



Renter Qualifications and Requirements



Qualifications and Requirements

Tenant qualifying standards are criteria a prospective tenant must meet before they can even be considered as a renter for your property. It is basically the first stage in the tenant screening process. Tenant qualifying standards must be legal standards that directly relate to a tenant's ability to pay their rent and follow the terms of their lease agreement.

Income Verification

You want to make sure the tenant has a verifiable source of income to meet their monthly rent payments. You can verify a tenant's income by asking for W-2's, copies of pay stubs or copies of bank statements.

Sufficient Income Level

A Rent-to-Income ratio determines the monthly or annual gross income a tenant must earn to be able to afford rent each month. The standard multiplier is 3. That means that the applicant should make at least three times his or her gross monthly income to cover rental expenses. The math would look like this:

$$\text{Monthly Rent} \times 3 = \text{Minimum monthly rental income}$$

Employment Verification

You want to verify that the prospective tenant:

1. Works where they claim to work.
2. Makes the amount they claim to make
3. That they are employed for the foreseeable future.

You can send a written notice to the tenant's place of employment requesting this information.

Credit Score

What is a credit score?

A credit score is a number that is generated by the 3 credit bureaus based on payment history and other information found in your credit report. The credit score will fall in a range from 300 (lowest) up to 850 (highest) and is meant to be a single number that summarizes an individual's credit history.

How are credit scores created?

- Payment history
- Credit usage
- Credit history
- Credit distribution

What is a “good” credit score for tenants?

Anyone with a credit score over 670 or higher is already at or above the national average for Americans. So, if your renter has a score of 670 or higher, that’s a very good credit score for most rentals. Most landlords are looking for a score somewhere between 600 – 650 since renters don’t have the credit history of making mortgage payments to boost their credit score.

Insufficient credit on a report?

More often than not, a designation of Insufficient Credit means the tenant does not have enough trade lines or credit-impacting accounts. We often see this with students or younger people, older people with no credit activity in years (family is taking care of them), and a spouse who has nothing in their name. In these situations, it will be up to you to determine whether or not you can prove the tenant’s financial risk through other means.

Poor: 300 - 579 - Decline prospective tenant/ keep looking for tenants

Fair: 580 - 669 - Discuss specific issues with tenant on why certain things happened/ possibly require a cosigner

Good: 670 - 739 - Verify income and employment/ call tenants previous landlords

Very Good: 740 - 799 - Verify income and employment/ call tenants previous landlords

Exceptional: 800 - 850 - Verify income and employment/ call tenants previous landlords

Criminal History

A background check can turn up any history of criminal activity. You can deny tenants who have been convicted of a crime that could endanger the safety of other tenants
No felonies or violent or drug related convictions within the last 10 years.

What to consider?

Felony: a crime for which a sentence of imprisonment for more than one year may be imposed

Gross Misdemeanors: carry a maximum sentence of one year’s jail time and a \$3,000 fine

Misdemeanors: carry a maximum sentence of 90 days’ jail time and a \$1,000 fine

Petty Misdemeanors: are fine-only offenses with a maximum \$300 fine

Occupancy Limit

The federal Fair Housing Act (FHA) prohibits discrimination by direct providers of housing based on six key characteristics, one of which is familial status, meaning the presence of a child under the age of 18. The law is designed to protect families with children, as well as anyone who has legal custody or written permission to have a minor child living with him or her.

Fair housing law permits communities to set reasonable occupancy standards, but it’s unlawful for occupancy standards to exclude families with children or to unreasonably limit the ability of families with children to obtain housing.

Follow the 6 rules when evaluating your occupancy standards:

1. Examine your current occupancy standards
2. Check your state and local codes
3. Set limits on the number of people - But not the number of children
4. Consider the age of the child when considering occupancy
5. Consider the physical limitations of the building systems
6. Document the reasons for your policy to demonstrate compliance

Security Deposit

Landlords are entitled to collect security deposits from tenants before they move in, to protect against any unpaid rent or property damage that's left behind after move-out. It's important to remember that the security deposit, while being held by you, is still the tenant's money and cannot be spent during the course of the lease.

Security Deposit Limit - No Limit

Storing Deposit - Must Be Placed in Interest Bearing Account

Collecting Deposit - Must Notify Tenant of Health or Safety Violations or Pending Foreclosure

Written Notice - Must Provide Receipt if Tenant Pays Cash

Keeping Deposit - Unpaid Rent, Damages, Breaches to Lease

Returning Deposit - Within Three Weeks of Tenant Move-Out

Selling Property - Must Return Deposits to Tenants or Transfer to New Owner

Unlawful Detainers/Evictions

An eviction action (formerly known as Unlawful Detainer) is a court action in which a landlord asks to recover possession of the apartment or rental home from a tenant. A landlord must follow the proper legal process, and may not forcibly remove the tenant, exclude the tenant from entering the building or rental unit, change the locks, or shut off the utilities.

3 most common reasons for filing an eviction:

1. Nonpayment of Rent
2. Lease Violations
3. Tenant Remains in the Apartment or Rental Home After Getting a Notice to Vacate (holding over)

Positive Rental History

We recommend reaching out to the tenant's current landlord and previous landlords so you have a more complete picture of their rental history. Plus, current landlords may have motivation to lie if they are trying to get rid of a problem tenant.

Questions to ask previous Landlords:

Paid rent on time?

Reasonably took care of the property?

Left the property in good/clean condition?

Didn't disrupt any neighbors?

Pet Policy/Service Animals

The federal Fair Housing Act prohibits discrimination in housing accommodations against those who use service animals. As the landlord, you must allow service animals regardless of size or breed. Landlords must allow tenants and their guests to take service animals to any place that tenants and guests are normally allowed to go.

A landlord may not charge a pet deposit for a service animal or emotional support animal that has been permitted by a reasonable accommodation, but may require a person to pay for damage caused by the animal, provided that all tenants are required to pay for damages they cause.

Smoking Policy

Property owners have the right to ban certain behaviors on their property to preserve its value and to protect tenants. The U.S Department of Housing and Urban Development, and the Minnesota Attorney General's Office have upheld the right of landlords to include "no use of tobacco" clauses in their leases.

Health concerns about secondhand smoke aside, landlords often prohibit smoking in an effort to limit fire hazards on the property, reduce fire insurance premiums, and avoid stains and odors.

Determining Utilities/Maintenance

As you're getting ready to rent your property, you may be wondering how to handle utilities. Should the landlord or the tenant be responsible for paying utilities in their rental property? Utilities make your rental property habitable. Tenants need running water, heat, electricity, and trash collection. You are required by law to provide your tenants access to utilities. This decision will impact your rent price, how many bills you're paying, and ultimately, how much profit you make from your rental property.

Setting your rent price and deciding what's included in rent go hand-in-hand. You'll want to set a rent price that reflects what you are offering. Your rent price and what's included in that price will influence how many people are interested in your rental listing. The more that's included in the price, the more appealing the price is. Tenants feel like they're getting a good deal when they see utilities are included, and you're also providing them the convenience of not having to set up utilities or pay additional bills each month.

Here is a list of rental property utilities/maintenance to consider:

- Electricity
- Natural Gas
- Trash Removal
- Water/Sewer
- Internet/Cable
- Lawn Care/Snow Removal

No matter which way you decide to delegate utilities, it's important that it's clearly defined in your lease.

