

July 8, 2010  
VPM: 587,675

## Renting With Bad Credit

by Megan Mollmann ([Subscribe to Megan Mollmann](#)), posted Jul 8th 2010 7:44PM



Getty

Demand for rental units dropped over the past couple of years in the depressed economy. Some renters moved in with family, leased a spare room, or went back to living with roommates. Meanwhile, the housing supply surged as the condo market was overdeveloped -- and many properties sit on the market unsold. This leaves an excess of available apartments and fewer renters.

With vacancy rates hitting a near 30-year high, renters have the upper hand and landlords have been willing to negotiate on lease terms, price and, in some cases, parking and utility bills.

During the recession, landlords wanting to fill unoccupied apartments eased their standards on renters with bad credit, say real estate experts.

As the economy rebounds, though, the renter's market is also expected to change. "As the market turns around, those guidelines will probably tighten up and the flexibility will be less," says Maurice Ortiz, a marketing director with the Chicago-based apartment search firm, [Apartment People](#).

But whether landlords' standards get more lenient or more strict, renters tarnished by bad credit have a tougher time leasing -- in any economy. Credit scores, along with gross income and employment history, are the top three factors that landlords use to evaluate those interested in renting their property.

For those concerned about how bad credit may affect your ability to rent, here are 10 ways to increase your chances:

### **1. Know your credit score and be upfront about it.**

About 69 percent of adults don't know their credit scores, according to a recent survey by the [Lending Club](#) peer-lending network. Before applying to rent an apartment, find out your score. You can download a free credit report at [annualcreditreport.com](#). Scores range from 300 to 850 and, usually, scoring above 700 is considered good.

Peggy Abkemeier, president of [Rent.com](#), suggests being frank about your circumstances to the property management firm. "They may be willing to take other factors into consideration when making the decision on whether to extend you a lease or not," she says.

Some ideas on how to represent yourself include sending a cover letter explaining your credit history or a letter of reference from your current employer. Matters of high medical bills, divorce, student loan debt or credit cards may be deemed lesser offenses from the perspective of a landlord, she says.

### **2. Add a statement to your credit report.**

Ethan Ewing, president of [Bills.com](#), says a little known trick is to add a written statement to your credit report, explaining discrepancies or your situation. Under the Fair Credit Reporting Act, consumers can add up to 100 words to their credit bureau file, Ewing says. "A well-written statement could influence a lender who carefully reviews your file," he adds.

### **3. Put down a larger deposit.**

Putting down more money when you sign the lease signals that you are less of a risk, says [Harrine Freeman](#), a personal finance expert (and author of "How to Get Out of Debt: Get an 'A' Credit Rating for Free"). Often that means your property manager will require two months' rent as a security deposit instead of the traditional one month's rent.

### **4. Set up an automatic payment plan.**

Instead of paying your monthly rent by check, consider arranging an automatic payment plan that you can set up through direct deposit or a credit card. Ortiz says that this reassures landlords that you are going to pay on time every month. "It's more solid and secure than expecting a rent check each month," he says. "The more secure you make your landlord feel, the more apt you are going to be approved, even with bad credit."

### **5. Offer additional references and proof of your credibility.**

In addition to a letter of reference from your employer, one smart strategy is to get a letter from your previous landlord indicating that you paid on time and were a good

tenant, says Joel Ohman, a certified financial planner and founder of [creditcardchaser.com](http://creditcardchaser.com).

You could provide further proof of your timely payments by printing out rent-payment stubs (whether copies of canceled checks or electronic receipts) for the past two years, says Ortiz, and submit these with your application.

#### **6. Get a co-signer.**

To ease landlords' fears, experts recommend finding a co-signer with a reputable credit record to vouch for you. Co-signers do not live with you, but they do sign the lease with you and are liable for paying the rent on your behalf should you default. "Some landlords will allow a co-signer," says Abkemeier, "so consider this option carefully and choose wisely."

#### **7. Consider an independent landlord.**

Larger, more corporate property-management firms are likely to have more guidelines and restrictions on what they do -- or do not -- accept in applicants. Seek out mom-and-pop or private landlords, who may be more flexible about your circumstances, advises Ortiz. If these independent property managers are renting out the apartment directly, they also may value the opportunity to meet you in person. This may work to your advantage if they deem you a presentable and accountable individual.

#### **8. Suggest going month-to-month.**

If your potential landlord is uncertain about signing you for a long-term lease, you may be able to appease him by offering to go month-to-month for the first few pay periods. "This strategy will not only put your landlord at ease, but will also allow you some time to prove yourself as a responsible tenant," says Abkemeier.

#### **9. Provide your non-traditional credit score.**

Another way to help the approval process, says Freeman, is by providing a non-traditional credit score. [MicroBilt Corp.](http://MicroBilt Corp) is an alternative credit-data provider through which you can generate evidence of credit. The score is created from your history of paying different liabilities, such as rent and utility bills. "It shows your credit in another light," she says.

#### **10. Think about a roommate.**

Doubling up with a roommate -- preferably with good credit -- could help you rent an apartment even if you have bad credit, says Ortiz. However, a flaw in this strategy, some personal finance experts say, is that if you are not on the lease, you are not building up your rental history. Having that history could help your odds of renting a place of your

own someday.

### **The Bottom Line**

Most of the advice offered are strategies that demonstrate your credibility to your landlord and any other evidence that enhances your image as a reliable tenant should be offered. "Bad credit in most companies is deemed a high risk and you have to give them some incentive to do business with you," says Freeman. "They don't know you and you are a risk until you can prove otherwise."