

The New Rules of Tenant Screening: **Protect Your Rental from Fraud and Legal Risk**



Speaker:

Alexandra Alvarado | Director of Education at AAOA

alexandra@aaoa.com

(866) 579-2262

Visit <https://american-apartment-owners-association.org/tenant-screening/> to screen a renter.

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.

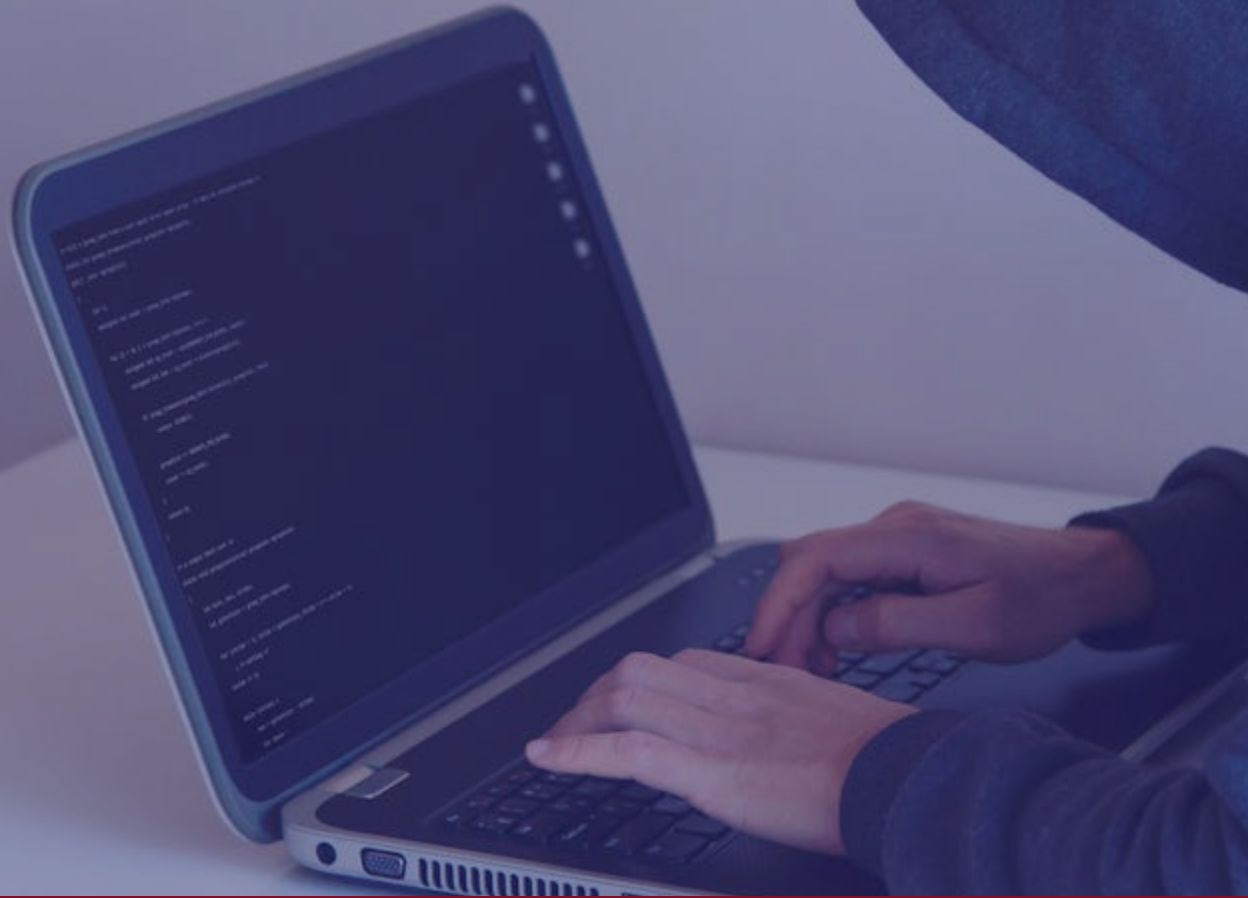
Follow your policies – if I say something that differs, only implement change upon approval.

Today's Agenda



- Tenant Fraud Tactics
- Verify ID, Income, and References
- Setting Smart Criteria
- Background Check Laws
- Adverse Action
- Risk Mitigation
- Q&A

Tenant Fraud Tactics



Baldwin County couple charged with defrauding landlords out of tens of thousands in rent money

ARRESTED



DWAYNE DAILEY

BALDWIN COUNTY IN JAIL



ERICA DAILEY

RELEASED

BCSO: COUPLE ARRESTED FOR FRAUDULENT RENTING

BSCO SAYS THEY DEFRAUDED HOMEOWNERS OUT OF THOUSANDS

FOX10

NEWS

McConnell
GMC
EST. 1988

FORECAST

FLOMATON

THU ☀️ 93°/71°

FRI ☀️ 95°/72°

SA 5:05

90°

Tenant Fraud Tactics

SNEAKY RENTER TACTICS

- Disputing a rent-related collection
- Providing a copy of a fake report
- Asking for only one renter to get credit checked
- Claiming they don't have credit history

SMART LANDLORD TACTICS

- ➔ Require and call multiple references
- ➔ Trust data, not people
- ➔ Screen ALL renters 18+
- ➔ Check their credit anyway

Tenant Fraud Tactics

SNEAKY RENTER TACTICS

- Fake or deceased SSN
- Alias names
- Incorrect DOB

SMART LANDLORD TACTICS

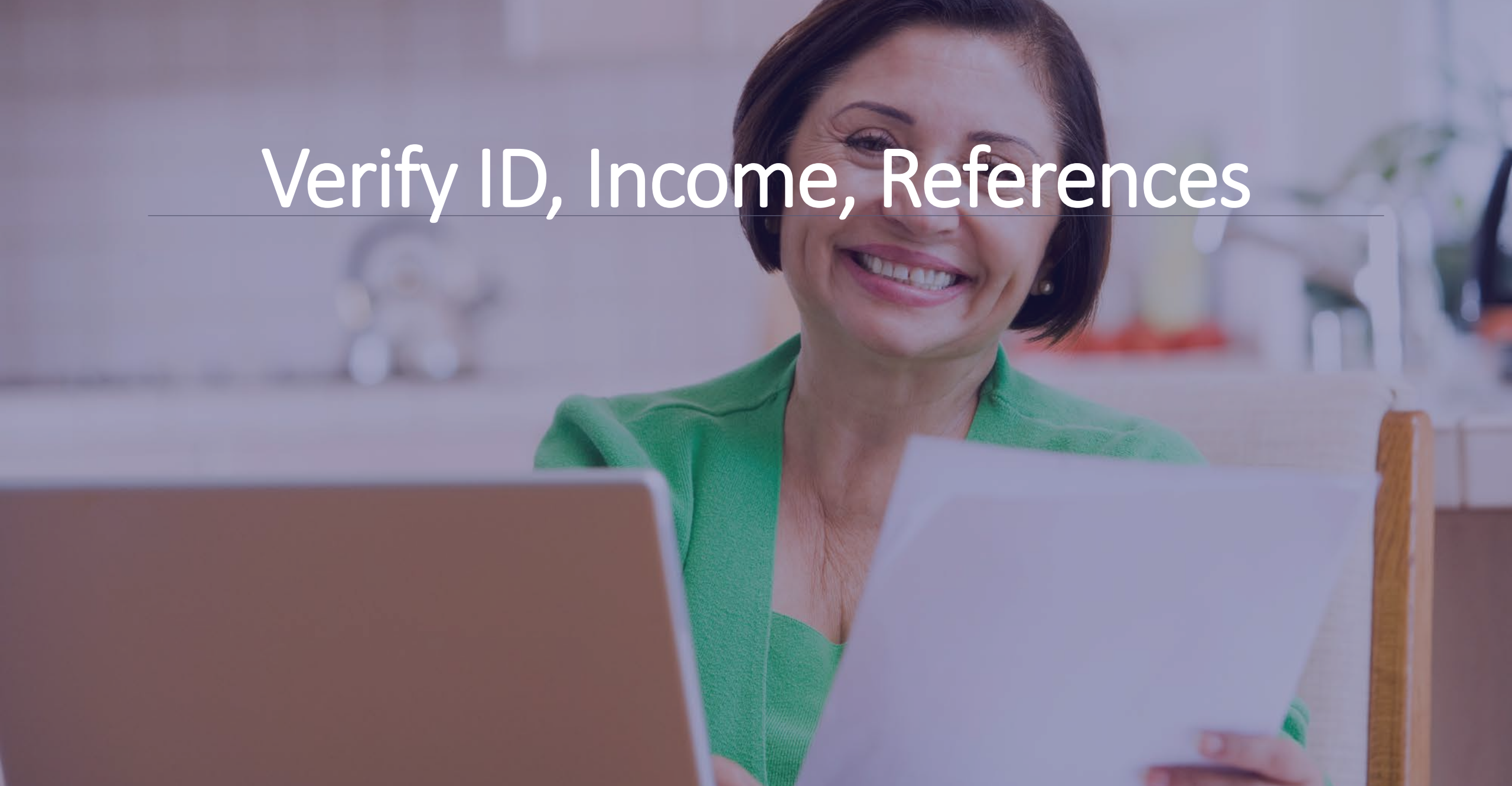
- ➔ Order an SSN Fraud Report
- ➔ Order a Previous Address History report
- ➔ Collect multiple forms of ID



Tenant Screening Legal Trends

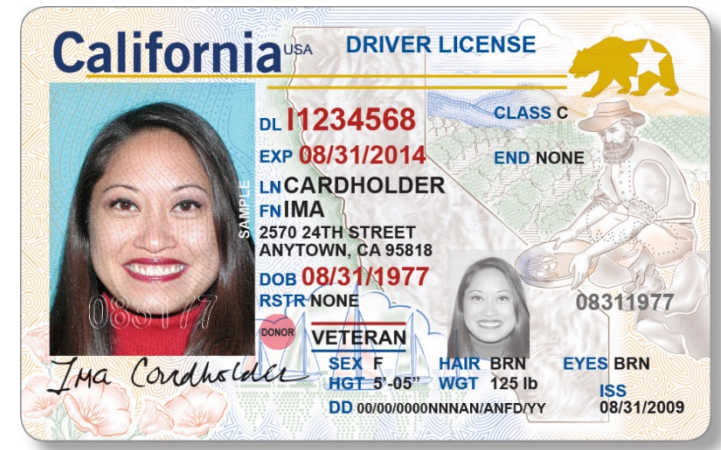
- Source of Income Protection (Emphasis on Section 8)
- Application and other fee caps and disclosures required
- Screening criteria disclosures
- Criminal history bans or “look back” time limits
- Eviction record sealing and “look back” time limits
- Credit report restrictions to reduce reliance on credit scores

Verify ID, Income, References



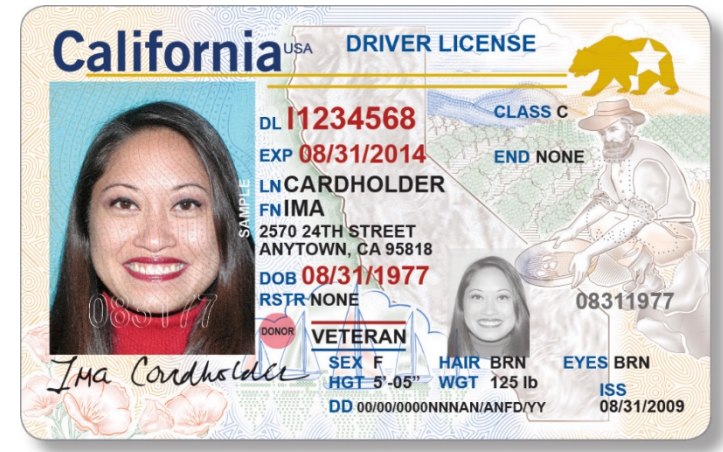
Verify ID – Immigration Discrimination Laws

- Several states/cities now say landlords cannot require an SSN or discriminate based on immigration status: CA, NYC, D.C, Chicago, OR, CO
- Accept any type of government-issued ID
 - Driver's License
 - State ID
 - Passport
 - Social Security Card
 - Individual Taxpayer Identification # (ITIN)
- What do you do if the applicant does not have or does not want to provide an SSN? Ask for an ITIN instead
 - If they don't have an ITIN or SSN, you can't run a credit check, but you can still run a criminal and eviction search if allowed in your jurisdiction.



Verify ID – Immigration Discrimination Laws

- Make sure name, addresses, and DOB match and if there is variation ask for explanation.
- **Check metadata** (EXIF data) of a PDF or JPEG: some AI-generated or Photoshopped documents may still contain telltale signs like editing software used (e.g., Photoshop, DALL·E).
- Use **Google Lens** or **Tineye.com** to reverse image search logos or headers from pay stubs or IDs. If it's copied from a template, you may find it online.



Red Flag – Warnings or Mismatch Info

- No credit report could be a red flag. Ask for name variations, confirm SSN, ask if they have credit cards or loans in their name.
- However, a credit report returned does not always mean it's a green flag. As long as 80% of information entered matched the credit bureau's file, a report is produced.
- Look out for "AKAs" or "Other SSNs" in the personal information section.
- Order an SSN Verifier to make sure the SSN and name is correct.
- Check if the Previous Address History report is blank

WARNINGS

DESCRIPTION:
EXPERIAN MESSAGE: SSN MATCHES

Red Flag – No Previous Addresses

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.

- ✓ Ask the applicant if they have credit history
- ✓ Verify spelling of first name
- ✓ Verify you entered the SSN correctly

Verify Income

“Source of income” means **lawful, verifiable income** paid directly to a renter or to a representative of a renter...including

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

Section 8 – Source of Income Discrimination Laws

How is Section 8 different?

- You cannot have a “No Section 8” policy in many states: CA, CO, CT, DE, HI, IL, ME, MD, MA, NV, NJ, NY, ND, OR, RI, UT, VT, VA, WA
- And some cities: D.C., Philadelphia, Atlanta
- Most of these laws state you cannot require a larger security deposit or more rent for Section 8 voucher holders.
- You must consider a Section 8 voucher as a source of income.
- **NEW in California:** Landlords are required to offer Section 8 applicants the option to provide alternative evidence of their ability to pay rent instead of relying solely on their credit history (**SB 267**). Alternative evidence includes:
 - Pay stubs
 - Bank statements
 - Proof of government benefits



Verify Income and ID

- 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
 - Account number structure should match what bank uses
- Tax Returns: Consider requiring for self-employed applicants
- Pay Stubs (Last 2): Contact employer to confirm
- [Social Security Benefits](#): Call 1-800-772-1213

Verify ID and Other Documents

- Proof of renter's insurance policy
- Utility bill with their name
- Letter of employment status if newly hired
- Personal reference letter or guarantor letter if first time renter





Verify Income – Employer Referrals

- Verify LinkedIn, Secretary of State
- Locate employer website and main # or email
- Have a signed application with release ready
- Some companies charge to disclose salary others don't disclose



Landlord Referral

- Search public homeowner records
- Landlord test: *“I’m interested in learning more about your rental”*
- Ask the right questions

Landlord Referral Questions

1. Timely Payments?
2. Are people living there other than those on the lease?
3. Would you rent to this family/person again?
4. Are you related to this family/person?
5. Residence maintained?
6. Monthly Rent Amount:
7. Any problems with neighbors?
8. Household Number:
9. Any renter-caused damages?
10. Dates as a renter:
11. Are or were there any pets?
12. Did you evict the renter?
13. Additional Comments:

Non-Traditional Applicants

- SSN or ITIN is required for credit reports
- If an applicant has no credit history, they have no debt
- Ask for a US cosigner with a credit history
- Ask for more references
- For international applicants, ask AAOA for a quote on an international background check
- Require LeaseGuarantee

Setting Smart Criteria



How to Set Smart Criteria

Why?

- ✓ Save time
- ✓ Easier to choose
- ✓ Stay objective
- ✓ Reduce liability

California's AB 2493 – Effective Jan 1, 2025 states that landlords may only offer a non-refundable fee if the written screening criteria are disclosed with the application.

(MN, WA, and OR have similar laws.)

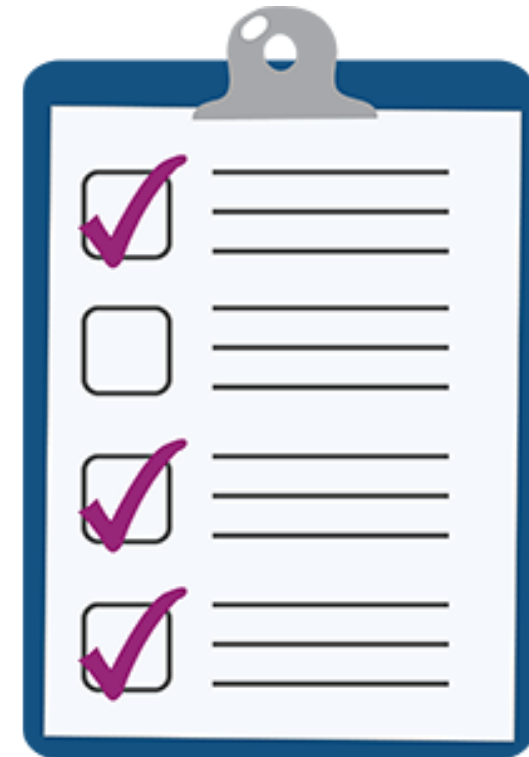


How to Set Smart Criteria

How?

- Think of your scoring sheet as a checklist.
- For every criteria they meet, they get a point. The tenant with the most points at the end will be your most qualified applicant.
- Keep secure records of your scoring sheets for each applicant.

California's AB 2493 – Landlords may only offer a non-refundable fee if the **first applicant** who meets those criteria is automatically offered the tenancy.



How to Set Smart Criteria

Examples:

- The applicant has verifiable monthly income that is 3x the monthly rent.
- The applicant does not have any considerable outstanding debts or rent-related collections.
- The applicant's credit report demonstrates financial responsibility.
- The applicant has not been sued by a landlord.
- The applicant does not have a history of evictions (in the last 7 years).
- The applicant does not have a history of lease violations or noise complaints.
- The applicant has not been previously convicted of crimes considered harmful to people or property.
- The applicant's landlord references would rent to them again.
- The applicant did not falsify any application information.
- The applicant did not cause damage exceeding the security deposit.

Background Check Laws

A close-up photograph of a person's hands in handcuffs. The person is wearing an orange garment, likely a jail uniform. The background is blurred, showing vertical bars, suggesting a prison setting. The text "Background Check Laws" is overlaid in white on the upper part of the image.

Data Challenges – Criminal

➤ Trending laws:

- Can't use most criminal records to deny an applicant – Oakland, Berkeley, Alameda County, CA (2020), Seattle, WA (2017)
- Can use criminal records only after an offer has been made (Cook County, IL)
- Limited “lookback period”: 3 yrs for misdemeanors and 7 yrs for felonies – Detroit, MI and Portland, OR
- No automatic exclusion (Minneapolis, MN)

➤ Will this spread nationwide? Growing risk of lawsuits?

Data Challenges – Eviction

- Federal: HUD's 2024 Tenant Screening **Guidance**
 - Trump admin removed guidance from website but it's still being referenced.
 - AI and automatic screening tools could be unintentionally discriminatory (aka "disparate impact")
 - Avoid automatic exclusions
 - Do not overly rely on credit history
 - Don't use criminal records or evictions that are old or irrelevant
- Trending state laws:
 - CA: Can't report evictions older than 7 years; pandemic-era eviction sealed
 - NY: Some pandemic-era eviction records sealed
 - OR: Limits use of prior eviction filings, especially if tenant prevailed

Adverse Action/Declination



Adverse Action/Declination - Criminal

- ✓ If you get a criminal hit verify:
 - ✓ The type of crime
 - ✓ Date of crime
 - ✓ The name and location of the crime
- ✓ If you're unsure or the record is incomplete, call us!



Adverse Action/Declination

- HUD Guidelines: “Past actions unrelated to tenancy and past incidents unlikely to recur (e.g., eviction due to job loss) should not be the basis for denials.”
- If you have set criteria, make sure to apply it to all renters consistently.
- If they don't meet your criteria serve an adverse action letter/declination letter (included in your screening report)
- Renters have the right to request the report from the screening provider within 60 days and can dispute anything that is inaccurate.
- If you are taking adverse action due to a criminal record, contact your screening provider and attorney first.
- Check additional adverse action laws in your state.
 - NEW: California's AB 2493

Risk Mitigation Tips

Overdue payment reminder / Warning

Client number 1654-A-91

Dear customer,

Our records indicate that payment on your account is overdue in 10 days.
Please make your payment within the next 10 days.





Reduce Risk – Tenant Screening

- ✓ Order a full credit report, eviction, and criminal (if allowed)
- ✓ Add SSN Fraud report
- ✓ Add tax liens and civil judgments report
- ✓ Add manual county criminal searches
- ✓ Visit [AAOA.com](https://www.aaoa.com)

Reduce Risk – Renters Insurance

- ✓ Not just for tenant's benefit
- ✓ Keeps you out of it
- ✓ Dog bites
- ✓ Guest slip and fall
- ✓ Theft
- ✓ Natural disasters

✓ [Download Addendum](#)

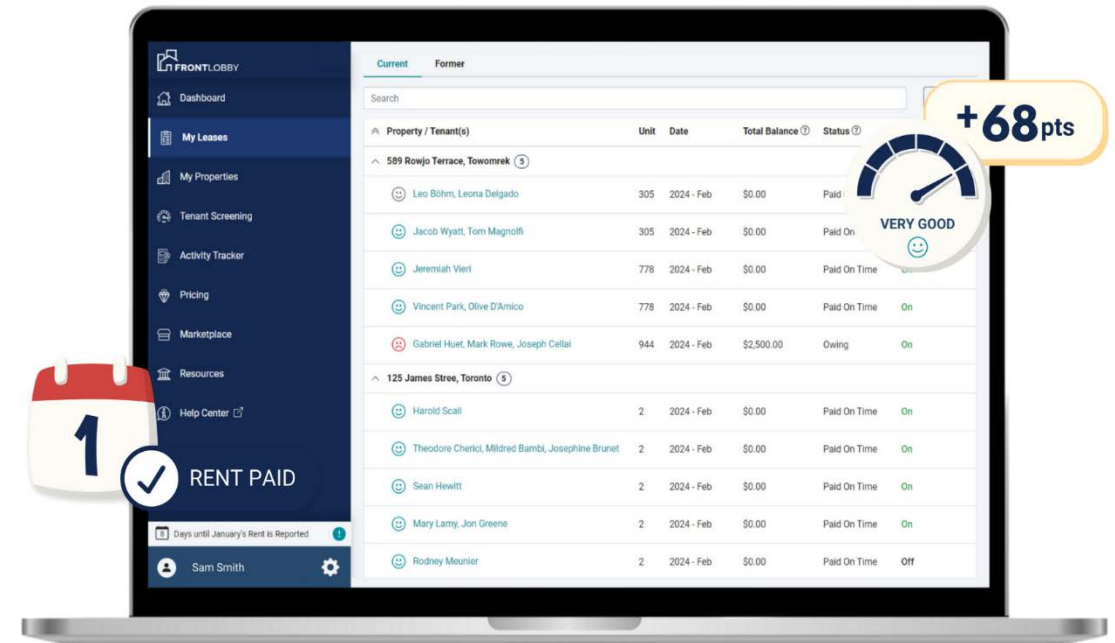
✓ **Share this link with your tenants:**

https://www.libertymutual.com/aaoa?selectedOpt=auto_renters&src=aff_5ba_m_0137436_aaoa&MM_webID=0000128380



Reduce Risk – Rent and Debt Reporting

- ✓ Report rent payments positive and negative to all 3 credit bureaus.
- ✓ When tenants know their rent and debt will be reported, they are more likely to pay.
- ✓ 96% of reported tenants on [FrontLobby](https://info.frontlobby.com/aaoa) pay rent on time.
- ✓ Now required to offer in CA (AB 2747)
- ✓ AAOA has partnered with FrontLobby.
- ✓ Tenant pays \$4.95 or landlord pays \$238/yr for 20 tenants.



Sign up here: <https://info.frontlobby.com/aaoa>

Reduce Risk – LeaseGuarantee

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

Quick Facts:

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

Visit: AAOA.com/LeaseGuarantee

Reduce Risk - LeaseGuarantee

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



Reduce Risk - LeaseGuarantee

1. Renter pay

- ✓ In addition to a security deposit
- ✓ Instead of a cosigner
- ✓ Reduce the security deposit

- ✓ \$199/year for \$1,000 protection
- ✓ \$299/year for \$2,500 protection
- ✓ \$598/year for \$5,000 protection
- ✓ \$897/year for \$7,500 protection
- ✓ \$1,196/year for \$10,000 protection

2. Landlord pay

- ✓ Charge a renter yourself
- ✓ Use it as an investment



LeaseGuarantee - FAQs

- LeaseGuarantee is for new renters only.
- Renters with no credit score are not approved.
- It is an annual contract that can be renewed upon request.
- Regardless of who pays for LeaseGuarantee the landlord gets reimbursement, but the renter will still be liable for the debt.
- Only one LeaseGuarantee is required for each lease even if there are multiple renters, but all renters must sign the lease.

Reduce Risk - Cosigner

- ✓ More responsible parties = more likely to get paid.
- ✓ Screen cosigners (credit check at least)
- ✓ List cosigners on the lease and any notices, renewals, or revised leases.
- ✓ Can be combined with LeaseGuarantee.

“Cosigner appoints Renter as his or her agent for service of process in the event of any lawsuit arising out of this agreement.”

Have Questions?

Visit [AAOA.com](https://aaoa.com) to join for FREE!

Phone Number:

(866) 579-2262

Live Support Hours:

Monday thru Friday – 8:00am to 5:00pm PST
Saturday & Sunday – email support available
Tenant screening is available 24/7

Email:

alexandra@aaoa.com

customerservice@aaoa.com





Q&A

Alexandra Alvarado | alexandra@aaoa.com | (866) 579-2262
Visit AAOA.com to join for FREE!