

AMERICAN APARTMENT OWNERS ASSOCIATION

# ESSENTIAL GUIDE TO PROPERTY MANAGEMENT

*From Tenant Move-in to Move-out*

- Marketing
- Service Animals
- Move-In
- Collections
- Tenant Screening
- LeaseGuarantee
- Bed Bugs
- Evictions



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# Sample Chapter Preview

A woman with dark hair in a bun, wearing glasses and a black blazer over a red shirt, is smiling and looking towards another woman whose back is to the camera. They are sitting at a desk with a spiral notebook and a pen. The background is a blurred office environment.

## CHAPTER 2: Screening and Choosing Good Tenants

## Introduction

The type of prospective tenant you attract is largely contingent on a number of factors including neighborhood, unit mix, rent rates, and your marketing methods. Attracting the best possible prospective tenant is the first step to selecting the best possible tenant.

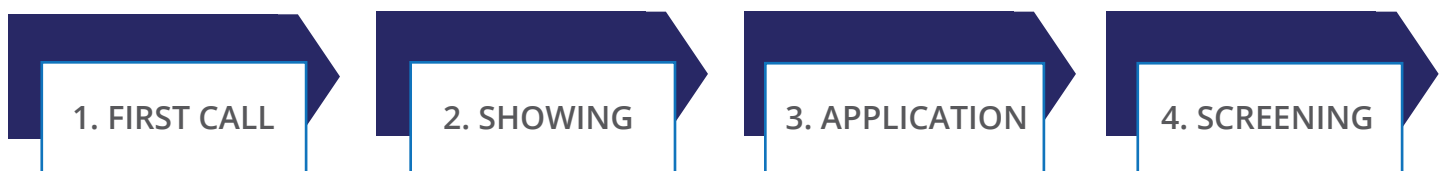


The relationship between a landlord and a tenant should be cooperative, not adversarial. Much like a shopkeeper and his customer, a landlord and his tenant want to establish a long term mutually beneficial relationship. It must be based on respect for each other's property, privacy, and right to profit.

As a shopkeeper markets to the appropriate customer for his wares, a landlord must understand how to market to attract quality tenants. As a successful shopkeeper knows how to display his product in an attractive, neat and clean setting, a landlord must be sure that his available unit is ready to be shown to the most particular tenant. As a shopkeeper knows that if he is not priced competitively his prospective customer can shop elsewhere, a landlord must know the rental market and keep his rents competitive. A landlord that maintains a quality product will attract quality tenants or to say it in the negative - the best defense against attracting undesirable tenants is to be professional and prepared in your presentation.

Besides a professional image, nothing should be more important than your intuition or gut feeling about a prospective tenant. Unfortunately, relying on your instincts or worse yet, a manager's first impression, is no way to run a business or determine who will be a responsible tenant. All too often a tenant may appear to be more substantial and claim to be more financially capable than he truly is. No matter what your gut feeling is about a prospective tenant - check him or her out!

The Fair Housing Act should be considered at every single stage of the rental process. In this chapter we will review the Fair Housing Act at each of the four screening stages listed below as well as tips for how to make an intelligent renting decision.



## Fair Housing General Overview

The type of prospective tenant you attract is largely contingent on a number of factors. Before you conduct a credit and background check it is important to know what to ask prospective tenants and how to answer tricky questions. This section will start with a brief Fair Housing Act recap to help avoid discriminatory claims. This is especially important if you plan on hiring a property manager to manage your building. You want to make sure that they are aware of Fair Housing guidelines because as an employer you are liable for their actions. We will follow with which questions to avoid asking and which questions you should be asking. Then we will cover red flags that come up in a tenant interview and how to answer difficult questions.

### 7 Protected Classes

- 1) Race
- 2) Color
- 3) National Origin
- 4) Religion
- 5) Sex (male or female)
- 6) Disability
- 7) Familial Status

Fair housing laws can be complex, so we'll cover the most common situations. We advise our members to seek legal counsel for specific situations that fall outside of these general situations.

The Fair Housing Act is a nationwide piece of legislation that prevents housing discrimination against protected classes. This means that landlords cannot deny a prospective tenant's application just because they are a member of a protected class. Please note the Fair Housing Act applies nationwide, but some states have additional requirements. Some states, cities, and counties may also have laws that include gender identity and sexual orientation as a protected class. Even if it is not law in your area yet, it is best to be on the safe side and keep them in mind too during the rental process.

### Filing a Fair Housing Complaint

Fair Housing complaints are very easy for tenants to file. To file a complaint the prospective tenant needs to show:

- 1) They are from a protected class.
- 2) They are qualified for your rental.
- 3) They were declined.
- 4) The unit was available.



## Stage 1: First Call

A call may be your first interaction with a prospective tenants or you may meet them in person first at an open house. You should already be considering Fair Housing at this point. It is not just something to keep in mind when you decide to decline or approve an applicant. At this stage you should discuss your standard and objective rental criteria with the prospective tenant. You should already have this criteria in place before you list your rental.

This is especially important if you are going to have a manager calling or interviewing applicants on your behalf. You and any of your employees should communicate the same thing to every applicant. If you omit something, your applicant could claim that you did so to discourage them from applying because they are from a protected class.

Do not make a decision or imply any sort of pre-approval or declinations over the phone. Avoid saying "You will probably be approved." or "You are a great candidate." or "You shouldn't apply because you won't qualify." Without actually screening the tenant and taking their applications you are basing your opinion on subjective characteristics. Doing this makes it easier for somebody to use your conversation against you if you end up declining them later.

Also, be sure to take note of the date and the time of the call. The first come first serve basis of accepting and interviewing tenants can be help you win a Fair Housing dispute. Take notes as well regarding exactly what was discussed.



### What you CAN say on a first call:

"You'll need to submit a rental application and authorize a credit and background check."

"The application fee is \$XX."

"I'll need first and last month's rent upfront."

"I'll also need references from your prior landlords."

"You should also know that I will need to verify income and whoever is paying/living in the apartment will also need to be on the application and lease."

## Stage 2: The Showing and Interview

During your first interview you may be tempted to gather as much information as possible about the tenant to make a rental decision, but be wary of asking the wrong questions. Even questions that may seem harmless could be misconstrued and deemed discriminatory. Let prospective tenants do the talking and they may voluntarily share more than you ask.

### Questions NOT to Ask

#### “Where do you work?”

The problem with this question is that it makes the applicant think that they have to be employed in order to get approved. This becomes a problem if the applicant is not employed, but gets income from disability, child support, or another source. Some states make it illegal to discriminate on a person's source of the income. You can only verify that the income exists. Even if it is not illegal in your state, asking where people work might make them disclose to you that they have a disability, which opens up a protected class discussion. Instead, ask them why they are moving to the area and you might find out it is because they got a new job and need to move closer to work.

