



BRICKUNDERGROUND
THE INSIDER'S GUIDE TO NYC REAL ESTATE

6 WAYS TO MAKE LANDLORDS LOVE YOU

by Anne Machalinski | 2/18/14 - 8:59 AM

Calling all freelancers, foreigners, full-time students, retirees and those with bad credit



If you've ever rented--or attempted to rent--an apartment in New York City, you're likely familiar with that Sisyphean frustration that takes hold of even the most dogged would-be renter.

Between the piles of paperwork (bank statements, tax returns, pay stubs), financial hurdles (most landlords require applicants to make 40 to 50 times the monthly rent and have a credit score above 720), and the always-churning system that requires would-be tenants to move quickly or move on, the prospect of signing a lease can seem impossible.

"It's almost easier to purchase than it is to rent in this city,"

observes Ande Sedwick, an agent at Nest Seekers.

That said, it's important to understand where the landlord is coming from. New York State's laws favor the tenant. It can take six months to a year (or longer) to evict a delinquent tenant, says Eric Hamm, the senior managing director of Citi Habitats' Upper West Side office. Plus, the landlords will have to pay legal fees on top of losing rental income.

In short, a landlord wants to know that you can and will pay the rent on time, and "the only defense they have is that initial screening," Hamm says.

And thus, the brutal gauntlet for renters hoping to qualify.

Some types of renters--including freelancers, foreigners, full-time students, retirees, those who have previously claimed bankruptcy, and those without credit or income--are difficult to approve because the assurance that they'll pay isn't there.

"It's either a credit issue, an asset issue or an income issue," says Gus Waite, a real estate agent with Coldwell Banker AC Lawrence who's specialized in rentals for 10 years.

If you fall into one of these categories, securing a rental will be hard, but not impossible. Here are some tips from real estate agents for surviving and thriving:

1. Prepare extra thoroughly

Gather your paperwork about two weeks in advance of starting your search.

Assemble the typical documents, like two years of tax returns, three months of bank statements and your last two pay stubs (get the full list here). If you're self-employed, get a letter from a board-certified public accountant stating your projected income for the year.

Students should bring a copy of their course schedule or letter of enrollment, while a recent graduate with a new job--or someone moving to New York for a new position--should have a letter that states their position, salary and the expected length of their stay (for a project, indefinitely, etc.).

Once you're prepared with your paperwork, be honest with your real estate agent about any potential issues so that they can figure out where you might fit into the rental landscape. That means checking your credit before an apartment search and being upfront about your score.

"At the end of the day, it's all going to come out anyway," Nest Seekers' Sedwick says.

If you don't know your credit score, you're entitled to a free credit report each year from one of the major bureaus-- Equifax, Transunion or Experian.

2. Work with a skilled agent who has relationships with landlords

Any renter with potential red flags on their application should enlist an experienced real estate agent to help navigate the system, which can “get very tricky, depending on the situation,” says Sherri Balassone, a representative with Town Residential.

Someone with a credit score over 700 shouldn't have any problems, Balassone says, but anything below that threshold may have an issue securing a rental on their own.

What matters more than the specific number, Balassone says, is the reason for that number. A broker can review the credit report with the renter and find the hiccups, which might include the previous loss of a job, a move or a divorce, and as long as the reason for the credit issue isn't failure to pay bills (or pay bills on time), the broker can explain the score to the landlord.

A broker who has relationships with landlords will also know which ones are more flexible, and can present a plan for the tenant to pay additional security or rent upfront or employ a guarantor, even if the renter makes more than the required 40 times of the monthly rent.

3. Line up a guarantor

If your annual salary doesn't equal at least 40 to 50 times the monthly rent, you'll need a guarantor--someone who will co-sign the lease and promise to make the rent payments in full if you default. You may also need a guarantor if there is an issue with your credit or liquid assets, you've been in a job for less than a year, or you're retired.

While a guarantor doesn't need to be a relative of the applicant (work associates or friends are fine, too), many landlords do require that they live in the United States and typically in the tri-state area (New York, New Jersey or Connecticut).

“The landlord has to be able to get to the person who is guaranteeing the apartment in case it's not paid,” Town's Balassone says. “They can't be running all over the world trying to find their money.”

For this reason, even foreign nationals with wealthy family members abroad will need to find a stateside guarantor.

A guarantor, in turn, has to provide extensive paperwork to complete the application, including bank statements, pay stubs and tax returns. They'll also need to earn an annual salary of about 80 times the monthly rent and have good credit. And if you've got a roommate, take note: A guarantor is typically responsible for guaranteeing the entire lease, not just one resident's share of the rent, Hamm says, although multiple guarantors may be allowed.

If you'll need a guarantor, have one lined up beforehand, and let them know what paperwork they'll need to submit and what will be expected of them, Hamm recommends.

“There's nothing worse than finding the apartment, falling in love with it, putting in the application and then finding out that your guarantor doesn't want to provide any of the paperwork,” he says.

If you don't have a guarantor but need one, Insurent Lease Guaranty can serve as an institutional guarantor fee of typically 85 percent of one month's rent for U.S. citizens and 110 percent of one month's rent for foreign nationals, the company will back approved applicants.

“For the right type of person, it's brilliant,” Waite says.

Currently, 1,750 buildings, representing more than 250,000 apartments, accept Insurent, says Charles Schoenau, Insurent's managing director.

U.S. renters must have a minimum credit score of 630. And both U.S. and foreign renters must earn 27.5 times the monthly rent or have 50 times the monthly rent in a bank account. If they don't, Insurent will allow a parent, relative or family friend who makes 50 times the monthly rent or has 80 times the monthly rent in liquid assets to act as the responsible party,

4. Offer to pay more upfront

For seemingly risky tenants, landlords may accept additional liquid assets in the form of extra security or more rent upfront.

Tasha Trice, a real estate agent with Coldwell Banker AC Lawrence says that she uses this tactic often. Recently, she worked with a student looking to rent a place on the Upper East Side. His parents, who were from Illinois, didn't make 80 times the annual rent, so the landlord asked for a full year of rent upfront. The parents sent the check and the student got the place.

Another student, this one with bad credit, had parents who similarly didn't make enough to act as guarantors on a Midtown East unit. That landlord asked for five months' rent upfront--two months toward the beginning of the lease, three months for the end--and the standard one month of security, and a deal was made.

Balassone also recently used this strategy when the father of a graduate student from Egypt paid the entire year's rent upfront to secure a place.

Even with a tri-state guarantor, you may have to pay an additional month of security upfront, and two to three months if the guarantor is from elsewhere in the country, Hamm says.

Being able to put down extra rent or security is a great bargaining chip, but make sure the funds are readily available, Hamm notes. Accessing money from an online bank might take a few days, during which a landlord may move forward with someone else, especially during the competitive spring and summer seasons.

It's important to note that in rent-stabilized buildings, this tactic won't work. A landlord in one of these buildings can only take one month's rent and one month's security. To get around this issue, you may be able to put a year's rent in an escrow account -- as one of Waite's clients did. In this case, the landlord would only access the account if the tenant defaulted on a payment.

5. Apply to the right type of unit (at the right time of year)

Just like apartments themselves, landlords come in all varieties, and there's a whole range of what they're willing to accept when it comes to tenant applicants.

In general, small landlords who have 10 to 20 buildings tend to be the most flexible, while large doorman buildings run by major management companies are very strict, Hamm says. If an applicant's financials and situation don't fall into their pre-set guidelines, "it's very difficult to get somebody approved," he said.

Also on the stricter end are individual condo or co-op owners renting out their properties. No surprise there: a non-paying tenant could affect their personal cash flow, especially since they're likely using that rent to pay off a mortgage.

Unlike Hamm, Sedwick says that she's seen some flexibility from individual condo owners renting out their units. This is probably the only available option for those people who have previously claimed bankruptcy, she says.

If a condo owner accepts a year's rent upfront, the board is usually okay with the arrangement, brokers say.

When looking for flexibility, it's more important to set your sights on individual landlords, rather than particular neighborhoods or price ranges, Trice says. And in slower rental seasons, there's generally more wiggle room. The summer or fall, when there are a lot of people looking to move, is a difficult time to ask for leniency, whereas the winter might be ideal.

6. Consider getting a roommate

Young renters who are recent graduates might consider a roommate or roommates if they want more bang for their buck. If, for instance, you have a budget of \$1,700 per month, you may be better off teaming up with a friend in a \$3,000 a month one-bedroom that you can convert to a two-bedroom.

If you don't have great credit, a roommate may be a way for you to keep your name off the lease.

Whether or not you have a guarantor, you and your roommate(s) should sign a standard roommate agreement, which can be found online, putting everything in writing to reduce disputes, says Hamm.

And in the event someone doesn't pay rent and the guarantors are brought to court, they'll have something in writing that at least outlines how much each tenant paid and what each guarantor is responsible for.