



## USING RESIDENT SCREENING BEST PRACTICES FOR TRUSTED APPLICANT DECISIONS

A WHITE PAPER FROM FIRST ADVANTAGE

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## A competitive market compresses margins

In the face of compressed margins, what avenues exist for multi-family providers to build revenue? The answer is found in taking full advantage of the benefits of lower vacancies and high demand by maximizing operational efficiency—and background screening can help! Below we outline best practices for three main routes to building stronger revenues.

1. Squeezing value out of lower vacancies
2. Taking technology to the next level
3. Maximizing revenue while protecting against risk



### Best Practice Tip

Strengthen upfront applicant screening processes by conducting deeper, more thorough screening checks to gain a comprehensive perspective of potential residents and mitigate unnecessary risks.

## 1. Squeezing value out of lower vacancies

The balance sheet benefits of lower vacancy rates can be quickly erased by the processing costs and lost rent income caused by evictions or skipped residents. The average cost to turn an apartment is over \$4,000<sup>1</sup>. Leveraging the full impact of lower vacancies means ensuring your units are filled with quality residents from the start.

Resident screening plays a large role in supporting critical upfront due diligence that helps build a strong base of long-term residents. Screening can also mitigate risky residents before they adversely affect profitability. Access to comprehensive data is a key factor in leasing to residents that meet your leasing requirements—screening data should be comprehensive, regularly updated at the source and built from robust public and proprietary sources.

### Screening Essentials

1. Access screening data that draws from robust public and proprietary records and verify how often the data is updated from the original source.
2. Search for evictions history that includes data beyond the given address.
3. Gain criminal history perspective from a national level, because a search limited to local records can leave dangerous gaps.
4. Understand how quickly you will receive screening results and what type of support is available to complete additional research as needed. This will help avoid decision delays that can cost you prospective residents.



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Key screening goals center on verifying the applicant's identity, assessing credit worthiness and determining past rental performance. Gaining visibility into an applicant's credit profile and eviction history and learning more about habitual skippers from industry peers can go a long way in accomplishing these goals. An equally important objective is protecting your property and current residents from criminals. Not all background checks have the same merit. Nationwide perspective on criminal records is vital. Continuous monitoring of residents' criminal records is another route to proactively protecting property and profits from negative resident impacts.

Strong screening data helps quickly pinpoint strong applicants. Turning a strong applicant into a long-term resident demands real-time decisions. Decision speed depends on the level of support available to process screening data accurately and complete any additional due diligence. Adequate support resources and technology tools help transform screening results into well-informed decisions that reflect your risk parameters. Round-the-clock support combined with a technology platform that facilitates easy electronic application, signature processing and forms management are key elements for capturing quality, long-term residents who will help you put the advantage of lower vacancies to work.

## A note about compliance

Several laws affect how you screen your residents. We suggest working with your legal counsel to ensure you are being compliant. Here is an overview of the major laws affect resident screening, but this is not an inclusive list of all you may need to consider.

First Advantage leverages information from 350+ million public and proprietary records, built from all 50 states data sources.

The First Advantage National Evictions Database has more than 26 million records and covers a ten mile radius from the given address to deliver the broadest scope search available.



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## The FCRA or Fair Credit Reporting Act

Tip: This law requires you to alert an applicant if you are not renting to them because of something you found in the background check and then allow the individual time to resolve anything he or she disputes. While the law is silent on how long you must wait, 5 days is the number most published in the industry.



## Federal, State, and City Criminal and Credit Laws

Tip: Many states have passed laws around the use of criminal records and credit information used in leasing. For example, Newark, NJ passed a law effective November 18, 2012 that clarified how criminal records could be used for resident screening. Contact your legal counsel to get clarity on these regional laws for each property.



## Fair Housing Act

Tip: No one may take any of the following actions that may be found out as part of a screening process based on race, color, national origin, religion, sex, familial status or handicap:

- Refuse to rent or sell housing
- Refuse to negotiate for housing
- Make housing unavailable
- Deny a dwelling
- Set different terms, conditions or privileges for sale or rental of a dwelling
- Provide different housing services or facilities
- Falsely deny that housing is available for inspection, sale or rental
- For profit, persuade owners to sell or rent (blockbusting) or
- Deny anyone access to or membership in a facility or service (such as a multiple listing service) related to the sale or rental of housing.



## HUD Property Rules

Tip: HUD requires Owners (which includes management agents and Landlords) to adopt and implement comprehensive policies for screening out applicants who engage in illegal drug use or other criminal activity and for evicting or terminating tenancy of persons who engage in certain criminal activity. Such policies must be adopted and implemented in a manner that is consistent with Fair Housing and Equal Opportunity regulations as well as any other applicable legal requirements. Read more: [http://reentry.mplp.org/reentry/index.php/ HUD\\_H\\_2002-22\\_Screening\\_and\\_Eviction\\_for\\_Drug\\_Abuse\\_and\\_Other\\_Criminal\\_Activity\\_-\\_Final\\_Rule](http://reentry.mplp.org/reentry/index.php/ HUD_H_2002-22_Screening_and_Eviction_for_Drug_Abuse_and_Other_Criminal_Activity_-_Final_Rule)

The First Advantage National Criminal File provides insights from over 350 million criminal records from all 50 states.

First Advantage Screening solutions seamlessly integrate with leading property management systems.



## 2. Taking the technology advantage to the next level



### Best Practice Tip

Leverage technology to automate processes, eliminate duplicate tasks and keep onsite staff focused on creating a better customer experience for applicants and residents alike.

Technology can help maximize margins by creating avenues to improve efficiency and strengthen leasing and property management workflow. Scalable tools that easily integrate with other applications and support every stage of the leasing lifecycle significantly increase visibility across your entire portfolio. Technology solutions help your staff standardize processes, eliminate unnecessary costs and tasks and speed decisions. Leveraging intuitive online applications creates synergies and efficiencies across your workflow and reduces the time it takes to go from application to filled residence. This positively impacts occupancy levels and profitability while increasing customer satisfaction.

In addition to streamlining processes, technology also delivers a marketing advantage by raising the level of service you can provide to applicants and residents. Targeting prospective residents via technology and social media channels bolsters marketing efforts. Today's applicants expect your property to have a strong online presence that allows them to research the property and amenities, view floorplans and access key details about rent and property policies. Offering applicants an online application that facilitates e-signatures is a competitive advantage that creates a seamless leasing interaction and quickly turns applicants into revenue-generating renters.

### Technology Essentials

1. Select a scalable solution that can expand with your business and create a transparent, unified platform across your property portfolio.
2. Verify the technology solution easily integrates with your property management system and creates a seamless interface that supports your process flow.
3. Go electronic. Maximize ease-of-use by selecting technology tools that are flexible for your staff to work within and simple to execute.

## Plan for future profits



### Best Practice Tip

Fortify your long-term growth strategy by using real-time market data and robust analytics to improve site selection for portfolio expansion.

Maximizing today's revenue depends on successfully capturing the benefits of lower vacancies while increasing operational efficiencies. Building a strong foundation for long-term growth depends on strategic site selection. Investing in portfolio expansion leaves no room for error and, now more than ever, the old adage of location, location, location holds true. To capitalize



on future growth opportunities and enjoy a steady supply of quality residents, the quality of the location you select to build in is crucial. Access to analytic tools that deliver a bird's eye view into real estate industry data on crime and credit performance can help pinpoint the most profitable areas for new development. Industry insight into regional, economic or consumer market trends can deliver the advantage of stronger, more informed decisions to drive better investments with greater returns.

### Site Selection Essentials

1. Verify the analytic data is up-to-date and includes the most recent market profile.
2. Hone in on critical criminal and credit performance data by zip code to gain a clear understanding of the proposed site.
3. Maximize your perspective by incorporating historical data with current data to uncover potential trends, positive or negative.

### 3. Maximizing revenue while protecting against risk

A stronger screening solution can help increase occupancy rates while mitigating unnecessary financial risk that erodes margins. Intuitive and scalable technology solutions can highlight process synergies, save manpower, and drive savings across your portfolio. Technology can also help your business gain a stronger marketing foothold while supporting easier ways for applicants to interface with your business. Finally, greater industry insight into the current market statistics for future development locations can be invaluable for strategic direction and more profitable planning.

At First Advantage we understand the opportunities for multi-family providers to build and sustain greater revenues, as well as the challenges. Our innovative screening tools are designed to increase profitability at every stage of the resident lifecycle.

### Sources

1. <http://www.multifamilyinsiders.com/apartment-turnover-cost-calculator>



**We can help. For more information,  
contact First Advantage today:**

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Visit [fadv.com](http://fadv.com)



As the trusted partner of over 35,000 organizations worldwide, we at First Advantage provide easy-to-understand background screening results so you can confidently make decisions about prospective employees, vendors and renters. Not only does this safeguard your brand, but you also arrive at dramatically better background insights – insights you can rely on.

It's time to partner with First Advantage. Now in 26 locations, 14 countries and conducting over 55 million international background screens on 17.2 million applicants annually. **Trusted Knowledge.**

**Exceptional People.**



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