



Monthly Newsletter

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Correct screening procedures will prevent many problems from ever happening.

Screening fees and procedures.

Applicant screening is an important part of property management and correct screening procedures will prevent many problems from ever happening.

At California West, the cost of screening is paid for by applicants. Our SLO office charges \$25.00 per applicant, which includes a co-signer, while our AG office charges \$15.00 per applicant and co-signers are charged separately. The reason for the difference is because SLO has a mostly student population where co-signers are almost always necessary because students generally do not have well paying full time jobs. In the Five Cities, co-signers are usually unnecessary, so they are charged separately to keep the overall cost to a minimum.

Often, we receive multiple applications for a single property and are obviously able to only approve one applicant. If more than one looks good, we encourage the other qualified applicants to transfer their applications to another unit at no additional charge.

Ultimately, each of our clients decides whether applicants are suitable for their property. That said, we do have some general guidelines when advising our clients on whether to accept an applicant.

For example, we prefer applicants with verifiable monthly income of at least 2.5-3.0 times their monthly rent. Although FICO scores are not given too much weight, we want a clean credit report, and a low FICO score is indicative of a poor credit report. That said, we give less weight than FICO to unpaid medical bills and more weight to unpaid or delinquent credit cards. A recent bankruptcy is obviously a red flag.

We also give considerable weight to recommendations from previous landlords.

In sum, the process of screening applicants is a very important step in effectively managing properties.

Feuding roommates: we don't get involved.

Tenants will sometimes rent a unit from California West with roommates and then expect us to resolve their differences when they have a disagreement among themselves.

This is one reason we have joint and several leases and rental agreements. According to our agreements, all tenants are responsible jointly and severally. If anybody fails to pay rent or causes other problems then all tenants are responsible.

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When it comes time to return a security deposit, if we do not get clear written instructions from everybody on the agreement, then we will refund a deposit to "Tenant 1 and Tenant 2." They will then have to jointly endorse the check or the bank will not cash the check. That generally forces them to reach some sort of agreement.

Getting involved in roommate disputes is an impossible task and our procedures minimize the chances that those inevitable disputes become the problem of California West or our clients.

Evictions: How we collect money from tenants who are evicted.

California West sometimes finds it is necessary to evict a tenant for nonpayment of rent or for other reasons.

In these circumstances, the property owner can obtain a money judgment against the former tenant but only for rent up until the date of the eviction trial. However, the total amount owed is often more than this amount. Therefore, we generally recommend focusing on getting possession of the unit and then worrying about getting a complete money judgment later. That judgment may or may not be collectible.

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If the tenant has damaged the property or owes rent after the date of trial, then obtaining an additional money judgment means filing an additional lawsuit. This is expensive, especially if the money judgment is not collectible.

Therefore, after we get possession of the unit, we generally recommend turning the account over to a collection agency that charges a percentage of any money recovered. The collection agency then decides what steps make sense for collecting the unpaid balance and fronts that cost as part of their service.