



NATIONAL TENANT NETWORK

Smart Investors Have a Plan

RIGOROUS TENANT SCREENING REDUCES INVESTMENT RISK

REAL ESTATE INVESTORS often buy a property, repair or renovate and sell. It is the responsibility of the lender to determine if the prospective buyer meets all the relevant criteria. As a seller, once the buyer's check is in your hand, you don't worry about who is living in the house. It's no longer your responsibility. But what happens when the investment property doesn't sell? Or you decide to keep it for a few years before selling? Managing a rental property involves a commitment to property maintenance, record keeping, and above all, selection of the best possible tenant for the property. Selecting the best tenant protects your investment. Good tenants not only pay the rent on time, but are the onsite stewards for your property. If you select the wrong tenant, you run the risk of loss of income from unpaid rent, possible property damage or liability for the actions of your ill-advised choice of renters. Relying solely on a credit report, without consideration of prior tenant history, will not always result in a satisfactory tenant. The cost to evict a tenant far exceeds the cost of a thorough screening report ordered prior to signing the lease.

FAIR HOUSING LAWS are in place to prevent discrimination in housing transactions, including sale, rental or financing of property. The Fair Housing Act prohibits discrimination based on race, color, national origin, religion, sex, familial status and disability. Should you violate these laws as a landlord, whether intentionally or accidentally, you may be sued in Federal Court and ordered to pay actual and punitive damages as well as attorney's fees and costs. Establishing consistent criteria for all applicants prevents Fair Housing violations and will, in fact, make the lease up process more efficient.

CREDIT FRAUD & IDENTITY THEFT are growing national problems. Millions of Americans fall victim to identity theft, crimes that cost them approximately 5 billion dollars each year. Without a program in place to insure that the information on a rental application is accurate, you may be the next victim!

INVESTMENT LOSSES also occur from evictions, "skips" (tenants who leave without notice or without paying the last month's rent) and property damage done by tenants. While these are examples of the most common lease violations, they are not the only ones that can cost an investor money. It is especially important to be aware of past performance when choosing a tenant for your property. In addition to consumer credit information, the screening company you select should include eviction records, criminal records, sex offender registry searches, Patriot Act or OFAC searches and rental or employment verification.

Tenant screening is quick and cost effective. It should always be an integral part of your investment property management strategy. Minimizing investment risk requires that you:

- Establish consistent criteria for all rental property applicants
- Comply with all federal and state laws regarding Fair Housing and Credit reporting
- Obtain the data necessary to make an informed decision
- Screen every applicant

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