

4 WARNING SIGNS OF HIGH RISK TENANTS

NEATO Homes, LLC - initially published at rentingyourhome.com

Something is wrong. An experienced landlord has a sixth sense about which tenants will be problems, but often cannot put a finger on exactly what it is. After all, all the references check out, they have good credit, and they seem like nice people. But there is just something wrong there.

Often what is wrong is simply something you have not thought of as a problem. The four types of tenants that follow tend to be problem tenants. They may have decent references and good credit, and they are certainly nice people, but the situations that they create are situations that can make them undesirable as tenants. Be forewarned that two of these types are protected classes, that is, they are members of a group that you may not discriminate against on that basis. That means that for you to reject them as tenants and keep searching for a more acceptable tenant, you have to reject them for a reason other than that they are part of a particular group.

Marital Change in the Past Year

This is a protected class. You may not discriminate because of marital status. However, you may discriminate based on the damage the tenant and/or his or her guests do in and to the property. The most volatile situation is where a husband and wife have split, and one moves into a rental unit that you own. Two things are likely to happen, neither of them good. The best is that they will get back together. Yes, that is nice for them, but not for the landlord. Assuming it is the wife who moved out, she will live in the property for two or three months, then she and her husband decide to try to resolve their differences and reunite. That means that you have a vacancy.

Every vacancy will cost you at least a month's rent. The worst thing that can happen is that the husband wants her to move back with him and she doesn't want to. Then he will be getting drunk, coming over, kicking in doors, breaking windows, and otherwise causing a ruckus, and getting the police called. If it is an apartment house, other tenants, the good ones, complain and move out. If it is a single family dwelling, the other neighbors complain to you and the police. Then you have to evict the tenant and try to collect for the damages over and above the security deposit. Some state laws even provide that a woman who is in fear of her ex-husband or boyfriend can move without notice with no penalty.

One way to mitigate damages for the situation where the tenants get back together is a lease. A one-year lease will at least pay you until the unit is rented again, assuming you can collect the damages for failure to maintain the lease. For the situation where the separation is not mutually acceptable, you have a much more difficult problem. Obviously, if this is not the first dwelling the tenant has rented since the separation, the previous landlord may provide you with some enlightening information.

If they are just separated, then you may have to rely on amount of income, credit history, or some other criterion that is clearly spelled out on the sheet that you hand to all applicants. Under no circumstances should you pull something out of the air, something that you have not required of all other applicants. Do that and you will get to talk to the Fair Housing investigators?

People Who Have Never Lived Together Before

Usually this situation arises with people in their 20s. They have recently left home and have found some friends they think it would be neat to room with. Won't it be fun? Fun for them, not the landlord.

You can deal with this circumstance more easily than the first one. Here there is less likelihood of discrimination based on marital status. What you look for from applicants here is all of them meeting your qualifications. If any fail to pass muster, you can reject the lot.

If it is two recently separated men or women, though, go back to the first example, "marital change in the last year." The problem you will have is that people who have never lived together discover that they can't. They find out that going to parties and hanging out together was great, but that one of them is a slob, or they can't stand the boyfriend or girlfriend of the other one, who has, incidentally, moved in without their telling you.

Now one moves out, again without telling you. You keep getting the rent, but one day you show up at the door and the person who answers wants to know who you are. You were going to ask the same question. Remember Landlord Right Number Six? You have a right to rent only to those people who signed the rental agreement.

The problem is, they are now living there and you may have accepted rent from the un-rented-to party. In some states that can present a real problem in getting them out. If you have knowingly accepted rent from a tenant, you have automatically accepted him or her as a tenant. Then the question becomes, whether you knowingly accepted rent. The best defense you can mount is not renting to them in the first place.

Job Change in the Past Year

Last hired, first fired. Especially dangerous are people who have worked at several jobs in the past two years. Usually people are not able to find work first thing after they have left a job because of layoff or being fired. That means, unless they have considerable money in savings, they won't be able to pay some of the bills they owe. Sometimes that is the rent. What it all boils down to is that people who are unstable in their jobs may also be unstable in their living arrangements. Often frequent job changes go along with frequent residence changes. Often tenants will not tell you about the frequent residence changes on their rental application, either. What you will see is some of their addresses being "forgotten." That is why it is important when you check the tenant's references that you verify length of residence with the previous landlord. This reference is one that the previous landlord is likely to be more forthcoming about than, say, how good a tenant he was.

Self-Employed

This is a category that I, personally, don't like to admit to being a high-risk, since I am a part of it. Hey, I wouldn't rent to me. Fortunately, I am a home owner and so don't have to try to rent a property from one of my subscribers or another careful landlord. In some circles "self-employed" is short for drug dealer. They are indeed self-employed, but they don't want to tell you at what.

They might tell you something like they are “wholesalers” or “suppliers.” I suppose “manufacturers’ representative” (in pharmaceuticals) might be appropriate.

Whatever the situation, the income of self-employed people, even those who are legitimate, is in a constant state of flux. If one of their customers doesn’t pay them, they can’t pay the rent.

Here’s how to check them out:

Check out the financial stability of a self-employed tenant by looking at last year’s tax return. Don’t look at the Taxable Income. Look at the Adjusted Gross Income. That is likely to be a more accurate figure than the income they pay taxes on. You know how that works as a landlord. There are lots of things you write off as expenses that may not be 100% rental expenses.

- Confirm where they work.
- Ask to see company letterhead and business cards.
- Look in the telephone directory for a business listing.
- Look them up in a professional directory.
- If they work out of their home, soon to be a new home, ask probing questions about why they would want to uproot their business. Moving your personal residence is hard enough, moving a business, too, is a Herculean task. Then verify their answers. Chances are, if they are leaving their current residence in less than favorable circumstances, they had a story all worked out to fool the new landlord. Be extra thorough with references.

Not all of the members of these classes will end up being bad tenants. In fact some of them could end up being your best tenants. You will keep yourself out of tenant trouble much more easily if you give these groups the close examination they warrant.