

Property Management Essentials:

Lease Application Essentials



ECHO SUMMIT
PROPERTY MANAGEMENT

The lease application process is very important, as it represents the first time a landlord and tenant have a legal obligation to one another. Both the applicant and the application must be processed methodically, consistently and correctly to avoid possible violations of fair housing, and to minimize opportunities for discrimination complaints.

When the property manager begins running an application that involves a credit check, a very important thing happens: the applicant's FICO score is impacted. This is an irreversible action and the property manager could be exposed to liability if they don't disclose everything to the applicant or they didn't know everything that was germane to the applicant's decision to have their credit run.

Before an application is processed, it is an important **legal requirement** to disclose to the applicant any adverse issues with the property, including lead-based paint or any outstanding mitigation issues like mold, meth, asbestos, bed bugs, etc. As an example, take a property that is currently undergoing bed bug mitigation. An applicant is approved for the property, signs the lease and moves in. A month later, they call and complain about bedbug issues that have resulted in health problems. If the landlord did not disclose to the tenant, before the lease signing, that the property was currently undergoing bed bug mitigation, they might have exposed themselves. Extrapolate this scenario to one where a toddler eats lead based paint off of the walls and dies, where LBP was not disclosed to the tenant, and it is clear how quickly matters can get serious.

In addition to these legal requirements there are some "street smart" things the property manager should do for every application. Be sure to disclose selection criteria that the applicant must meet in order for their application to be run. Some of the more common items include:

Key Topics

- *Property Disclosures*
- *Move In Disclosures*
- *Lease Disclosures*
- *Approval to Run Credit Score*



- 1) Credit score
- 2) Job history
- 3) Rental history
- 4) Medical marijuana policy
- 5) Pet Policy

These are just a few. The key point is that it is imperative for the property manager to disclose their EXACT criteria before the application is run. If done correctly, there should not be any surprises if the applicant fails to meet this criteria and doesn't get their application fee refunded.

If the applicant –does- meet the selection criteria, it is important to have in the application verbiage on what is required to –secure- the property, and in what time frame. For example the disclosure would outline the applicant has 48 hours to provide first month's rent and security deposit and sign the lease.

Another excellent idea is to have language in the application stating that the applicant can review the lease contract as soon as they pass the credit background check. Since they have the ability to review the lease prior to signing it this should eliminate any issues on lease signing day. If the applicant decides not to sign the agreement then you are covered and have, per the application, the right to keep any monies received up to that point for holding the property for the applicant.

Lastly, it is important that the lease application have verbiage granting the property manager permission to run the applicants credit score and conduct a background check. Important footnote: A good background check company would actually require this permission from the applicant before they run the check. This is to protect them as well as the property manager for any retaliation or legal issues around the consumer protection laws.

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