THE LANDLORD’S GUIDE TO TENANT SCREENING

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What You’ll Learn

This step-by-step guide to tenant screening will teach you how to select the best applicants for your properties while saving time and money in the process.

Specifically, you’ll learn the screening methods and criteria that I’ve used over the years to quickly find and sign amazing tenants while weeding out the bad ones.

Included in this guide is a basic screening checklist, to help you stay on top of your game, year after year. After all, the best way to deal with bad tenants is to make sure they never move in.
Screening Basics

The purpose of tenant screening is to evaluate the level of risk associated with each applicant, so you can choose the most-qualified applicant(s) for that specific property.

It’s vital to find a trustworthy tenant who is able to pay rent without you having to ask for it. A thorough evaluation, and a little common sense, is the best way to make that happen.

More is Not Always Better

Over the past 10 years, I’ve read some of the most-reputable books on landlord, and hundreds of published articles about tenant screening.

Most of them recommend a long and complicated process in which they encourage landlords to gather piles of information about each prospective applicant.

The assumption is that more is better, which is not always true.

What they fail to mention is that time is of the essence, and if you insist on taking longer than a few days to process an application, you might lose the applicant to another, more-streamlined landlord with a better unit and smaller price tag.

SOCIAL SECURITY NUMBER, NOT REQUIRED

Most landlords continue to require a Social Security number (SSN) on an application even though it’s not required for a landlord to obtain a credit report or background check.

You heard correctly. It’s not required.
Because of the rise in identity theft, all three major credit bureaus have created systems that allow a tenant to share a credit report and score without ever revealing the SSN to the landlord.

BACKGROUND CHECKS

Since criminal records are publicly available, SSNs are removed from the reports. All you really need to run a background check is a name and date of birth, although other identifying information, such as past residences, may be helpful if the name is fairly common.

**My recommendation is to ask for the least amount of information necessary to make a smart business decision.**

Personally, I have stopped asking for SSNs, and I use Cozy, to pull the credit reports and verify the applicant’s identity. This also reduces my legal responsibility to store and protect the tenant’s personally identifiable information (PII), as well as my liability should the applicant’s identity get stolen.

If I ever have to take a tenant to court, the judge will mandate disclosure of the SSN in order to collect on the judgment. As an independent landlord, I can’t send the debt to collections or ding a tenant’s credit without going to court anyway.

A Daunting Process

**The traditional screening process is intimidating for landlords**

Even if you already pull credit reports online, chances are good that it involves the tenant creating multiple online user accounts, answering duplicative questions, and taking an inquiry penalty on their credit (often multiple times), without any promise of actually getting the unit.

Worst of all, the whole process can take 3-5 days or sometimes
weeks to complete. As a result, independent landlords often feel overwhelmed, and draw the conclusion that only large corporations can realistically screen tenants. **That's just not true.**

**As a landlord, I need to be able to evaluate my applicants quickly and effectively, with little or no cost.**

**What’s Most Important?**

Tenant screening doesn’t have to be difficult or nerve-racking. The key is to identify your screening requirements early on, and then treat everyone equally based on those requirements.

You can start by distinguishing your “must-haves” from the “nice-to-haves.”

As a landlord to dozens of tenants, there is only one “must-have” criteria that I deeply care about when screening an applicant:

**Is the person able and willing to pay rent?**

I am able to find applicants who are able and willing to pay rent by looking to see if they have the following three traits:

1. **Income = 2-3x Monthly Rent**
   I usually require that their household income be at least 2x the monthly rent, and 3x if they have a lot of debt. However, I don’t care whether the money comes from a job, student subsidies, stock returns, or mom and dad.

2. **Steady Job or Income**
   If the applicant doesn’t have a steady job, or doesn’t have enough independent income, I always require a qualified co-signer.
3. **A Sense of Moral and Fiscal Responsibility**

I ask myself, “Do they have the self-discipline, maturity, and personal conviction to pay rent on time?” Or do they go out drinking every night, or buy the newest *tech toys, Jimmy Choo’s*, and *26” spinners* on a base salary, instead of paying their landlord?

**Protect Your Rental Income**

As a landlord, rental income is the most important short-term asset of any property. As such, an applicant’s ability and willingness to pay rent is paramount.

Everything else, from illegal drugs to *hoarders*, can be addressed as long as I have an adequate security deposit and consistent rent payments.

I’m not, of course, recommending that you rent to a drug dealer. I’m just saying that it’s more important for me to figure out if the applicant qualifies financially than if he or she smokes pot. Besides, I can terminate the lease if they misrepresent themselves regarding any drug convictions on the application.

Frankly, I would rather have a tenant who pays on time but has a felony conviction from 15 years ago than a tenant with no criminal record but who is always late on rent.

**Most multifamily property managers would disagree with me, but then again, they don’t have to pay my mortgage.**

Small-asset landlords don’t have hundreds of units to cushion the vacancies of a few. We run a lean business and there’s not usually a huge profit margin every month. For buy-and-hold landlords like me, our *payoff comes at the end.*
The Screening Process

Over the years, I’ve tried to refine my screening process in such a way that I can evaluate a tenant and sign a lease within 48 hours. Time is money, so I’ve had to find that balance between performing a thorough evaluation and quickly signing a lease.

Coupled with quality landlording techniques, I use the following steps to screen an applicant.

To be clear, these are the only methods of tenant screening that I’ve ever needed, and I believe that anything beyond this, though valuable, has a minimal return on investment.

1. Phone/Email Interviews

Whenever an inquiry comes in, I always try to have a quick phone or email discussion with the applicant.

If the applicant starts asking about rent reductions, waiving the deposit, or mid-lease termination, I just tell them, “Thanks for your interest, but no thanks.”

Having only spoken on the phone or email, I would not have any idea of the applicant’s race, color, religion, or other forms of possible discrimination. If there are no red flags after a quick discussion, then I’ll set up a time to view the property with them.

2. Property Tours

An in-person property tour gives me an opportunity to ask further questions and decide whether or not the applicant(s) should even bother filling out an application.

I always try to be friendly and professional, but I let them do most of
the talking. I usually ask open-ended questions like:

- “Why are you interested in this place?”
- “Can you describe your ideal lease agreement?”
- “What do you think of your current job?”

Thinking back to the phone or email conversation, I listen for contradictions in their story to help me determine if they are a scammer or are hiding something.

To make the best use of my time, I will perform multiple showings in a single day, which I call a “Landlord’s Open House.”

I always look for applicants who are genuinely excited about the idea of renting my unit. An excited applicant usually means they will be happy with the unit and price overall, and will be gracious and cooperative to work with.

If they pass the pre-screening (email/phone call and property showing), then I invite them to submit an application.

3. Accepting Applications & ID Verification

When I started out as a landlord, I used to have paper applications with me at every showing. If someone was interested in applying, I would sit them down at the dining room table and ask them to fill out an application.

Now I collect online applications which are securely stored in Cozy. I simply bring my laptop or iPad to my property showings instead of paper applications. Applicants can fill it out on the spot, or I can email them the link.

LANDLORD TIP:
Use online applications to screen tenants and securely store personally identifying information.
Government-Issued ID

Remember to always check the photo ID (preferably government issued) of a potential tenant before you sign a lease. It's critical that the person applying for and signing the lease is the same person that you are interacting with. Don’t get fooled by someone committing identity theft.

Social Media

A few years ago, I started checking Google, Facebook, Twitter, and LinkedIn as part of my background investigation of applicants. Using social media is a fantastic way to find the details of their life that they don’t want you to see, and any potential conflicts or evidence of lying to you.

Examples of conflicting information:

- The applicant says he’s the quiet type, and doesn’t have parties. However, every picture on Facebook shows him at a kegger party, often playing beer pong with a glazed look in his eyes.

- The applicant says he doesn’t smoke, but his Facebook banner promotes legalization of marijuana.

- The application lists one pet, a 10-lb. chihuahua, but 90% of his Twitter photos are of two large labradors that clearly live with him.

- The applicant says he works at Google, but his LinkedIn profile doesn’t mention it.

All of these instances might have a legitimate explanation, but they are reason enough to question the applicant further. You’ll learn the “truth” by confronting the applicant directly by phone or in person. You’ll want to see if they try to evade the question or squirm their way out it.

**LANDLORD TIP:**

If an applicant falsifies any information, you are allowed to deny their application.
If an applicant falsifies any information, you are allowed to deny their application. If they lie to you during the application process, imagine the lies they will tell after they move in!

4. Ask for Proof of Income/Employment

I usually ask to see the two most recent pay stubs to verify income and place of employment.

A pay stub will contain critical information such as:

- Applicant Name
- Current Address
- Monthly Income
- Employer’s Name
- Year-to-Date Earnings

Court-ordered Wage Garnishments (lawsuits, child support)

I typically ask them to email me either an electronic copy of the paystub or a picture of a paystub with their phone. It’s okay to text me too.

I don’t accept W-2s or 1099 tax forms because they could be up to a year old, and don’t reflect current employment or earnings.

5. Check Landlord References

I call the applicant’s previous two landlords and ask the following questions:

- What were the start and end dates of the lease?
  This helps me determine if I’m speaking with the real landlord or the applicant’s boyfriend (yes, they can be sneaky). I also check the public tax records (online) to verify the name of the property owner.
• **Were there any late or partial payments?**  
  If they were late more than once, I usually deny the application. I tend to **forgive a late fee once, but only once.**

• **Were there any noise violations or disturbances?**  
  I want to know if they threw parties and/or were considerate to their neighbors.

• **In what condition did they leave the property?**  
  Most leases require a tenant to leave a property in similar or better condition than when they moved in. If they trashed the last place, they will probably do the same to yours.

• **Did they try to sue you?**  
  Tenants will often feel entitled to get their full deposit back, regardless of the poor condition or damage that they caused. If a deposit was rightfully withheld, and the tenant still took them to court, then it’s a sign that the tenant is “trigger happy” and maybe a little crazy.

• **Would you rent to them again?**  
  In my opinion, this is the most important question because it sums up the entire rental experience into a single answer.

### Two Previous Landlords

**Why do I check with two landlords?** The current landlord won’t be able to answer the questions about move-out condition, deposit withholdings, or subsequent lawsuits - simply because the tenant is probably still living there.

### 6. Review a Credit Report & Background Check

Following a positive landlord reference, I like to review a recent credit report and then ask about any red flags or discrepancies when compared with their application.

I used to run these credit reports myself by collecting paper applications and fees, then faxing them to various third-party vendors.
Unfortunately, I also legally had to store these reports in a secure location for multiple years, and I was constantly worried about identity theft and my liability should my office have ever been broken into. It was a lot of work and stress.

Now, I just use Cozy to collect applications, review credit reports, and background checks

Cozy allows landlords to request that applicants share their credit report and background check along with the application - in one neat little package.

The process is simple; the applicant works directly with Experian, to obtain and share the report with the landlord. The reports are free for the landlord, and are stored within Cozy, so the landlord never has to worry about file storage and information security again.

Hallelujah! A landlord no longer has to collect an application fee to run a credit report.

Further, if I deny an applicant based on credit, I don’t have to worry about providing a copy of the report because they already have access to it via Cozy.

My Screening Standards

1. Gross household income must be at least 2-3x rent amount
2. Credit score of 650+
3. No evictions, ever
4. Any convictions in the last 2 years will be reviewed
5. No violent, armed, or destructive crimes, ever
6. No or low credit card debt
7. Check the Sex Offender Database

I always check the U.S. Department of Justice National Sex Offender Public Website as well as my state’s database before accepting an applicant.

A 2002 study by the United States Department of Justice indicated that recidivism rates among sex offenders was 5.3 percent; that is, about 1 in every 19 released sex offenders were later arrested for another sex crime. Though this rate is lower than all other crimes except murder, it’s still too high for the neighbor with three kids.

At the end of the day, I’m running a business, not a rehabilitation center.

‘Convicted sex offender’ is not a protected class for the purposes of housing.

8. Consider the Entirety of Each Applicant

At the end of the day, you have to look at each applicant in his or her entirety. Of primary importance, of course, is finding someone who can pay rent, but the applicant you choose should also be a good fit for the property.

Other Considerations

Beyond income, other factors can also be important and should be considered. For example:

- Some applicants will want to park five cars on the property, but your driveway only fits one vehicle, so your grass is going to get torn up, and will become a parking lot.
• Others might have four dogs, but you don’t have a fenced-in back yard, which means the dogs will be inside the house 99 percent of the time, and will tear up the place.

• Still, other qualified applicants might seem overly concerned about every little scratch, as if they were buying a brand new car. These folks will drive you crazy with excessive and ridiculous maintenance calls to replace a light bulb.

Lease Duration

I also consider the length of the desired tenancy. If one qualified applicant is willing to sign a two-year lease, then I would give them preference over other applicants, everything else being equal.

I also consider the tentative end date of the future lease, and how difficult it will be to re-rent. In the northern United States, the best rental seasons are spring and fall.

Most tenants don’t want to move during summer because of vacations or during winter because it’s cold. I try to have all my leases end on April 30, or May 31. These magical dates seem to be the best time of year in my cities to find tenants.

Be aware of illegal discrimination. Every landlord should also know what is considered illegal discrimination. Fair housing laws should be taken seriously, so you don’t get slapped with a discrimination lawsuit by asking if an applicant is pregnant.

It’s a Business Decision

It’s important to stay professional and objective, and to leave your emotions at the door.

You are allowed to evaluate applicants based on any legitimate business reason, provided that you use the same criteria for all applicants and it doesn’t discriminate against a protected class.
Handling Less-Qualified Applicants?

If your prospects look dreadful and don’t meet your requirements, you can either keep looking or take steps to help a less-qualified applicant become satisfactory.

If you need a tenant quickly, you should try to work with the applicants you have.

“A bird in the hand is worth two in the bush.”

John Ray, 1670

There are a few specific actions you can take to transfer the increased risk back to the tenant. These are called “adverse actions,” and a landlord is required by the FTC to send an “adverse action notice” to the applicant explaining/validating the denial or request for additional compensation.

1. Require a Larger Security Deposit

Check your state laws to see determine how much of a security deposit you are allowed to collect.

By collecting a deposit equal to 2-3 months worth of rent, you are securing your ability to pay 2-3 months of mortgage payments if your tenant abandons the lease.

In my opinion, collecting a larger deposit is the easiest way to mitigate risk of a low-quality tenant.

2. Require Rent to be Paid Automatically and Online

LANDLORD TIP:

Larger deposits provide extra security against damages. But make sure you don’t exceed your state’s limits.
“The check is in the mail...” Yeah, right!

By requiring your tenant to use software like Cozy, their rent gets withdrawn automatically and deposited into your bank account.

If anything goes wrong, such as a lack of funds, you’ll know immediately by email and can handle the issue quickly, often during the same day.

3. Require a Co-signer

If an applicant doesn’t meet the income or credit requirements, which is common among younger tenants, you can simply require that they find a co-signer to take joint responsibility.

A co-signer is someone (often a parent or sibling) who also signs the lease and is legally obligated to pay rent if the borrower does not make payments.

Just be sure that the total income of all applicants and co-signers meets your income requirements of 2-3x the monthly rent.

4. Require a Lump Sum Payment

Recently, I accepted a tenant who only made $1,000/month, but wanted to rent a $1,625 apartment. He was my first applicant, and I wanted to get it rented quickly.

I told him that if he paid all the rent upfront, plus a deposit of one month’s worth of rent, then he could have the place.

It was only a four-month lease, but sure enough, I received a check for $8,125 and he moved in a few weeks later.

When all the rent is paid upfront, the applicant instantly becomes qualified (financially at least). Just make sure your state doesn’t limit the amount of “prepaid rent” that you can collect.
My Advice to You

My advice is to set your requirements and hold all applicants equally to those standards.

Pick the most-qualified applicant for that unique property, with their ability to pay rent as the most heavily weighted factor. Follow a simple screening process so that it’s easy to complete year after year.

If you find yourself stuck with unqualified applicants, consider mitigating the risk with a larger security deposit or a co-signer.

All in all, do your best to be objective in your evaluation, and under no circumstances should you discriminate, or give the impression of discrimination, based on Race, Color, Religion, Sex, Familial Status including having children or being pregnant, National Origin, or a Mental or Physical Disability.

Use Cozy to collect applications, review credit reports, and process recurring rent payments.

Then sit back, relax, and let the money come rolling in. Congratulations, you’ve just made your life easier.
Tenant Screening Checklist

The best way to deal with bad tenants is to make sure they never move in.

☐ Phone Interview
  ☐ Describe the Property.
  ☐ Describe any special amenities.
  ☐ Describe the area/neighborhood.
  ☐ Describe your tenant onboarding and screening process.

☐ Ask the following questions:
  ☐ Why are you moving?
  ☐ When is your ideal move-in date?
  ☐ Do you have a job?
  ☐ What is your monthly income?
  ☐ How many people will be living in the unit?
  ☐ Do you have any pets?
  ☐ Will you be able to provide the security deposit when we sign a lease?
  ☐ Can you provide references from your two former landlords?
  ☐ Will consent to a credit and/or background check?
  ☐ Have you ever been evicted?

☐ In-Person Property Tour
☐ Invite to Apply, Collect Online Rental Applications

☐ ID Verification
   ☐ View a government-issued photo ID.
   ☐ Use Cozy Credit Reports to ensure they pass Experian’s ID verification test

☐ Google, Facebook, Twitter, LinkedIn Search

☐ Income/Employment Verification
   ☐ View a recent pay stub.
   ☐ Verify their work email address. Send an email to their work email address and wait for their response.
   ☐ Ensure the gross total household income is 2-3x the monthly rent.

☐ Landlord References
   ☐ What were the start and end dates of the lease?
   ☐ Were there any late or partial payments?
   ☐ Were there any noise violations or disturbances?
   ☐ In what condition did they leave the property?
   ☐ Did they threaten or try to sue you?
   ☐ Would you rent to them again?

☐ Credit and Background Check
   ☐ Use Cozy Credit Reports to get their credit history, credit score, and background information, including judgements, evictions, etc.
   ☐ A score of 650+ is best - the higher the better. The ranges are as such: Experian = 330-830, TransUnion = 300-850, Equifax = 280-850.

☐ Sex Offender Check
   ☐ U.S. Department of Justice National Sex Offender Public Website
   ☐ Your State’s Sex Offender Database
Additional Resources

Related Articles:

Financial Independence – A Landlord’s Perspective

How to Deal with Hoarder Tenants

Know What is Considered Illegal Discrimination

Landlord Tips

Check a Photo ID

How to Host a Landlord’s Open House

Be Accessible via Text Messages

Forgive a Late Fee Once, but Only Once

Ask the Question, “Would You Rent to Them Again?”

June 1st is the Magic Move-In Date

Beware of the Top 10 Fair Housing Mistakes

Leave your Emotions at the Door

What is “Joint and Several Liability” and Why You Need It
Sites Mentioned:

Cozy - Modern Property Management Software

Cozy Credit Reports and Background Checks

Collect Rent Online

Landlord-Tenant State Laws & Regulations

U.S. Department of Justice National Sex Offender Public Website

NSOPW State Sex Offender Database

Public Property Tax Records

FTC Adverse Action Notice
About the Author

I’m Lucas Hall, the founder of Landlordology and the Chief Landlordologist at Cozy, which provides free online rent collection, screening tools, and educational resources for landlords.

I am a successful landlord, property investor, and IT consultant of 10 years, with dozens of tenants and a profitable income property portfolio.

I’ve learned how to streamline my rental business while thriving at a full-time job and pursuing my lovely wife, daughter, and 90 lb goldendoodle.

I believe that life should be lived to it’s fullest, and is best enjoyed through relationships and community. Every year, I counsel thousands of landlords and managers, teaching them how to successfully manage their rentals, build wealth, and keep their tenants happy.

Whatever your situation, I want to invite you to walk with me on this journey. As landlords, I believe we will all succeed if we stick together.

Lucas Hall
Chief Landlordologist at Cozy

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Cozy is simple, modern property management software for landlords and tenants.

**Market Your Rentals**
List your properties and attract quality applicants. Cozy listings provide flexible image galleries, detailed lease terms, amenities and pet policies. We make it easy to market your properties to make them stand out.

**Screen Applicants**
See essential information like credit reports, judgements, evictions, employment and salary history, rental history, and previous landlord testimonials for all of your applicants, in one convenient place.

**Collect Rent Online**
Collect rent from anywhere and never have to deal with paper checks again. Tenants can set it and forget it. Cozy payments are secure and automatic, and the money goes straight to your bank account.

Get started, it’s free!
[cozy.co](https://cozy.co)

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**THE LANDLORD GUIDES, POWERED BY COZY**

The Landlord Guides are an ever-expanding collection of essential information for independent landlords. We’ll help you succeed with time-tested advice, useful tips, and practical resources to save you time, money and headache—all in an easy-to-read and succinct format.

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