

For Manhattan landlords, a new rental safety net

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Fresh from graduation, tens of thousands of young renters arrive in the city each year, looking to rent in Manhattan. But the numbers are daunting: One-bedroom doorman apartments rent on average for \$3,500 a month, and landlords want to see annual incomes of 40 or more times monthly rent before they give an applicant a shot at a lease. Some applicants bring in guarantors, but those co-signers have to show incomes of 80 times the monthly nut.

What are these fresh-faced hopefuls to do if they don't have a high-paying job in the financial sector (an increasingly less-likely scenario) or a parent making buckets of money?

Buy insurance, according to the Insurent Agency Corp., an insurance company founded by Jeffrey Geller and partners. Targeting these recent graduates, the company has just launched Insurent Lease Guaranty, the first apartment lease insurance policy in the country.

"We are the institutional mommy and daddy," said Geller. For individuals the company deems creditworthy, it guarantees payment on one-year leases in return for a one-time fee of between 58 and 70 percent of one month's rent.

Insurent will guarantee people with annual incomes of a more modest 27 times the monthly rent, as long as their credit is sterling. It also offers pre-qualification certificates applicants can bring to brokers and owners to expedite apartment approval.

"When you take a look at our primary target segment, college and professional school graduates entering the workforce," said Geller, "the vast majority of these people — 80 to 95 percent — will not qualify on their own. So what happens is, by hook or by crook, they get their parents to co-sign, or they borrow from their friends or from their credit lines to put up the additional security."

Landlords will often take five or six months' rent in advance in order to accept marginal applicants.

In a city where vacancy rates rarely go below 4 percent — a landlord's market if there ever was one — what's the incentive for an owner to give preference to an applicant waving a lease guarantee when there's a line of qualified applicants stretching down the block?

The answer: Time is money. "Even with people lining up for that one apartment," said Geller, "it's still the goal of the landlord to rent the apartment as quickly as possible to the most

creditworthy person. In the case where you have a co-signer, the process can take seven, eight or nine days," he said, as opposed to three or four days without a co-signer.

Having just opened in early March, said Geller, Insurent Lease Guaranty is "in the landlord sign-up and acceptance phase." Signing up requires the owner to take the guaranty in lieu of a co-signer. The renter still has to meet all other criteria, including proof of employment and a credit check.

So far, the biggest landlords to sign on have been the Icon Group, which owns more than 40 rental buildings with more than 1,000 tenants in the city, and Cape Advisors, whose rental portfolio includes 19 St. Marks Place in Manhattan.

Zach Levine, director of leasing for the Icon Group, figures the product is good for the city. "The landlords in Manhattan hold all the cards," said Levine. "So why not help the tenant and give them another weapon in their arsenal — help get them into the city and thrive? You don't want to keep people out of Manhattan."

But Geller said some landlords are reluctant to sign up simply for fear of change. "Even if it costs the landlord nothing," he said, "it still is a change from the status quo." To encourage them to step out of their comfort zones, Geller said, "We keep the procedure exactly like what they do right now."

Most rental real estate professionals find the lease guaranty insurance intriguing.

"It's an interesting product, no question," offered Gary Malin, president of Citi Habitats, the city's largest rental brokerage. It's attractive to tenants who might qualify for apartments that were previously just out of reach. He said, "It does give the landlord that one extra layer of comfort that maybe they didn't have before."

But, Malin added, "Landlords already do a lot of their own background screening to make sure that they're getting a good, solid tenant pool. I think their qualification procedures prevent real major issues."

Even if the rental market in New York City begins to slip in reaction to job losses, landlords will still likely stick to the stringent standards that have served them well for so long, rather than take a chance on getting stuck with marginal tenants.

According to Cliff Finn, Citi Habitat's director of new development marketing, "I've been through up markets and down markets, and in all the years I've been doing this, I've never seen any leniency in how people are qualified in terms of income and credit."

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