How to Run a Credit Check on a Potential Tenant – For Landlords

As a landlord, your primary responsibility is to find stellar tenants to occupy the property – tenants who pay the rent and take care of their rented home as if it were their own. The difference between finding a great tenant and one who turns out to be a deadbeat may be determined in the information you discover when running a credit check on a potential tenant.

The least expensive way to run a credit check is to run it yourself. If you hire a service to conduct the credit check, background check, and eviction report for you, it can cost anywhere from $29.99 or more for one person, and from $19.99 to $34.99 for each additional tenant. However, if you're willing to put in the time and the effort, running the credit check yourself can cost you nothing. The biggest challenge is knowing what to look for once you have the credit check in front of you.

Credit Services

Each of the three credit bureaus offers a tenant screening process which allows you to pull a credit report on potential tenants. You can choose one of the services to pull your reports.

- **Experian**. There is no fee for landlords to run a tenant credit check using Experian.

- TransUnion. The total fee to receive a credit report, credit recommendation, and criminal background check is $30 via TransUnion.

- Equifax. To receive an Equifax credit report, independent landlords have to go through the National Association of Independent Landlords. The fee is $15.95 for a comprehensive credit report. Full criminal background checks cost $29.95.

Another option is to use a service that permits you to pull the credit reports from all three credit bureaus at one time. CreditReport.com has an option for landlords to do just that: Input all of the tenant information just once and receive all three credit reports. It's best to review all three credit reports because each creditor reports to different credit bureaus, giving you a more complete credit history for the tenant.

Steps to Take Before Running a Credit Check

While the websites you use may differ in the process of running the credit check, there are a couple general steps you must first take:

1. Obtain a Complete Rental Application and Permission to Run a Credit Check From Each Tenant 18 Years or Older. Provide a pre-printed form for each tenant to complete to gather his or her full name, birth date, Social Security number, previous address, and landlord contact information for the past two years. The form should also include a statement that says you plan to run a credit check on the tenant, as well as a signature line where the tenant signs as consent to allow you to run a credit check.

2. Collect a Credit Check Fee From Potential Tenants. Charge the prospective tenants a fee for running a credit check. This covers the fee you have to pay for requesting the credit report from the bureaus or credit check websites.

What to Look for on the Credit Report
Once you have a credit report, review the various sections for potential red flags:

- Negative or Potentially Negative Items Section. This is typically on the first page of the credit report. You can find any accounts that are past due, discharged, or in collections in this section.

- Bankruptcy, Eviction, or Foreclosure on a Home. These negative marks can be found in the negative items section of the report. You can also find these indications next to the account that it pertains to in the itemized list of accounts on the subsequent pages of the credit report.

- Individual Credit Accounts and Loans. You can review each account for late payments. The report lists if the account is current and – if there were any late payments – how many times the account was paid late. Additionally, the report lists how late the payments were, such as 30 days, 60 days, or 90 days delinquent.

How to Tell a Good Tenant From a Bad One
Past behavior tends to predict future behavior. If tenants have a history of not paying their bills or continuously paying their bills late, it is likely that this behavior will continue in the future – meaning that rent payments will be late or missed.

On the other hand, people do change. If the late payments or non-payments are old and the tenant has been paying bills on time since the negative item or items, then it is possible that it was a one-time mistake or that they are working to correct their behavior.

For example, someone who filed for bankruptcy five years ago but has since established new credit and consistently paid their bills on time is an example of someone who has a blemish on their credit report but can still be a good tenant. A tenant who has one or more collection accounts from past landlords is a different story. This is a potential tenant you may want to avoid.

Final Word
Remember, in addition to running credit checks, you can also contact the previous landlords to screen tenants. Verify the dates of occupation by the tenant, the monthly rental fee, payments from the tenants, and any problems the landlord had with the tenants.

Knowing how to run your own credit checks can save you a lot of time and money, and potentially protect you from damages. By running a thorough check, you can ensure that you only rent to tenants who will care for your home and make on-time payments.

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