

# Wanted: Good tenants

## Three red flags landlords should consider when screening tenants

By [Andrea Coombes](#), MarketWatch  
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**SAN FRANCISCO (MarketWatch) -- The recent housing boom made becoming a landlord relatively easy, but becoming a successful landlord is another matter.**

One key to managing rental property successfully is choosing the right tenants, said Janet Portman, an attorney, author of "Every Landlord's Guide to Finding Great Tenants" and a managing editor at legal publisher Nolo.

Often, that decision goes dreadfully wrong. "Landlords who don't screen carefully end up with poor tenants," Portman said. "When they have to evict ... they almost always come out on the losing end financially." [Watch video interview]

That's because evictions often drag on for a long time, she said. Plus, "to rub salt in the wound, if the tenants want to take revenge and trash your property, then you've really been burnt -- and that happens all the time."

Some 2.3 million homes were bought as investment properties in 2005, up from 1.6 million in 2003, according to the National Association of Realtors. About 80% of those homes were bought as a source of rental income, according to NAR's survey data.

So, how to go about finding a good tenant? Weed out renters who are likely to be less than reliable. Consider the following three warning signs, Portman said.

### 1. In a hurry

Applicants who say they need the place immediately, within a day or two, are risky bets. "Now and then, that's a legitimate situation [but] by far the more common situation is that the person has been asked to leave or has been evicted," Portman said.

"When you encounter someone who's desperate, there's almost always a reason behind it that doesn't augur well for you," she said.

To find out the true story, "always call the previous landlord and, not only that, call the landlord before that, because if you're dealing with someone who's a pain in the neck to his current landlord, you might get a glowing recommendation just to get rid of him. Also, call the employer to confirm the person has a job, and always pull a credit report."

### 2. Please don't call!

If a prospective tenant asks you not to call their current landlord or employer, you need to find out why.

"Sometimes they're going to say 'my landlord doesn't know I'm looking; he may terminate me or he may raise the rent.' That can be a legitimate fear. You have to handle it carefully," Portman said.

But still, "you never want to rent to somebody without corroborating that they are living where they're living and they've not been asked to leave," Portman said.

"If you get close to offering that place to that person, you have to say, 'I'm sorry but I have to talk to your landlord and your employer,'" she said.

With employers, "there can be a legitimate fear that if the landlord in Los Angeles calls the employer in San Francisco who had no idea the guy was looking for a job in Los Angeles, that could precipitate a firing. But you do have to deal with that eventually. Confirm the person had that job and confirm there's a new job, unless you've been assured this person has ample savings or is in a field where they'll be hired immediately," Portman said.

"If you secure the tenant's permission to make these calls, which is a function of your rental application -- you're informing them that you're going to pull a credit report and talk to former and current landlords and employers," you're on sound legal footing, Portman said. "If they don't want you to do that, they can opt out" of the rental application.

### 3. History gaps

Another potential red flag: Gaps in rental or employment history. "Someone who has gaps in both employment and housing history is someone you want to look at a little more carefully," Portman said. That does not mean you "necessarily turn them down, but you need to find out" why those gaps are there.

"If you're a landlord and you're hesitant to [ask those questions], you don't belong in the landlord business, because you're putting your investment at risk. You can be ruined by an unwise choice," she said.

### More tips for landlords

As well as heeding the red flags, there are other ways to ensure you select a reliable tenant, Portman said.

- **Check the credit report.** Make sure the information on the credit report jibes with what's on the rental application. "Besides corroborating answers, you want to make sure this person is not so overextended that they are likely to be unable to pay the rent. You're looking at credit-card balances and things like that."
- **A background check?** Some landlords may consider paying for background checks on prospective tenants. That's fine, Portman says, as long as you remember two things. First, "the value of these checks is very debatable because there are false positives and false negatives all the time," she said. Second, you need to run the check on every applicant, to avoid the possibility of a discrimination claim.
- **Equal treatment.** "You've got to treat everybody pretty much the same so you don't court a fair-housing claim," Portman said. That means if you pull a credit report, request an application or run a background check on one prospective tenant, you need to do the same with all of the prospective tenants.

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