

**Rent Check Credit Bureau**  
The Landlord's Credit Bureau

## The Importance of Tenant Screening

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Rent Check Corporation Company Private and Confidential

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## Overview

- ❖ **Important fundamentals of tenant screening.**
  - ❖ Credit and its application to apartment renting.
  - ❖ A Practical example of Professional tenants.
- ❖ **Effects of the new Personal Information Protection and Electronic Documents Act (PIPEDA) on tenant selection.**

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## PART 1.1

# FUNDAMENTALS OF TENANT SCREENING

(Some new concepts)

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## Credit History vs. Rental History

- ❖ Credit checks were designed for the Financial Services Industry to measure credit-worthiness not tenant-worthiness.
  - Credit card, mortgage, and loan payment histories do appear on a credit report.
  - A Tenant rating at a particular property and monthly rental payment history do not appear.

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## Best Tenant Rating

- ❖ The North American Standard account rating define "1" as the best credit rating as follows:
  - **"Pays (or paid) within 30 days of payment due date or not over one payment past due"**
- ❖ The best tenant rating is a resident who pays their rent on time, on the due date (or within 5 days), not within 30 days.

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## A1 Credit Rating is not Good Enough

- ❖ An applicant with an A1 credit rating is not good enough.
  - Consumer credit ratings are derived from a data set of the entire population the majority of whom are homeowner consumers.
- ❖ Tenant-worthiness is based on a history of paying rent on time. (or maybe 1 payment past due)
  - Tenant ratings are derived from a data set consisting of renters only.

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## Application Types

- ❖ Compare the process for reviewing applications on prospective tenants, with other industries.
  - An Auto Lease application for in a couple of hours.
  - A Credit Card application over the phone or while you are waiting in line at the Bay.
  - A Line of Credit application for a \$50,000 limit over the phone in 15 minutes.
  - A Bank Loan application within 15 minutes after your credit is approved.
- ❖ Rent Payment is equivalent to a car, credit card, or bank loan payment.
  - Modern L&T law defines renting as a credit transaction too.

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## Credit vs. Tenant Information Sources

- ❖ Credit files are updated from a vast network of contributing credit bureau members on a monthly basis that create a central registry.
  - On a national scope credit bureaus receive between 75,000,000 to 100,000,000 data items a month. A testimony to the network of contributors.
- ❖ Tenant files are sporadically updated with public records (where available) and by some rental housing providers who do contribute to build the rental history registry.

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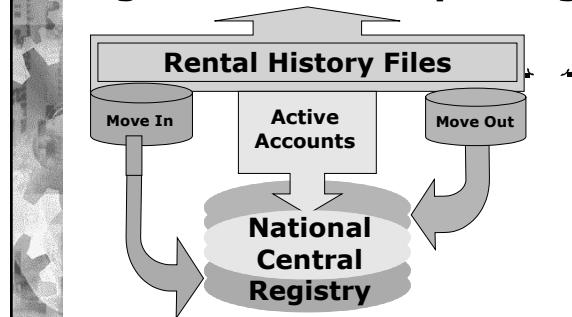
## Good Tenant Information

- ❖ Benefits of reporting good information.
  - New entrants into the economy, like students and immigrants can establish good credit ratings.
  - Low-income households will have proven their history of rent payment by establishing a good credit rating.
  - Visibility into an applicant's manner of paying rent when lacking may create an undesirable tenant misconception.
- ❖ Like good credit ratings the Rental History Registry needs to contain all tenant records.

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## Fig.1: Member Reporting



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## PART 1.2

### A PRACTICAL EXAMPLE OF A PROFESSIONAL TENANT

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## An example where knowledge is power.

**Advance knowledge of rental history offers the power to deal with applicant evaluation more confidently.**

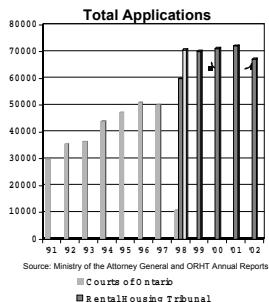
- ❖ The following are 4 slides from a file of 35 cases on a Professional Tenant with 4 aliases, arrears amounting to \$40,000 over a 7-year period from 1993-2000. A very good reason to screen your tenants.

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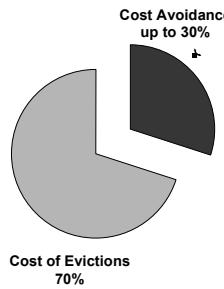
## Fig.2: Ontario Statistics

- ❖ The Ontario Rental Housing Tribunal processes an average of, 71,000 applications per year.
- ❖ More than 60% do not commence any legal action due to cost.



### **Fig.3 Costs of Enforcing Rental Payment in Ontario**

- ❖ Cost incurred by Landlord, \$3,170 per case
  - (as per FRPO Process of Enforcing Rental Payment in Ontario)
- ❖ Cost on lost rental revenue, Legal/agents fees, Filing fees, Sheriff's fees.



**PART 2.**

**New Privacy  
Legislation**

**And**

**Rental Housing  
Applications**

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# Consent

**How Canada's New  
Privacy Law will  
Affect You**

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**Some effects of PIPEDA, the new Federal legislation.**

- ❖ All commercial businesses are affected as of January 1, 2004.
- ❖ New language is mandatory for consent provisions, which must be given by an applicant for tenancy,
  - prior to obtaining personal information for your own internal use, and
  - prior to disclosing an applicant's personal information for use by an external third party such as a Credit Bureau.

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**Some effects of (PIPEDA)**

- ❖ Among other things, the legislation requires organizations to appoint compliance officers responsible for,
  - developing internal guidelines,
  - creating appropriate safeguards,
  - establishing day-to-day procedures,
  - and educating employees on confidentiality.

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**TIPS**

**A Guide to  
Creating a  
Practical  
Privacy  
Policy**

**Tools to assist rental  
housing providers with  
PIPEDA compliance.**

*Rental housing provider Guide for the use of PIPEDA compliance tools.*

*Personal Information Policy and  
Procedure handbook*

*Personal Information Consent Form*

*Personal Information Request /Complaint*

*Personal Information Oral Consent  
Acknowledgement Form*

*Personal Information Commercial  
Client Agreement*

*Personal Information Model  
Addendum*

*...meanwhile  
back at the  
office*

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**TIPS**

**A Guide to  
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**Centralize  
Privacy Issues**

*Focus all related calls, issues and inquiries concerning PIPEDA to you or an appointed Privacy Officer in your organization.*

*A Privacy Officer can then formulate, create and educate the organization about the Privacy Policy. Internal employee practices can then be clearly understood.*

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# TIPS

## A Guide to Creating a Practical Privacy Policy

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office

### References

If you say NO, I would not rent to them again? That is a factual reply and will always keep you out of trouble when consent is in question.

Explaining that you evicted the subject is also factual but offering personal feelings and comments about behaviour or lifestyle will leave you open to lawsuits.

The less the better. Exceptions? Yes, criminal investigations, Revenue Canada, others ask for proof of authority.

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# TIPS

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### File Retention & Destruction

Keeping rejected applications for 3-6 months is a practice that could help a criminal investigation into identity theft. Any information on the application can be traced and possibly uncover a fraud.

For accepted applicants the accounting rule of keeping records for 7 years is good practice.

Shredding records to destroy them is best or destroy them in a discrete manner so no one gains access to the information is also acceptable.

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# TIPS

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### Debts Owing

Consent is not necessary for you to disclose debts if you have a judicial decision, or they relate to arrears of rent.

All debts however can be disclosed if a tenancy applicant signed a comprehensive consent statement on move in.

Existing residents require a permission letter to allow continued use of their personal rental account records or for a new use.

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### Conclusion

- ❖ A move toward tenant screening is exciting for several reasons.
  - When automated helps rental housing providers to quickly choose the most qualified applicants.
  - Helps increase occupancy
  - Helps to reduce bad debt
  - Long Term Tenant Ratings established
- ❖ Applicants will be able to instantly lease apartments online using accredited rating approval systems.
- ❖ Makes more responsible residents, reduces professional tenant scams and ultimately eviction applications

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# TIPS

### Contacts Info

- ❖ Privacy Commission of Canada,
  - 1-800-282-1376
  - info@privcom.gc.ca
  - www.privcom.gc.ca
- ❖ Torys website
  - www.torys.com
- ❖ PIPEDA, A Comprehensive Guide book
  - <http://www.canadalawbook.ca/catalogue.cfm?DSP=Detail&ProductID=602&CategoryID=30>
- ❖ Rent Check's website at
  - [www.rentcheckcorp.com](http://www.rentcheckcorp.com)

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Thank you for attending

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