

A Guide to Credit Reports

Credit Reports are an additional tool that landlords and property managers use to screen all prospective renters. Credit reports should be used in connection with applicant screening that should include past rental history.

On the *how to read credit report* sheet, the following Fields provide you with valuable information concerning your prospective renters. They are listed in order of importance.

Field 6: Credit Score. Very important. This is the Empirica Score on your applicant. This will predict whether your applicant will be delinquent within 24 months. Under negative performance, the percentage equals the percent of persons within the score range that may default. Example: a score in the 600-619 range has a 35.0 percent chance of defaulting or not paying on a loan or debt. This score is based on various factors developed by Fair, Isaac and Company. This is their rating system and applies only to the credit report and not how they pay their rent

Field 25: Public Records. Very important. This will indicate whether there has been a bankruptcy filed or if there are outstanding Judgments against the applicant. If there are outstanding Judgments, then the applicant's wages could be garnished or their bank accounts attached, or personal property seized. If this happens, then there will be no money to pay rent. **If the credit report does not have a public records heading, then the applicant has no public records.**

Field 26: Collections. Very important. Outstanding collections mean that agencies are trying to collect. If they are paid, then it may be at the expense of your rent money. **If the credit report does not have a collections heading, then the applicant has no outstanding collections.**

Field 2: Demographic Information. This section gives names, aliases, addresses, previous addresses, employment, social security number, date of birth, etc. You should compare this information with the rental application.

Field 8: Credit Summary. This gives totals on all the information contained on the credit report.

The additional information such as trades (field 27) lists the various accounts that the applicant had or currently has but that does not, in itself, provide additional relevant information which would assist in your screening.

It is recommended that you utilize the Empirica Score as your first screening criteria. This score will reflect such things as outstanding Judgments and Collections. Then, you should review fields 2 and 3 to verify the information on the application.