

NEW YORK HOUSING JOURNAL®

Brought to you by the Community Housing Improvement Program, Inc., an association of apartment building owners

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NEW TO THE MARKET

Company Acts as Guarantor for Residential Leases

There's a new service to owners at no cost that you can make available to prospective tenants that may help you increase your buildings' occupancies, increase cash flow and eliminate rent loss while reducing the financial risk of accepting prospects who do not meet your financial requirements (e.g., the annual income/monthly rent income test). The service is offered by the Insurent Lease Guaranty Program, an institutional guarantor of residential leases backed by an A-rated (Excellent Rating) by A. M. Best. It targets creditworthy individuals including graduating college or graduate school students entering the job market, non-U.S. residents relocating from abroad, relocating employees, self-employed professionals, and non-salaried, high net worth individuals. The Insurent Program will guarantee a one-year lease for apartments with monthly rents above a minimum amount (\$1,500 for one signatory on the lease; \$1,750 for two or more signatories on the lease).

Each building has its own master policy. The signup process only requires the name of the legal entity owning each building, and the address of the building. The owner is the insured and beneficiary under the master policy. Owners maintain their current rental procedures. Once your building signs up, you can refer prospective tenants who don't meet your minimum financial requirements to Insurent. The tenant applies to Insurent directly through an interactive application on its Web site. If Insurent agrees to guarantee the lease, the tenant pays a one-time fee, which is usually about 75 percent of one month's rent. Insurent will provide a coverage rider under the master policy before you sign the lease with the tenant. Initial qualification occurs within two hours, and the entire process normally takes two days. The owner and/or its on-site agent are kept abreast of all steps by email throughout this process.

If you're renting a rent-stabilized apartment, you may be concerned that Insurent will only guarantee a one-year vacancy lease, although the Rent Stabilization Code (RSC) requires you to offer the tenant a choice of a one-year or two-year vacancy lease. However, Insurent has gotten an opinion letter from the Division of Housing and Community Renewal (DHCR) (dated February 27, 2004 and signed by Marcia P. Hirsch) that indicates that the DHCR won't consider this a violation of the RSC provision requiring you to offer both a one-year and two year lease, at the tenant's option. The opinion letter notes that "As the owner would be accommodating a tenant who would otherwise be unable to obtain a lease guarantee, the limitation of the initial rental to a one year lease term should not be regarded as a 'conditional rental' proscribed by RSC Section 2525.3." However, when it's time to renew the tenant's lease, the opinion letter says "should the tenant be able to obtain a guarantee satisfactory to the owner from any other source [other than the Insurent Lease Guaranty Program], the tenant would then be free to exercise his or her two-year lease term option."

If you're interested in signing up your building with Insurent, or want to get more information, you can visit its Web site at www.insurent.com where you can fill out a short Owner Information Request Form or call Jeffrey Geller, Chief Operating Officer, at (646) 843-1712, Charles Schoenau, Managing Director, at (646) 843-1713. ♦