

# Winning Tenant Criteria to Boost and Retain Occupancy

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Here is my strategy that works for getting decent tenants and keeping them. I can't guarantee that they'll pay rent on time, but most always do. The criteria that I use is different from what most companies use, but I always lease out usually twice as fast as they do.

## Common Criteria

Currently, many properties in Austin require the following general criteria:

- a) Credit – more than 75% in good standing
- b) Income – verifiable 3 times the amount of rent
- c) Employment – 6 months or more
- d) Rental History – at least 1 year verifiable, cannot owe a property
- e) Criminal Background – no felonies whatsoever

This is quite restrictive and leads many people to the private owner market. This is great for investors that are willing to bend the norm when it comes to certain things. Below I have broken down each item and explained how you can modify your criteria to better suit “reality” and increase your pool of qualifiable applicants.

## My Criteria: Credit

For the common duplex I would suggest not using credit as the main form of criteria, since most people nowadays have problem credit if they are renting a low-to-mid price duplex. If the renter is a migrant worker or some other immigrant who lacks a social security number, you can't verify much from them anyway – so credit isn't really that important when it comes to a duplex. If you see things like credit cards and medical bills, everyone has this – don't count it. However if you see several items in collection that have to do with properties, then no, you need not rent to that person – they have a history of skipping out on the rent. If credit is just terrible, but you still want to rent to that person, charge them a higher deposit or increase the rent. Make sure your risk is worth the effort to help someone out.

When does credit matter? If your duplex is in a luxury area, then yes, I would say credit matters, however this is few and far between. If your property is a new home, then again, yes, you should consider credit as part of your criteria. 75% in good standing is a fair way of looking at things. If they have a score of 600 or higher, this is very reasonable

and should be considered “good”. If the score is below 600, you can charge a little bit more deposit from them on a sliding scale.

## **Criminal Background**

Most people do not have a criminal background, especially people that work all the time. If they do, it is normally only minor things like marijuana possession or DWI. I do not rent out to hardcore felons like murderers or sex offenders. I tell people that if they have an old felony, older than 2 years, this is OK as long as it was a white-collar crime like a hot check or stolen cable service. No burglary, no theft, no hardcore drugs and certainly no violence. If the felony is within the past 2 years, I don't normally do it at all because chances are that person hasn't had a job for very long or was recently released from prison. My heart goes out to folks that made mistakes and are trying to make a fresh start, but I have to look out for myself when it comes to paying the mortgage. I also have an obligation to the safety of my other tenants. If the applicant doesn't have a clean record for the past 2 years, they don't come through my door.

## **Income**

The applicant must make at least 2 times the amount of rent. If the rent is \$600, they must have a job that I can verify which brings them a steady income of at least \$1200 - \$1300. I will not rent to someone who only makes \$600, “enough to pay the rent” is what you will hear quite often – well this is definitely not enough. Even though I'm self-employed on commission, I don't accept self-employment as a verifiable income to my applicants. They must have a job with a paycheck, that's why I require at least 2 paychecks to get in. No paycheck, no keys. If they receive aid checks, I'm not any more enthusiastic about government money or child support. I want to see paychecks.

In Texas one unique issue is that most of our migrant worker population gets paid cash from the booming construction market. Migrant workers make terrific renters because they actually want to stay in America – they don't want to cause trouble and therefore pay rent on time, more often than local folks do! So, I try to see if they have bank records or any other sort of records to verify and prove their income with. It's a bit of a risk, but if you get a nice family from across the border, they genuinely want to become part of your community and will work hard to create a stable relationship with you.

## **Employment**

The applicant must be employed full-time or have 2 part-time jobs. They need to prove that they've been at their current job for at least 6 months. If they've been at their job for less than 6 months, then I find out their previous job and do a verification on it. I'm looking for a total of 40 hours per week of steady work. This way I know this person is not bored at home doing drugs or causing problems. “The devil will have work for idle hands to do” – as the saying goes. If they are employed for longer than 1 year, this is great! Having a job to me is by far the most important factor in tenant criteria. I personally don't weigh heavily the other things. If the applicant is clean cut and can show me 2 paychecks with adequate income, they are welcome in my house.

## Rental History

This can always be falsified, and most often is verified over the phone or fax so it's quite useless in my opinion, unless they recently lived in an apartment that you can actually call up and get old records for. A lot of people live with family or friends, so this is almost impossible to verify. The only thing that will alert you of bad rental history would be from running their credit and finding a property in the collections area. If this is the case I suggest charging additional deposit or raising the rent. If you really want to require rental history, I would suggest at least 6 months positive rental history, allowing only 1 late pay and a completion of the lease. If they have over a year of positive, verifiable rental history, this is terrific!

## Winning Criteria Summary

**Credit** – no properties in foreclosure or owed, medical bills and student loans OK

**Criminal Background** – no felonies within the past 2 years, only white collar crimes

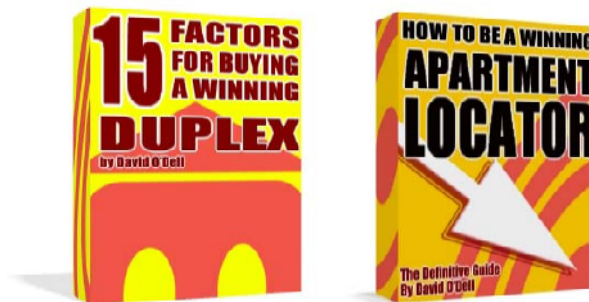
**Income** – 2 times the amount of rent

**Employment** – Paycheck job, with option of verifiable cash-income (no commission)

**Rental History** – Preferably 6 months verifiable, more deposit if none or bad history

As a property manager and duplex owner, this is my criteria that I base people on, and it seems to work very well here in Austin. It may or may not work well in your area, but I recommend doing a market analysis for the criteria standards in your area and see how much play you have. You may be able to produce high volumes of leads just by adjusting one criteria item.

Check out my other ebooks:



“15 Factors for Buying a Winning Duplex”

“How to be a Winning Apartment Locator”

Both available at: [www.boxdoor.net](http://www.boxdoor.net)

Thank you for your time, and good luck!

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