

RHR Information Services, Inc

SelectRent News

Editor's Note



Someone in my office asked me a couple of weeks ago if I remembered the movie "Pacific Heights" since they had just seen it on TV.

I don't normally make a habit of endorsing a particular product, but if you've never heard of it, you must go out and rent this 1990 psychological thriller starring Michael Keaton as one of the world's worst all-time renters.

In fact, I think watching this film should be an integral part of

every new leasing agents training program. There is a 2 minute scene that perfectly exemplifies the classic mistake of allowing your gut to control the leasing process rather than sticking to a consistent screening criteria and the results are devastating. I can't emphasize enough how relevant this film still is today and encourage everyone to check it out!

This newsletter is full of additional articles that further demonstrate why screening is necessary today more than ever that I

hope you will appreciate.

Finally, we've added a new section to the report that I've had more than a few laughs about called the "Top 10 Excuses" column. These are real excuses made by renters about why they can't pay their rent. If you have one that you'd like to add, please email them to me at tonyk@rhris.com.

Tony Karels
Account Manager

Housing Fraud is on the Upswing

It is becoming increasingly more common for managers of multifamily housing to catch someone during the application process misrepresenting the facts. Most often, a less-than-honest prospect will enter a bogus work phone number or an entirely false work history. Sometimes, they use a fake social security number. And every once in a while, they lie about their previous rental situations.

Welcome to the wonderful new world of leasing, a world where rental application fraud is running rampant, yet receives little more than passing attention from the authorities. Indeed, while mortgage fraud is capturing all the headlines, tenant fraud appears to be even more

prevalent.

Most recently, in a story that made the front pages of many newspapers throughout the country, the FBI reported that mortgage fraud has become a "national epidemic," with its case load jumping five-fold since fiscal 2001, from 102 investigations to a staggering 533 in the first three quarters of fiscal '04. But according to a Federal Trade Commission study on identity theft, no fewer than 200,000 persons applying to rent an apartment in 2002 used assumed names and identities and/or camouflaged their past indiscretions to avoid rejection.

One reason mortgage fraud is a more appealing news item is

that it is a federal crime to lie on a loan application. Tenant fraud, on the other hand, may not even be illegal, depending on the jurisdiction. But if it is, it's far more likely to be a local misdemeanor in which the perjurer receives little more than a slap on the wrist, unlike a serious crime that comes with a fine and/or time behind bars.

That is not to say that it is not indicative of a larger problem. "Nearly one in 10 landlords who try to recover delinquent rents are finding their hands are tied because tenants used Social Security numbers they either invented or took from deceased people, their relatives or even their own children."

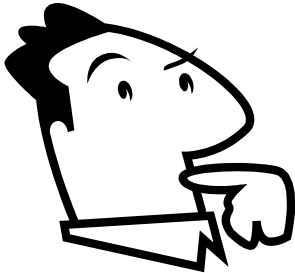
(continued on Page 2)

Inside this issue:

- Federal Criminal Searches **2**
- Screening Agencies Make Good Sense **2**
- Statewide Repositories Lag Behind **3**
- Why Additional SSN's Appear on a Report **3**
- How & Why Delays Sometimes Occur **3**
- Top 10 Excuses of the Month **4**

Housing Fraud (cont.)

(continued from Page 1)



To put that number in its proper perspective, just one in 30 landlords experienced the same difficulties trying to collect back rents only a few years ago. In other words, the known incidences of tenant fraud has jumped three fold in recent years.

Another statistic that no one seems to have a handle on is

how much it costs to evict a tenant who shouldn't have been allowed occupancy in the first place.

The best figure spokesman Michael Tucker of the National Multi-Housing Council in Washington, D.C., can come up with is \$3,000 on average. But others estimate that on average, landlords can count on four months of lost rent every time they must

boot someone plus \$1,500 in legal fees if the services of an attorney are required. Of course, the costs vary, depending on the jurisdiction.

No wonder, then, that more and more property managers are turning to screening service providers.

“Nearly half of the criminal records in the US are housed in the US District Court System.”

Federal District Court Criminal Searches

The Federal District Court Criminal Search is a product that searches for criminal records at a Federal Court level, as opposed to a search at the state and/or county court level. The decision on whether or not to do a Federal Court criminal search assumes understanding such searches.

Nearly half of the criminal records in the US are housed in the US District Court.

These records represent cases brought by the Federal Government against an individual or corporation for actions in violation of Federal Laws. There are 241 US District Courts, with each state housing one to four federal district courts.

Mail fraud, arson, interstate drug trafficking and the like are the types of cases stored in the Federal courthouses. Drug crimes alone accounted

for 30% of filings in 2002 (Source: USCourts.gov), followed by immigration cases at 17.8% and fraud cases at 11.8%. Federal criminal records searches are performed by Federal District Court (of which there are 94 within the 50 states).

If you have any further questions or would like to add this search to your package, contact your account representative.

Using a Screening Agency Makes Good Sense



Background screening is essential in the leasing process, and a new survey indicates that most of those screenings are done by outside firms.

Of those who do hire a background screening company, the main reason cited for doing so is concern over leasing to a dangerous person who could harm others. Another major factor comes from concern that applicants misrepresent the facts on their applications, according to survey respondents. Other reasons why firms opt to outsource their background screenings:

- Merely checking refer-

ences supplied by an applicant isn't going to give you the information you need to determine whether he or she poses a threat to the safety and security of your community, your workforce and the public. Today, when you call a candidate's former employer, confirmation of employment and dates of service are all many employers are willing to divulge.

- Quite simply, people lie on applications. Studies indicate that roughly one-third of applications contain significant misrepresentations, and nearly 80 percent contain minor fibs.

- Leasing misfires are expensive - costing a company anywhere from three to six times the equivalent of the monthly rent, depending on the situation. Though the estimates on costs to replace tenants vary, whatever the real number is, it's far higher than the cost of getting it right the first time.

If you know of a company or owner that is still doing in-house background screening, please let them know that we would love to help them create and implement a thorough program.

State Criminal Repositories Lag in Record Keeping

In 2001 states maintained criminal history records on some 64 million people, but some of those records had reduced usefulness because they were missing crucial information.

Bureau of Justice Statistics surveys find that in nearly every state, a proportion of criminal history records lack a final disposition, which indicates the outcome of an arrest. The most significant factor affecting the timely transmission of information to the repository is the volume of work.

ume of work.

This may not mean that state criminal repositories are without value, its just that they need to be properly understood and used in conjunction with other screening tools to have maximum value.

A statewide search could be described as a mile wide search that goes an inch deep. Statewide repositories cover a much larger geographic area than a single county search can. But counties are where

the records originate and that is why a single county search is like a mile deep and only an inch wide.

A search of a state repository may need to be supplemented by other screening tools such as a county search, a review of the application for occupancy, a face-to-face interview and/or a review of references.

If you have any questions regarding the criminal search you currently use please contact your RHR representative.



Additional Names or SSN's on Reports

Below are some common reasons for additional names or Social Security Numbers showing on a report.

- If two individuals (such as spouses, parent/child, roommates, etc.) *jointly* apply for credit, both names may appear under one SSN.
- If an applicant's handwriting is misread on a credit application, the SSN may be entered

incorrectly (a 1 for a 7 or a 6 for a 0, etc.). This may result in another individual's name appearing under the applicant's SSN.

- If an applicant is using another individual's SSN that person's name may also appear. (Or is another individual is using the applicant's SSN, that name may appear)

• If the applicant has used an alias that name may appear. Note: Name and address information comes from credit applications. Whether a SSN is valid, where and when it was issued, if it belongs to a deceased individual, etc. comes from the Social Security Administration.

For any questions, please contact an RHR representative.



How and Why Delays Sometimes Occur

A fast turnaround time is essential when screening applicants, but even with the best efforts delays can still occur.

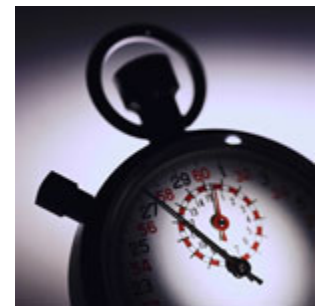
Occasionally criminal reports may take longer to retrieve from courts that archive past criminal records or if there are computer difficulties in a particular county. Holidays, severe weather (flooding, snow closings, etc.), and scheduled computer system maintenance can cause delays in the availability of employment verifications, motor vehicle reports, and criminal records.

Mail delays can also slow down the process – some states require mailed requests for driving records, and sometimes educational institutions and employers will require written requests for verifications.

Delays can also occur when applicant information is missing or incomplete. Maiden names can be critical to verifying criminal history and credit references that were obtained before marriage.

What can you do to ensure

the fastest possible turnaround? The information provided in the application is crucial when acquiring accurate and comprehensive background screens. When information is missing or inaccurate, it will dramatically hinder the turnaround time. Be sure to provide as much information on your applicant as possible.



10505 Wayzata Boulevard
Suite 200
Minnetonka, MN
55305

Phone: 888-389-4023 / 952-545-3953
Fax: 888-389-4024 / 952-545-3973
E-mail: tonyk@rhris.com



The Right Path to the Right People

Disclaimer: This newsletter has been developed for informational purposes only for use by the customers of RHR Information Services, Inc., and should not be relied upon as definitively accurate. Due to the complex nature of your business, we strongly suggest that you work closely with legal council when making business related decisions.

The Top 10 Excuses of the Month

Welcome to my favorite new addition to the newsletter—the Top 10 Excuses of the Month! These are too good to be made up, and were actually borrowed from another website.

Here they are for your amusement in no particular order:

1. "I have half of the rent. Could you waive half the late fee? My roommate doesn't get paid till next week."

Erin R., Portsmouth, RI

2. "My brother is paying the rent this month. He's out of town. I'll let you know when he's back."

Gabbi O., Naples, FL

3. "I had to lend my son money to move into a house. You know I'm good for it."

Claudia in Akron, OH

4. "I'm expecting a death in the family pretty soon. After that, I'll be all caught up."

Sharona R., NJ

5. "I got a really bad sunburn. It hurts so bad I won't be able to send the rent for a few more days."

Victoria, NY

6. "I had the rent money, but the front door of my apartment blew open, and someone came in and stole the rent."

David B. Kennesaw, Georgia

7. "My daughter had a breast implant surgery and I had to pay it"

Y.A. Tampa, Florida

8. "You have 2 months security deposit! Take it from that!"

Mario L., Monks Corner, SC

9. "My accountant is in the hospital. Everything financial is on hold till he gets back."

Debbie K., New York

10. "I didn't get paid the last 2 weeks. My boss was arrested."

W. Harriman, CO