…including

- federal, state, or local public assistance, and
- federal, state, or local housing subsidies, including, but not limited to, federal housing assistance vouchers

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200SB329

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Screening Strategies – Documentation

Pay stubs

- Name, occupation, and DOB should match
- No spelling mistakes
- Digits and decimals should line up
- It should look like it was made with an accounting software not Word
- "O" and "0" should look different
- Estimations and roundups should be minimal, not rounded to the nearest zero
- Clearly legible and easy to understand

Screening Strategies – Documentation

Bank statement from last 30-90 days

- The amount and entity of direct deposits should match the pay stub details
- The amount paid out for rent should match
- Check for a healthy savings and checking balance

W-2 and Government Issued ID



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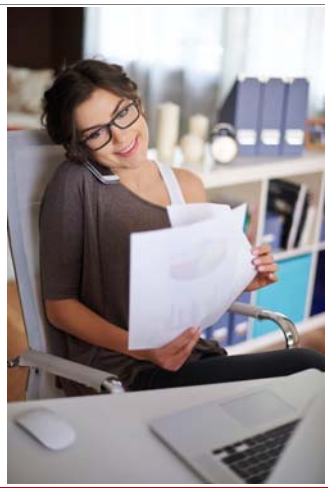
Screening Strategies – Referrals

- Verify LinkedIn, Secretary of State
- Locate employer website and main # or email
- Search public homeowner records
- Landlord test: *"I'm interested in learning more about your rental"*



Screening Strategies – Criminal

- Double check spelling, DOB, and SSN
- Make sure to follow HUD guidelines:
  - Type of crime
  - Date of crime
  - Efforts to rehabilitate
- If you're unsure or the record is incomplete, call us!



Screening Strategies – Eviction

National Consumer Assistance Plan
http://www.nationalconsumerassistanceplan.com/

Previous Address History

Important Disclaimer (show)

There are no previous addresses associated with the name and social security number (SSN) you entered. This could be the social security number you entered is incorrect or the applicant is too young or too new to the country to have established any address history. Please check the spelling of the name and social security number that you entered under "Search Details" and call us if any Search Details need to be corrected.

Screening Strategies – Credit

Negative Info

Debt

Credit Summary:			
Inquiries:	2	Occurance Hist Count	5
Total trades:	5	Negative Trades:	0
Total High Credit:	$2682	Amount Past Due:	$0
Total Credit Limit:	$500	Previous Past Due:	1
Total Mortgage Amt:		Collection:	5
Total Revolving Amt:	$601	Public Record:	0
Total Installment Amt:	$655	30 Days Past Due:	1
Total Account Balance:	$1256	60 Days Past Due:	1
Total Monthly Payment:	$144	90 Days Past Due:	3

Screening Strategies – Credit

Collections:

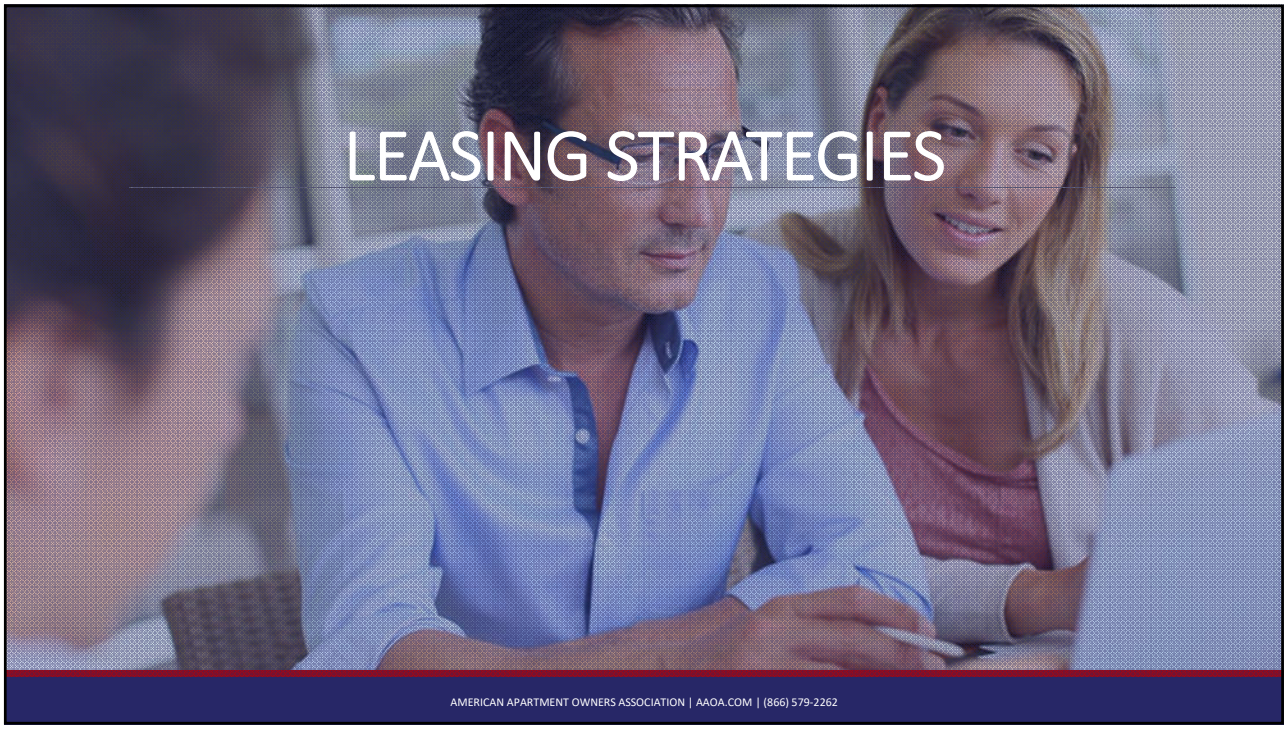
	Agency:	CREDIT AND COLLECTION / Y	Date Assigned: 5/14/2012
	Creditor:	G MONEY BANK	Report Date: 5/14/2012
# 1	Account Number:	336ET009	Date Verified: 7/24/2015
	Original Balance:	398	Date Closed / Paidout:
	Amount Due:	3540	Current MOP: Collection account
	Status:	Placed for collection	Account Type Code:: O

1. Type?
2. Amount?
3. Date?
4. Paid/Unpaid?

Screening Strategies – Credit

CARES Act

- For agreements made between 1/31/20 and 7/25/20 or 120 days after national emergency ends:
- "The law requires creditors to report any account that has a **payment accommodation** applied to it as current to the credit bureaus—as long as the account was current when the accommodation was made."
https://www.experian.com/blogs/ask-experian/how-the-cares-act-affects-credit-reports-and-scores/



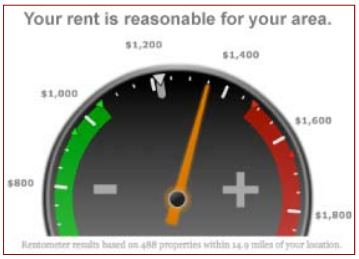
Leasing Strategies – Vacancies

- Video and picture updates for online showings



Leasing Strategies – Vacancies

- Set your rental rates at market value
  - Rentometer https://www.rentometer.com/?afmc=aaoa&utm_campaign=aaoa&utm_source=leaddyno&utm_medium=affiliate
    - **AAOA50** –
    - $50 off Rentometer PRO Basic
    - **AAOA100** –
    - $100 off Rentometer PRO Standard



Leasing Strategies – Vacancies

- Follow-up on leads quickly
- Go digital
  - Application
  - Screening
  - Lease signing
  - Online rent payments
    - Payrent.com/AAOA



Leasing Strategies



LeaseGuarantee

Get reimbursed for court judgments ($1,000-$10,000)

Quick Facts:

- ✓Collection agencies have <17% success rate.
- ✓80% of judgments are never collected.

Leasing Strategies – LeaseGuarantee

- ✓Protect rental income
- ✓Fill a vacancy faster
- ✓Help tenants qualify
- ✓PEACE OF MIND!



Leasing Strategies – LeaseGuarantee

1. Tenant pay
   - ✓In addition to a security deposit
   - ✓Instead of a cosigner
   - ✓Reduce the security deposit
2. Landlord pay
   - ✓Charge a tenant yourself
   - ✓Use it as an investment



Leasing Strategies – Clauses/Addenda

Late Charges:

"Clause X Late Charges. Landlord will not impose late rent charges until six months after the state of emergency has been lifted by [the governor]."

https://www.nolo.com/legal-encyclopedia/coronavirus-related-amendments-to-your-residential-lease.html

Leasing Strategies – Clauses/Addenda

Guest Clause:

"Clause X, Limits on Guest Stays. Landlord agrees to allow approved guests to stay on the premises as a guest for up to two weeks after the governor has declared an end to the coronavirus-related state of emergency."

https://www.nolo.com/legal-encyclopedia/coronavirus-related-amendments-to-your-residential-lease.html

Leasing Strategies – Clauses/Addenda

Attorney's Fees and Costs Clause:

"ATTORNEY FEES: In the event any form of legal action is brought in any Court or in an arbitration proceeding by any party to enforce any terms of this agreement or to recover possession of the premises, the prevailing party shall recover from the other party reasonable attorney fees and litigation costs."

OR

"ATTORNEY FEES: For any type of litigation between the parties, each party is to bear their own attorney's fees and costs."

https://www.american-apartment-owners-association.org/property-management/latest-news/shifting-attorneys-fees-and-costs-in-landlord-tenant-litigation-understanding-and-planning-for-the-bottom-line-risks-for-apartment-owners/

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Leasing Strategies – Clauses/Addenda

AAOA's Free Addendums/Forms:

- LeaseGuarantee Addendum
- Letter Concerning Coronavirus
- Rent Deferral Agreement

https://www.american-apartment-owners-association.org/property-management/latest-news/covid-19/landlord-resource-page



Q&A