



## Screening your Tenant

I thought I had checked everything with this prospective tenant. He had a good report from his previous landlord. He had worked at the same company for five years. His credit was fine. And he seemed like a responsible person. But he would turn out to be the worst tenant I ever had. He drank heavily, insulted and threatened other tenants, tried to start fights, damaged their property, and even got arrested in my parking lot for being drunk and disorderly and resisting arrest.

There are many different ways to be a bad tenant, but among the worst are disruptive people. Disruptive people, in a multifamily property, can drive all of your good tenants out and permanently damage the reputation of your building. Even in a single family or commercial building, their bad behavior can cost you a fortune in legal and other costs.

Many real estate investors start with some naïve assumptions about other people. We follow the rules and treat others with respect, so we think everybody else does as well. But if you're going to be a successful landlord, you must prepare to deal with the worst of human nature. That means using all the screening tools at your disposal; consistently enforcing a clear set of rules; and knowing what you will do for any type of tenant infraction, as well as the steps you must follow for a legal, trouble-free eviction. The best solution to disruptive tenants is to keep them out of your properties. I believe the first step should be to check with your local landlords' association or REIA, which may keep a tenant database. After that you can check credit, employment, previous tenancy, and criminal behavior.

For each step in the process, there's a right way and a wrong way. With the tenant database (and indeed all background checking steps) make sure that you've got the right person. Many good people have suffered because someone else with the same name misbehaved. Also remember that tenant databases often include both good and bad tenants. Check with the previous landlord, who submitted your prospect's name, to find out what he really thought about the tenant.

Credit and employment are two areas where you may decide to be flexible. Many otherwise fine people have poor credit. If the tenant has only worked at his job for a short time, talk to his employers from before that change. In employment checking, make sure you find out the employer's phone number on your own – don't trust the rental application. In both employment and previous tenancy checking, watch out. Former supervisors and landlords often give overly positive reports.

Make sure you check the same things, document your process, and keep a detailed record for each prospect you check out. This system will help if a rejected prospect ever sues for discrimination.

The only downside to all this checking is that you will reject more prospects than most of the other landlords in your area, and your units may stay vacant longer. But, considering the hassle and expense that a bad tenant can cause, losing a month's rent doesn't seem that terrible.

Once you've approved a rental application and the tenant has moved in, the next step is to get them started with good habits. Make clear what you will not tolerate and give the tenant a detailed list of fines and rules that are the same for everybody. Make the list reasonable. An overly detailed and nitpicky list will turn off tenants you want to have. In the first few weeks or months after the new tenants move in, stop by both their apartment and their neighbors' or call from time to time to make sure everything is

going well.

Fortunately, most of your tenant disruptions won't be that serious. Most are minor – loud noises, improper trash disposal, or parking violations. Where the complaints are along these lines, let the tenant know he's getting complaints and back them up with the fines you have set. Some tenants don't even know they're causing a problem. In any case, your response must be firm and fast. If you don't, the tenants' behavior will get worse.

You also must make sure not to overreact. You may have two tenants who are both perfectly responsible, but simply do not like each other. They might show their dislike by nitpicking about each others' behavior. Or you may have a very demanding tenant who calls you with trivial complaints about his neighbors. Maybe the neighbor parked her car a little too close to his. Another couple walks around their apartment late at night. The woman downstairs has a baby who cries a lot.

To evaluate these situations, talk to both tenants, and also talk to anyone else you have living in the building. Suppose Tenant #1 is constantly complaining about Tenant #2. But when you talk to Tenants #3, #4, and #5, they all think Tenant #2 is a fine neighbor. And you know that #3, #4, and #5 are also responsible people. That makes it fairly clear that the problem is very high expectations, not bad behavior. It's time to talk to the complainer about lowering her expectations. You don't want a reputation as a ridiculously nitpicky landlord.

But there are three classes of tenant behaviors that you absolutely cannot tolerate. The tenant does NOT get a second chance if he fights or threatens other tenants, or engages in any illegal activity (most likely drug abuse or public drinking). You should immediately begin the eviction process, and make sure you have documentation. There's a standard clause in most leases that requires tenants to not interfere with others' enjoyment of the premises. That ought to cover most disruptive behavior. However, your lease should make it clear that any of the Big Three disruptive behaviors will result in immediate eviction (as always, checking with your local real estate attorney so that the language is correct). No matter how carefully you screen prospects and set and enforce rules, you may still occasionally run into a nightmare tenant. However, these steps will make disruptive tenants much rarer, and your landlording experience both happier and more profitable.