

THE EXPERT'S GUIDE TO SELECTING A GREAT TENANT



Tiner Property Management has maintained a 1% or less eviction rate for 25 consecutive years!

The contents in this booklet are proven to succeed amazingly well.

Compliments of John Tiner, Jr., G.R.I.
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THE EXPERTS GUIDE TO SELECTING A GREAT TENANT

The selection of a great tenant is the most essential component in the effective management of an investment property. The lack of a good tenant produces very undesirable affects for the owner. Poor tenants usually damage the home. Rents are not paid on time, or they are not paid at all. And finally, court costs and legal fees are incurred during the eviction process. It can get ugly in a hurry.

We sincerely hope that this free information will assist you in finding a Great Tenant. Great Tenants make your real estate investment perform the way you want it to. You purchased your investment property to make money over time. And it can with the right tenant.

About The Author

John Tiner Jr. became a Realtor and joined his parents in the family business in March 1987. Shortly after acquiring his real estate license, he took the coursework necessary to earn the designation of GRI (Graduate of Real Estate Institute). John has been a continuing member of NARPM (National Association of Residential Property Managers) since 1994. His extensive background and experience in property management and sales, plus his very competent assessment of rent values makes him a very credible and reliable source of property management information. During John's tenure in the property management profession he has earned the respect of his peers and the admiration of his clients.



START SCREENING APPLICANTS THE FIRST TIME THEY CALL YOU

When a potential renter would like to schedule an appointment to see your home explain that “there are a few questions we need to go over before we can schedule an appointment.” You want to insure that you are only bringing people who are reasonably qualified to rent your home. Our pre-qualification questions are:

- 1. Do you have any pets?** Most of our properties are no-pet properties. It saves everyone a lot of time to address this question up front.
- 2. All interested parties need to be present at the showing, is that a problem?**
- 3. Do you have a good rental history?** A good tenant will be able to answer yes to this question. We never rent to a tenant that has been evicted, no exceptions.
- 4. Do you have a good credit history?** Tenants with good credit will work hard to keep it that way. If you wish to make an exception for certain types of credit blemishes it is best to address this up front.
- 5. If you like the home, how soon would you be willing to move in?** If your property is ready for immediate occupancy and they haven't even given a 30-day notice to vacate their current residence, it's best to resolve this difference now. It is our policy not to hold a property for more than 2 weeks.
- 6. How many people will be living in the property?** Know the Law.
- 7. Do you have verifiable income of at least 3 times the monthly rent?** Part of the selection process is to weed out those that cannot afford the monthly rent.
- 8. Are you willing to sign a one-year lease?** This question helps to identify and applicant's true intentions. Vacancies are expensive, so it is best to find tenants that will stay in the property for at least one year.

CONTINUE TO SCREEN WHEN YOU SHOW THE HOME

We like to arrive at our appointments early enough to turn on lights, heat or A/C, ceiling fans, and open blinds or drapes. Then meet the prospective tenant as they drive up and watch for these indications:

How does the prospective tenant look (personal appearance)? Are they well groomed with clothing clean and neat? In other words, do they care about their personal appearance? How well someone takes care of himself or herself can be an indicator of how well they will take care of the property.

Were they on time for the showing appointment?

If not, did they acknowledge being late and offer an apology? Being late for an appointment can indicate a pattern of tardiness, like being late with the rent. If a prospective tenant is late and does not acknowledge it, that may mean that they have very little respect for your time or their commitments and that can be a warning sign of future problems.

How does their car look? Is it clean and well taken care of? Or is it dirty and showing a general lack of care on the part of the owner. This can be an indicator of the way they will take care of the property. If they do not care about their own property they will not care about your rental property.

Did they park on the correct side of the street? This indicates whether or not they respect the law. It may be a little thing, however, little things can be quite telling. Parking on the wrong side of the street can indicate they have very little respect for the law. It makes you wonder whether or not you want to enter into a legal contract with them. What about legal notices? Will they ignore those too?

The Application Process

Always offer every prospective tenant an application. Even if you don't think you would rent to them, it is imperative that you give everyone an equal chance to apply, so that you don't violate Fair Housing law.

When a prospective tenant accepts a rental application, verify their identification with their driver's license and social security card. This is important to insure that the information on the application (and credit report) is really for the person that is applying. It is also good to ask if they can verify their income with a pay stub.

You should collect an application and an application fee from every adult that would like to live in the house.

Take a few minutes to explain your screening process and how long the applicant can expect to wait for an answer. We explain that we do not work on a first come first served basis with applications we choose the applicant that we feel is the best qualified for our owners.

We also provide a written guideline with our application that explains our process and expectations.

Application Fees

The law limits the application fees to no more than \$42.06 per applicant. The law also states that you can only keep that portion that is directly related to your actual costs. The law further states that you must provide an itemized receipt detailing the way his or her application fee was used.

Thorough tenant investigation always costs Tiner Property Management considerably more than the \$30 we charge. If we go through the full investigation process with an applicant, our actual costs normally exceed \$100. It is a wise decision to spend a little extra time and money to make a good choice of the applicant who will live in your valuable home.

Investigating The Applicants

CREDIT REPORTS AND CREDIT HISTORY

As part of the investigation process you will need information concerning the applicant's credit history, criminal background, Megan's Law and whether or not they have had any evictions. There is other information that may also be useful when trying to determine the applicant's qualifications. There are a couple of sources that you may use:

Credit Bureau Associates (800-564-6440): This company offers a variety of investigative services including all those listed above and more.

Www.mysmartmove.com (Trans Union): Trans Union is one of the 3 credit reporting repositories in the U.S. This is an online service. All reports are ordered and received online. They also have a variety of services available for landlords. A credit report tells you volumes about a person's willingness and ability to honor his or her financial commitments.

It is a very poor business decision to accept nice people with bad credit. If the credit report reflects too many problems, decline the applicant. Be sure to check the following when you receive the credit report:

A. Does the social security number and driver's license number on the credit report match up with the numbers on the application?

B. Do the addresses on the credit report match up with the address for rental history on the application? This is a good way to catch a person that is hiding problems they had with a landlord.

C. Does the applicant carry debt balances that might impair their ability to pay the rent? If credit card balances exceed 4 months income, it is a good idea to make sure the rent amount is one-fourth (or less) of the applicants monthly income rather than one-third.

When everything else about an applicant is positive, we sometimes approve them with one or more of the following credit blemishes if there is a reasonable explanation:

- Medical Collections
- Paid Collections
- Credit problems that are 5 or more years old (where new good credit has been established)
- Defaulted Student Loans
- Home Foreclosure

People that have not paid their phone or power bills create an unacceptable risk and of course, the kiss of death is a collection from a property manager/landlord.

Check For Evictions

We use our credit reporting company to check applicants for evictions. We never rent to someone who has a prior eviction.

Landlord References

(The 17 crucial questions you should always ask when verifying rental history)

This is one of the most important steps in the screening process. Some people with good credit are still miserable renters.

We ask these questions of every landlord reference. The answer to any one of these questions could be the key to avoiding a bad tenant:

1. May I have your name please?
2. Are you the Owner, Manager, or Leasing Agent?
(We ask these first two questions because we verify the owner using the county record. Every once in a while we catch someone posing as an owner that is really not. The applicant that sets up that trick is guaranteed to be a disaster.)
3. What date did the tenant move in? (Be sure the date matches the date on the application and the credit report.)
4. Are they still living in the property?
5. What is the monthly rent amount?
6. Has the tenant ever paid late?
7. Has the tenant ever given you a NSF (non-sufficient funds) check?
8. Have you ever had to serve the tenant a 3-Day Pay or Quit Notices?
9. Have you ever received any complaints (noise, etc.) about the tenant?
10. Does the tenant take good care of the yard?
11. Does the tenant have any pets?
12. If yes / Have the pet(s) created any problems or damage?
13. Has a 30-Day Notice to Vacate been given?
(If the tenant is making plans to vacate without giving a notice he/she will do the same thing to you.)

14. If yes, did the tenant give you notice or did you give the tenant notice?

(Sometimes everything sounds good until the owner tells you that he/she gave the tenant notice. If the owner gave notice, ask “Why?” and listen closely)

15. Is the rent current?

16. Would you rent to them again?

17. Is there anything else I should know about them?

The current landlord may want the tenant to move out and thus, give them a glowing reference. It is imperative that you call the prior landlord and ask them the same questions that you asked the current landlord.

Verifying Income In Writing

One of the best ways to verify income is with a pay stub that shows the YTD (year to date) earnings. Be sure the name and/or partial Social Security Number on the pay stub matches. Even when an applicant provides a pay stub with YTD earnings, call their place of employment to insure that they are past any probation period and that their job is secure. This is also a good time to get a feel for the character reference of the tenant.

If the tenant is self-employed, be sure to verify his/her income with 3 months of bank statements or tax returns for the past 2 years. Phone verifications for self-employed people are very suspect because the owner or someone that works for the owner, will be providing the information to you.

Check For Criminal History

Criminal history is a matter of public record. When an applicant has lived locally, we check the criminal history at saccourts.com. We are not looking for a 10 year old DUI, but we are concerned with drug dealing, assault, burglary, stalking etc.

Consolidating All Of The Applicant's Information Into A Weighted Average

Tiner Property Management developed the following matrix to average the good and bad aspects of applicants. It is an overall picture of their risk factor. This tool makes a reasonable comparative analysis of multiple applicants, and sees the overall risk associated with each of them.

To Use: Circle the category the applicants fit into in each of the following areas and add the scores up for a final grade.

Credit Score Totals (average of all credit scores for applicants)

below 550	551- 600	601- 650	651- 700	700- 750	750+
-5	-3	0	1	3	5

Income to Debt Ratio Including Rent (Combined monthly income Divided by: rent + combined minimum monthly debt payments)

2.0-2.5	2.5 - 2.9	3-3.5	3.6-4	4.1-5	5+
-5	-3	0	1	3	5

Bonus Points Possible: (If the above is a negative number and the applicant has a verifiable cash reserve of:)

3 -5 Years	6+ Years
2	4

Rental History (current)

Multiple Negative	Minimal Negative	Good	Outstanding/Raves
-4	-2	0	+1

Rental History (prior)

Multiple Negative	Minimal Negative	Good	Outstanding/Raves
-4	-2	0	+1

Crime History (felony convictions only – not charges)

Multiple Serious	Minimal Minor	1 Minor/Recent	1 Minor/Old
-10	-5	-3	-1

Pet

Multiple Big Pets	1 Big Pet / 2+ Small Pets	1 Small Pet
-5	-3	-2

FINAL COMBINED SCORE FOR ALL AREAS: _____

Grade / Applicant risk indicator:

7+ 6 5 4 3 2 1 0
 A+ A A- B+ B B- C+ C

Do not accept Applicants with negative number scores

The final grade is just a weighted risk indicator. Keep in mind that properties in “C” condition or neighborhoods are not likely to attract “A” applicants.

Visit The Applicant's Current Residence

After Tiner Property Management has gone through the rest of the screening process, we may also drop-in on the applicant unannounced to see how they take care of their current home. That gives us the last bit of reassurance that we need to make the big decision to go ahead and rent to the applicant or not. Over several years, we have decided not to rent to several people at the point of the final drive by, either the yard looked terrible, the house was a mess, or cars were parked on the lawn.

When we show up at their door, we typically say something like, "Mr. & Mrs. Applicant, I'm real sorry to just drop in on you like this, but the owners of the property you would like to rent have a lot of pride in their home and they would like to know how you take care of your current home. Do you mind if I tell them before they make the final decision to rent to you?"

That's a gutsy thing to do and granted, we've made a few people mad. But they are invariably people we would not have wanted to rent to anyway.

THE BEST WAYS TO DECLINE AN APPLICANT

This is a tough job. Doing it tactfully, courteously, and kindly can help you avoid making people very angry. Because we turn down 4 of every 5 applicants, we have developed a way of breaking the news in a face-saving, gentle way.

The Wrong Words To Use: You've been rejected or you've been turned down.

The Right Words To Use: I'm sorry, your application has been declined, or we're sorry, the owner has declined your application.

If the applicant asks “Why” be honest but general. Remember the KISS rule (Keep It Simple Silly). If it had to do with something on the credit report, tell them that there was a problem with their credit report. Don't go into specific accounts with them. If their current or previous landlord was honest enough with you to give them a negative reference, tell the applicant that there is a problem with their landlord that needs to be cleared up.

Tiner Property Management declines tenants for the first reason that matches below:

1. The Owner chose another applicant they felt was better qualified
2. A prior eviction
3. Lack of verifiable income
4. Problems with the applicant's credit
5. Problems with the applicant's current or prior rental history
6. Criminal history

Sometimes the applicant was a good applicant, but there was another, better qualified applicant for example with higher income. Tell the applicant that you are declining, “I would love to have been able to rent to you, but there was another applicant that was a little better qualified on paper. Our policy is to choose the best qualified applicant so unfortunately, your application was declined for this property.” Leave open the possibility of approving them for another property if you have one.

Legal Note: Any time a tenant is turned down for credit reasons, inform them in writing. Provide applicant(s) with a copy of their credit report if they ask for it.

As always, be careful not to illegally discriminate against any applicant due to their age, sex, religion, etc. When you are talking to a declined applicant, do not make any comments that could be construed as illegal discrimination such as: “That house is really better suited for people without children.”

You can also subscribe to services that will check any name against a database that will tell you if that person has ever been evicted in your state. We use Landlord Protection at (916) 685-7556.

TINER PROPERTY MANAGEMENT'S RECOMMENDATIONS FOR MANAGEMENT RELATED VENDORS

Appliances (New):

Manual Joseph Appliance Center, Inc. (916) 923-5646

Appliance Repairs:

Fred's Appliance (916) 761-2774

Gianelli's Appliance (916) 366-0650

Blinds & Drapes:

McKenry Drapery (916) 649-9991

Carpet Cleaning:

Dan's Carpet Cleaning (916) 920-4742

Carpet & Lino Replacement:

Floor Covering Services (916) 338-1949

Commercial Property Management:

Tiner Properties, Inc. call Ben Tiner (916) 974-6011

Electrical Repairs:

Independent Electric (916) 308-7737

Evictions:

Thomas Hogan (916) 929-2255

Fencing:

Aguilar Fencing, Inc: (916) 990-0124

Garage Door Service:

Carmichael Overhead (916) 944-4455

Glass & Screen:

Neighborhood Glass & Screen (916) 987-9001

Handyman:

Carmichael Handyman (916) 709-6262

Helping Hands of Sacramento (916) 224-0344

LP Maintenance (916) 247-2843

Hauling:

Ken Wittsell (916) 344-8953

Home Inspections:

Randy Stoker (916) 752-1816

Home Loans:

Allen Hughes (916) 355-1662

HVAC (Heating & Air Conditioning):

Hoyt Mechanical (916) 201-9494

Insurance:

State Farm, Peter Schiro (916) 444-9787

Locksmith:

Aero Mobile Lock (916) 531-2875

Pacific Locksmith (916) 988-1736

Moving:

Allied Mee Moving & Storage (916) 591-3606

Painting:

Rodine Construction (916) 708-6665

Mike Basich Painting (530) 305-5167

Pest Control:

Pest Control Center (916) 344-4400

Pest / Structural Inspections:

Dave Harris (916) 733-0520

Plumbing:

Lance's Plumbing (916) 296-4060

RP Plumbing (916) 225-9869

Property Management:

Tiner Properties, Inc. call John Tiner Jr. (916) 974-6003

Roofing:

A-1 Affordable Roofing (916) 991-6119

Tenant Investigation Services:

Credit Bureau Associates (800-564-6440)

Www.mysmartmove.com (Trans Union)

Tree Trimming & Removal:

Suburban Tree (916) 729-7749

Tree Tech Services (916) 386-1780

Window Cleaning:

S&J Window Washing (916) 630-9330

In closing we want you to know that Tiner Property Management wishes you all the success in the world. We sincerely hope that you find that "Great Tenant" that will help make your investment property venture successful. We also want to extend an open invitation to call us with any questions you may have about our management services. You may call John Tiner Jr. directly at

(916) 974-6003.

If you feel that you need professional property management services we would welcome the opportunity to earn your business. Building successful relationships is something that we have been doing for more than 35 years. We know property management.

**"Professional management doesn't cost...
It pays!"**



Do you think that you could benefit from our property management services?

We will work hard to earn your business. We have been managing investment properties for more than 35 years.

Our expert tenant investigation process always includes these eight vital steps:

1. Verifying the identity of each applicant.
2. Procuring a premium credit report for each applicant.
3. Performing background checks for prior evictions.
4. Performing background checks for criminal convictions.
5. Obtaining written verification of the applicant's income.
6. Obtaining rental reference from their landlord... asking all 17 crucial questions.
7. Obtaining rental reference from their prior landlord... again asking all 17 crucial questions.
8. Courtesy call to you, the Owner, for final approval.

At Tiner Property Management we believe that our properties should, “look and act owner occupied.”