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How to rent a home with bad credit

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CreditCards.com

It's no secret that credit plays a role in your ability to rent a house or apartment, and if yours is less than stellar, here's some good news: Your landlord might not care about [your credit](#) as much as you think.

According to a 2009 survey by Rent.com, 81 percent of property managers have seen a decline in the creditworthiness or credit score of prospective renters, and due to the shift, 43 three percent of landlords reduced their credit policy standards in order to fill vacancies.

"Given the economic climate, many property managers are still experiencing higher vacancy rates, and some might be willing to bend the rules a bit in order to keep their units occupied," says Peggy Abkemeier, president of Rent.com, an online rental listing company based in Santa Monica, Calif.

Credit scores are dropping across the country. In fact, the average credit score dropped two points in January 2010 to 669, marking the first time that the average score has dropped below 670 in 12 months, according to the [consumer credit](#) site CreditKarma.com, which bases its scores on data from the [credit bureau](#) TransUnion.

What landlords are looking for

Property managers come up with their own criteria for selecting applicants, and those standards often depend on the local rental market.

"If the rents are fairly tight and people are lining up 20 deep to look at a decent place, it would be critically important for someone who is applying to have good credit," says Elizabeth Blakeslee, associate broker with Coldwell Banker Residential Brokerage in Washington, D.C.

Many landlords want to see credit scores of about 670, Abkemeier says, but some property managers require higher credit scores because of negative experiences with past renters. Others are more flexible and willing to look at employment history, personal savings and other indicators of someone's ability to pay rent.

If a potential tenant has a low credit score, some landlords will ask about the circumstances that led to the low score.

Tisha Skinner, 35, ran into this scenario when she tried to rent an apartment in Baltimore. The former entrepreneur had recently shut down her Smoothie King franchise in Chamblee, Ga., because of slow sales from the recession. However, since she was a personal guarantor for her business, she was liable for unpaid business loans. Unable to pay the loans back, Skinner declared bankruptcy.

Skinner had to start her apartment search earlier than she would have had she not had blemishes on her credit report. "I had to write the apartment manager a letter explaining the situation," she says. But the explanation was good enough, and Skinner had no further difficulties in making her move.

Bad credit not always a strike

Property managers also vary on their interpretations of certain credit violations. For example, First Rate

Property Management Inc., in Boise, Idaho, doesn't consider foreclosure to be a strike against prospective renters.

"We found that these applicants knew how to care of a [home](#) and treated the rental as if it were their own," says Tony A. Drost, company president and president-elect of the National Association of Residential Property Managers. "Today, our best-maintained properties and our most-complying tenants have been those who just came out of a foreclosure."

One of the worst credit infractions might be having an outstanding bill from a utility company, Abkemeier says. "This is the most simple extension of credit, and if you can't pay your utility bills, you likely cannot pay the rent," she says.

Additionally, [bankruptcies](#), [garnished wages](#) and poor [payment history](#) tend to be red flags, she says, but landlords may overlook high medical bills, student loan debt or too many credit cards.

Increasing your rental odds

When it comes to renting a home with bad credit, there are factors that can be in your favor. Landlords who have multiple properties may be better able to take on the risk of a less-creditworthy applicant than those who have one rental unit and are depending on that rental income to pay the mortgage, Blakeslee says.

A rental home that's been vacant for a long time may also have less-stringent requirements if the owner is trying to find a tenant.

And as Mark Twain said, honesty is the best policy -- when there's [money](#) in it. An explanation of why your credit has taken a hit can give a landlord insight into whether you're financially irresponsible or have run into a string of bad luck.

A letter from a former landlord can show "your track record for paying rent on time, your respect for both the property and the neighborhood and the length of time that you resided at each property," Abkemeier says.

Other helpful factors that might land you a lease include an employment verification letter and the offer to set up rent payments to be automatically deducted from your checking account.

An offer to pay a larger security deposit can go a long way too, though some states limit the amount a landlord can collect. If you can afford to pay a few months' rent in advance, "landlords may feel safer that you are financially secure and that there is less risk of breaking the lease," Abkemeier says.

If you've tried all of those options and still come up empty, consider getting a roommate or moving in with friends or family temporarily while you can save money to pay a few months' rent in advance or improve your credit score.

Although it might take you longer to find a home to rent if you have bad credit, you have a lot of control over the situation as long as you can show why you aren't as risky a proposition as your credit suggests.

"Landlords are in the business of filling vacancies and will most likely consider options that help reduce the risk that there is going to be a problem collecting rent," Drost says.