



## **Insurent Lease Guaranty Helps Reduce Vacancies, Risk**

*Published: October 01, 2009*

By Erika Schnitzer, Associate Editor

New York—In today's difficult economic climate, with increasing vacancies and job loss among property managers' top concerns, one leasing strategy being employed by many operators in Manhattan is the acceptance of the Insurent Lease Guaranty Program, the first and only institutional guarantor of residential leases.

"From the viewpoint of a landlord, it reduces vacancies, closes leases, eliminates rent loss, drives additional renters to a building, closes leases faster, removes credit risk on new tenants and shortens the lease-up period," for new buildings, Jeffrey Geller, founder of the Lease Guaranty program and vice chairman and chief operating officer of Insurent Agency Corporation, tells MHN.

Most New York City owners are just as concerned about the financial and credit quality of their renters, so they do not reduce their ratios below the 40x – 50x annual income/monthly rent multiple required of renters, Geller explains.

However, some segments of the population do not meet owners' criteria, such as creditworthy college and professional graduates entering the workforce who don't meet the landlords' 40x-50x annual income/monthly rent multiple, foreign executives who are relocating and who have no credit history in the U.S., self-employed persons, high net worth individuals and retirees.

In addition, Geller explains, in New York, it is illegal to ask for additional security or prepaid rent under the Section 421a tax abatement program. However, the Insurent program can be used in these buildings.

With the Insurent Lease Guaranty, renters with a U.S. credit history only need to make 27.5x the monthly rent, while the minimum income requirement for foreigners is 35x the monthly rent.

With the lease guaranty program—for which managers pay no fee, although buildings do have to be signed up to accept (signing up for the program takes about 20 minutes)—the renter pays for the guaranty, which is, on average, 78 percent of one month's rent for U.S. parties and 110 percent of one month's rent for foreigners without U.S.-based credit history.

The total process from initial qualification of the renter to the issuance of a guaranty by Insurent to the landlord typically takes 24 hours to 48 hours. Once a prospect fills out a free, online application, Insurent reviews the prospect's credit report, usually qualifying them for a policy within 30 minutes.

The Insurent Lease Guaranty program replaces the system of individual co-signer

pledges, additional security or prepaid rent. Under the program, the manager receives a policy that guarantees payment under the lease for qualified residents.

"In today's marketplace, vacancies are much higher. We drive renters to those buildings that accept the lease guaranty program and close leases they wouldn't normally close," asserts Geller. He adds, "Ninety-nine percent of leases we've closed would not have closed without us." #Insurent will issue guarantees on leases starting at a monthly rent of \$1,000 and has issued a guarantee on leases up to \$14,000 per month.

The Insurent Lease Guaranty is issued and underwritten by CastlePoint Insurance Company, rated A- by A.M. Best.

Insurent is currently accepted at nearly 900 buildings, or approximately 88,000 apartment units, throughout Manhattan. Geller notes that any size building can accept the program, and that there may be a market for condo unit owners as well.

The Insurent Program will soon be available in other major markets, including New Jersey, Washington, D.C., Boston, San Francisco and Los Angeles within the next 12 months to 18 months.