

2

Tenant Selection

Selecting tenants is likely to be one of the first issues you face. It is also one of the most important issues in the operation of your building. You can limit management difficulties by properly preparing a Tenant Selection Plan and applying it to everyone who inquires about renting at your building. A well thought out plan will be far more effective than the “*gut instinct*” approach to tenant selection. Yet the common reaction to the suggestion that landlords need a Tenant Selection Plan is something like, “*Why do I need a Tenant Selection Plan? I’ll just place an ad in the paper and rent my vacant apartments to whoever responds to the ad so long as they look like they’ll be good tenants!*”

There are many reasons to develop a well thought out Tenant Selection Plan. A Tenant Selection plan will create objective measures that can be used to determine which applicants are more likely to be good tenants. A good plan will, at least, review an applicant’s:

- credit history
- previous landlord references
- number of people who will reside in the apartment and will verify:
- employment
- income information.

Failure to perform basic background checks can result in leasing an apartment to a bad tenant who not only won’t pay rent but may also destroy your building and its reputation. The end result is a combination of emotional stress, financial burdens from lost rental income, and possible

damage repair costs. A loud and obnoxious tenant may also drive good tenants from the building. Though it is possible to evict bad tenants, eviction can take months and hundreds of dollars to accomplish.

A good Tenant Selection Plan won’t guarantee that you will never rent to a bad tenant, but it can lessen that risk. A good plan carefully applied to every applicant will also provide safeguards against possible violation of fair housing laws.

The following sample tenant selection plan is intended as a guideline. The building owner and managers must set the standards for occupancy, income, and previous rental and credit history. The sections *in bold italics* are areas that you should modify to fit the standards you decide upon.

Sample Tenant Selection Plan

I. INTRODUCTION

This Tenant Selection Plan outlines procedures that will be followed in selecting new tenants for the *Your Apartments* building. All apartments within the property will be leased in accordance with all applicable fair housing laws regardless of race, color, creed, religion, sex, national origin, ancestry, familial status, military discharge status, marital status, age, sexual orientation, or handicap of the applicant(s).

II. RENTAL UNITS

Your Apartments will offer 6 rental units. The number of rental units at the property that are reserved for rental households are as follows:

Size of Unit	Number of Units
1 BR	2
2 BR	2
3 BR *	1

* One 3 BR apartment is designated as an *owner/manager/model/office* apartment and is not available for rent.

III. SCHEDULING SHOWINGS OF AVAILABLE UNITS

Contacting Interested Individuals

When a unit becomes available, a showing will be scheduled with interested individual, generated from a waiting list or an advertising program, on a first come, first served basis. Management will indicate what information the applicant should bring to complete a rental application.

IV. THE APPLICATION PROCESS

A. Application

Each prospective tenant will complete a written rental application. Management will charge a **\$100** application fee. If the applicant is accepted, the application fee will be credited toward the security deposit. If the applicant is rejected, the application fee will be refunded within **fourteen (14)** days of the date of the rejection notice. If the applicant is accepted for occupancy but refuses a unit, the application fee will be forfeited.

B. Credit Check Fee

In addition to the application fee, Management will charge a non-refundable credit check fee of **\$25.00**.

C. Verification of Information on Application

Management will take the following actions with respect to all written applications:

1. Order a written credit report.
2. Request a Verification of Employment or Income.

D. Home Visits

After Management has completed all other steps in the application process, Management will conduct a home visit on all applicants living within a 25-mile radius of the building at the time of the application.

V. ELIGIBILITY REQUIREMENTS

A. Income

Annual gross income of households in the building must be equal to or greater than the income guidelines attached to this PLAN.

B. Households/Unit Size Limitations

The unit applied for must have enough bedroom space to accommodate the applicant's household. As a guideline, no more than two people will be permitted to occupy a bedroom. In selecting a unit size for the applicant, management will balance the need to avoid over-crowding a unit with the objective of maximum utilization of space. (Chicago's building code requires a minimum of 125 sq. ft. of floor area per person)

VI. SELECTION AND REJECTION CRITERIA

The fact that an applicant meets the eligibility requirements does not mean that the applicant will be a suitable tenant. The prospective tenant must be able to fulfill lease obligations. In making this determination Management will consider various criteria, along with any related explanations offered by the applicant concerning the facts involved, including changes in circumstance. Rejection of an applicant may be based on one or more of the following criteria:

A. Insufficient/Inaccurate Information on Application

Management will consider whether the applicant refuses to cooperate fully in aspects of his/her application process, or whether the information supplied has been intentionally falsified.

B. Credit and Financial Standing

1. Management will consider the applicants' history of financial obligations, (including timely payment of rent, outstanding judgments or a history of late payment of bills). If Management rejects an application based upon the credit report, Management will give the applicant the reason for rejection and the name of the credit bureau that performed the credit check. Applicants will also be given the opportunity to have corrections made to the report.
2. Management will take into account inability to verify credit references. It will take into account special circumstances in which credit has not been established (income, age, marital status, etc.). Lack of credit history will not cause an applicant to be rejected, although, in such circumstances, Management may require that a person with a history of creditworthiness guarantee the lease.
3. Management will consider whether the applicant demonstrates financial ability to pay the monthly rent for the apartment.

C. History of Residency

Management will verify and document the previous two years of housing for each applicant, including applicants who were homeowners or lived with parents/guardians. *As part of this review, Management will consider whether the applicant or any other person who will be living in the unit either has a history of criminal conviction for acts that involved physical violence to persons or property, that endangered the health and safety of other persons; or that involved the manufacture or distribution of a controlled substance or is currently addicted to, or engaged in the illegal use of, a controlled substance. If an applicant is currently receiving treatment for addiction to a controlled substance, Management will not reject the applicant so long as he or she is acceptable as a tenant in all other respects. Management will consider all circumstances regarding criminal activity as well as the period during which it occurred.*

D. Unsanitary Housekeeping

Management will consider unsanitary housekeeping by the applicant. This criteria is not intended to exclude households whose housekeeping is only superficially unclean or disorderly if such conditions would not appear to affect the health, safety or comfort of other residents.

VII. ACCEPTANCE/REJECTION PROCEDURES

A. Acceptance Notification

Each accepted applicant will receive a written notification indicating the date that the rental unit will be available for occupancy (Exhibit A).

B. Rejection Notification

Management will promptly send each rejected applicant a written rejection notice stating the reason(s) for rejection (Exhibit B).

VIII. DOCUMENTATION

Management will document every step of the tenant selection process. Applicant files will be maintained by Management which will include, but not limited to, copies of the following correspondence:

- Rental Application
- Credit report
- Housekeeping Report
- Employment/Income Verification (see page 17)
- Exhibit A - Acceptance Notice (see page 14)
- Exhibit B - Rejection Notice (see page 15)
- Exhibit C - Underwriting Worksheet (see page 16)
- Previous Landlord Verification (see page 19)

Prepared By: _____ Date: _____

The Rental Process

The following basic steps should be applied for everyone who makes application for an apartment at your building. Sample forms that you may use are included in this section.

RENTAL APPLICATIONS should be completed and signed by everyone interested in renting an apartment at your property. All sections of the application should be completed. Be certain that those individuals who will be responsible for rent payments sign the application and authorize you to investigate their credit history. Requesting and photocopying a photo ID can help verify the identity of an applicant. Attach the photocopy to the application.

The **UNDERWRITING WORK-SHEET** in this section is a form used to determine the applicants' ability to pay the rental amount you are charging. Information about the applicants' income, and existing debt should be measured against the rent and other associated housing expenses. A sample form is included along with suggested ratios of income to rent and income to rent and other debt. When you stay within the recommended ranges, your chances of receiving rents on a timely and regular basis are likely to increase.

VERIFICATION OF EMPLOYMENT/INCOME forms guide you through the process of determining the employment status of the applicants. This form should be filled in and signed by the applicant(s) in the appropriate spaces. The property owner/manager can then mail or fax the signed form to the personnel or human resource department of the employer. To ensure that the employer completes the form, do not allow the applicant to hand carry the verification form to and from the employer. You may have to perform a telephone follow-up in cases where a response is not received within five working days.

The **CURRENT OR PREVIOUS LANDLORD VERIFICATION FORM** is used to determine the applicants' current rental status as well as previous rental history. This form should be completed by the applicant(s) and signed. The form should then be faxed or mailed to the current and a least one previous landlord by the owner or manager. Again, do not allow the applicant to hand carry the form. Don't be surprised if telephone follow-up on your part becomes necessary.

CREDIT REPORTS should be conducted on every applicant who has sufficient income to qualify for your apartment. Select a Credit Bureau that can provide rapid service. Many companies can provide a report within hours, while others might require a day or two. Some bureaus can provide additional services such as eviction court searches and criminal background checks. However, it's important to realize that they are likely to charge additional fees for these services.

If you want to obtain access to public records such as eviction cases, judgments, liens, or criminal convictions, you may wish to visit the county building that serves your area. Often the public can use computer terminals for these background checks.

Whatever methods you decide to use, *you must apply the same procedure for screening everyone applying for residency at your property.* Failure to apply the same procedures can result in fair housing violations. The following forms can help in selecting tenants and may be modified for your specific property. We encourage you to choose selection criteria that can be employed consistently and speedily.

EXHIBIT "A"

ACCEPTANCE NOTICE

DATE: _____

NAME: _____

ADDRESS: _____

CITY/STATE/ZIP: _____

RE: ***YOUR APARTMENTS***

Dear Mr./Ms.: _____

After careful consideration and review of your application and other tenant selection criteria, you have been accepted for occupancy at ***Your Apartments***. Your _____ bedroom apartment will be available on _____ . Please contact our management office at (312) 555-1234 to make an appointment to sign your Lease Agreement and complete all other necessary paper work.

We look forward to your being an occupant at ***Your Apartments***.

Sincerely,

Manager/Owner

EXHIBIT "B"

REJECTION NOTICE

DATE: _____

NAME: _____

ADDRESS: _____

CITY/STATE/ZIP: _____

E: APPLICATION FOR AN APARTMENT AT ***YOUR APARTMENTS***

Dear Mr./Ms.: _____

Thank you for your recent application for a _____ bedroom apartment at ***Your Apartments***. After careful consideration and review of your application, we regret that we are unable to accept your application for tenancy at this time for the following reason(s) marked with an (X) below:

- Your household size cannot be accommodated at ***Your Apartments***.
- We have received a consumer credit report from ***ABC CREDIT BUREAU***, a usually reliable credit reporting agency, which contained negative information. You may contact the credit reporting agency directly within 30 days to obtain the information supplied with us.
- Based upon our underwriting policies, the income of your household is insufficient after allowing for long-term obligations, to pay the rent and utilities for the apartment you applied for.
- We were unable to verify employment or a stable source of income.
- Your check for the credit report fee was returned to us by your bank marked "Insufficient Funds" or _____
- The information given us in your application is different from what we have gathered from reliable sources.
- The housekeeping report on your current apartment indicated a condition of unsanitary or hazardous housekeeping.
- We have been unable to verify a previous credit file.
- We obtained negative information from a previous landlord.
- A person who will be living with you, has a reputation for criminal conviction or criminal acts which we feel would adversely affect the reputation of the building or the health, safety, or welfare of other residents.
- _____

Sincerely,

Manager/Owner

EXHIBIT "C"

UNDERWRITING WORKSHEET

Applicant: _____ Unit Address _____

Rent (1) \$ _____ Utilities (2) \$ _____ Parking (3) \$ _____

Monthly Housing Cost (TMH) (1+2+3) = \$ _____ (4)

Income:

Source of Income:

Principal Wage Earner \$ _____ (5) _____

Spouse \$ _____ (6) _____

Other Income \$ _____ (7) _____

Other Income \$ _____ (8) _____

Total Monthly Income (TMI) (5+6+7+8) = \$ _____ (9)

Long-Term Obligations (LTO) (installment payments which will continue for 3 months or more)

Payee	Monthly Amount	Balance Owed
_____	\$ _____ (10)	_____
_____	\$ _____ (11)	_____
_____	\$ _____ (12)	_____
_____	\$ _____ (13)	_____
_____	\$ _____ (14)	_____

Total Long-Term Obligations (LTO) (10+11+12+13+14) = \$ _____ (15)

Ratios:

(a) $TMH(4) / TMI(9) = \text{_____}\%$ Housing expense to income ratio 25% - 35% is the desirable range

(b) $TMH(4) + LTO(15) / TMI(9) = \text{_____}\%$ 40% - 45% is a desirable range

VERIFICATION OF EMPLOYMENT

Name of Employer _____

Address _____

RE: _____ SSN: _____
Applicant/Tenant Name

Applicant/Tenant Address _____ City _____ State _____ Zip Code _____

The individual named above has made application for housing. In order for the individual to become eligible we must verify employment and income. The individual has authorized below your release of the requested information. The information you provide will be used only for the purpose of determining the individuals eligibility for housing. We are required to complete our verification process in a short time period and would appreciate your prompt attention and response. A self-addressed envelope has been included for your convenience. If you have any questions please feel free to contact our office.

Name Telephone Number

Employee Authorization

I, _____, hereby authorize _____
Applicant Employer
to release the information requested below regarding my employment and compensation.

Signature Date

TO BE COMPLETED BY EMPLOYER

Date of Employment _____ Position/Occupation _____

Date of Termination (if applicable) _____

Current Rate of Regular Pay \$ _____ per _____ (hour, week, month, etc.)

Current Rate of Overtime Pay \$ _____ per _____ (hour, week, month, etc.)

Number of hours/week employee normally works _____

Anticipated average earning of overtime per week \$ _____

Gross annual earnings you anticipate for this employee for the next twelve months.\$ _____

Gross amount including all tips, bonuses, overtime, commissions, etc.) \$ _____

Do you anticipate any changes in the employee's rate in the near future? Yes _____ No _____

If Yes: New Rate \$ _____ Effective Date _____

If the employee's work is seasonal or sporadic, indicate lay-off periods. _____

Additional Comments: _____

Employer Certification

I certify that the above information is true and correct:

_____ Title

Name

_____ Telephone Number

Address

_____ Date

Signature

Warning: Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.

PLEASE RETURN THIS FORM TO:

Current or Previous Landlord Verification

TO: _____ DATE: _____

current or previous landlord

street address

city, state, zip

Applicant's Authorization

To Whom it May Concern:

I herein authorize you to provide information regarding my length of residency, rental payment history and any lease agreement infractions to the landlord named below.

I would appreciate your immediate attention to this request so that my application can be processed in a timely manner.

Sincerely,

applicant['s signature

date

Dear Landlord:

The above named individual has made application for residency. As part of our routine background check we ask for the cooperation of current and previous landlords to provide information UPON [[from]] which we will base, in part, our decision on the on the suitability of the applicant for housing.

Any information that you provide will remain confidential.

Sincerely,

Owner/Manager

How much is (was) the tenant's rent? _____

Does (did) the tenant pay their rent on time? Yes _____ No _____

If no, how often is (was) the rent late? _____

Did you ever have to file a suit to collect rent? Yes _____ No _____

Does (did) anyone else live in the apartment? Yes _____ No _____ If yes, how many people? _____

What were their names? _____

How long has (was) the tenant at this address? Move-In _____ Move-Out _____

How did the tenant keep house? Good _____ Fair _____ Poor _____

Does (did) the tenant play loud music or throw loud parties? Yes _____ No _____

Does (did) the tenants children cause damage or disturbances? Yes _____ No _____

Are there any other problems, complaints, comments or issues you think we should be aware of?

Based on your experience with this tenant would you rent to them again? Yes _____ No _____

If no please comment as to why. _____

Please mail or fax the completed form to: _____

