

Program Reimburses Landlord when Residents Fail to Pay Rent

By Keat Foong, Executive Editor

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Having difficulty qualifying a wealthy retiree with no income stream but \$2 million in the bank? Or foreign executives with no U.S. credit history, or foreign students with no U.S.-based guarantors? Now, apartment owners can obtain guarantees for their leases. Under the Insurent Lease Guaranty Program, the renter buys the premium for lease guarantee insurance. If the renter turns out to be a bad risk and breaks the lease, the apartment owner is reimbursed for the balance on one year's lease.

The benefits to property owners of the lease guarantee program? Apartment buildings and condominium or cooperative boards can close leases that they otherwise would not under the extremely strict credit guidelines in high-cost markets such as New York City. Other possible benefits to property owners include higher occupancies levels, faster leaseups of new buildings, faster lease closings, reduction of credit and financial risks on new residents, and reduction of rent losses.

“In this time of economic distress, the Insurent Program is a great tool to reduce vacancies without the landlord having to reduce their credit requirements or take on additional risk,” says Jeffrey L. Geller, founder, vice chairman and COO of [Insurent Agency Corp.](#)

Geller claims that the program is “the first and only institutional guarantor of residential leases.” Introduced two years ago in New York City, the insurance program is now accepted by more than 1,000 buildings representing over 133,000 apartments in the New York City metropolitan area, according to Insurent Agency Corp. Recently, the company announced that more than 10,000 additional Manhattan apartments were added to the program.



Forest City Ratner Companies' 903-unit New York City by Gehry is one property accepting the Insurent Lease Program.

Currently, Insurent Lease Guaranty Program is available only in New York City, and it was recently extended to New Jersey. However, Geller says that the program will be expanded into additional primary cities in the next 12-18 months, including Boston, Miami, Washington, D.C., Chicago, San Francisco and Los Angeles. The rent insurance program is not applicable to “every market in the U.S.,” notes Geller. Tertiary markets such as Schenectady, N.Y., or Sarasota, Fla., for example, will not have a need for these programs since landlord requirements are not as onerous in those markets.

The Insurent Lease Guaranty Program is underwritten and issued by Argonaut Insurance Co., a property and casualty insurance company rated A (Excellent) by A.M. Best. The coverage for the Insurent Guaranty is for one-year leases. If the renter still needs Insurent in year two because they still don’t qualify under the landlord’s requirement, Insurent is there for renewals and the renter receives a 15 percent discount, explains Geller.

Residential buildings in the New York City metropolitan area that have signed up to participate in the lease guarantee include prominent New York City owners and managers overseeing some of the highest-profile buildings. The list of owners and managers accepting the insurance program, according to Insurent Agency Corp., includes Related Management, The LeFrak Organization, Extell Development Corp., Rockrose Development Corp., Forest City Ratner Companies and Peter Cooper/Stuyvesant Town.

Insurent Agency Corp. can issue guarantees only in buildings or condo units that accept the Insurent Program. Property owners participate in the program at no cost to them and without changes to their existing application procedures, says the company.

They merely need to sign up for participating buildings, explains Geller. The owners or their representative email information such as the name of the legal owner of each building or condo unit, and the property is accepted within one hour, says Geller. Insurent Agency Corp. issues a master policy for each building, enabling policies to be issued for renters in the buildings.

Owners refer renters to the insurance program on an as-needed basis when prospects do not meet their minimum income or credit requirements. “There is no obligation of any kind nor any exclusivity for a landlord to use [the guarantee] in their buildings, even after accepting the Insurent Program,” says Geller. And should the renter default on the rent, all claims are paid within one business day, says Geller. Geller adds that so far, the program has received very few claims.

In New York City, landlords normally require that incomes be 40 to 45 times the monthly rent. The Insurent Lease Guaranty Program’s minimum requirement for renters is lower—at 27.5 times the monthly rent. And the program accepts foreigners who may not have a U.S. credit history or social security number. It also qualifies prospects who have cash anywhere in the world, provided the cash is at least 50 times the monthly rent.

The company does not underwrite subprime renters or renters with bad credits, Geller emphasizes. “Landlords do not want these renters, and we are guaranteeing the risk. We merely make great credit better.”

Renters with U.S. credit histories pay a one-time premium of 75 to 80 percent of one month's rent, while average pricing for foreigners without U.S.-based credit history is 110 percent of one month's rent. "Landlords solely accept the insurance program. Renters pay for it. For the landlord, the beauty of the program is that it costs them nothing. This is just another tool to close leases that they would not otherwise."