

International guarantors: Worth the risk?

As number of foreign students grows in NYC, landlords see more requests overseas financial backers October 01, 2011 07:00AM **By Leigh Kamping-Carder**

Susan Tsang had already seen dozens of apartments by the time she finally convinced a landlord to rent her the \$1,950-a-month Upper West Side studio where she lives today.

A doctoral biology student who grew up in Queens, Tsang earns a modest stipend. However, her family lives in Hong Kong, where she was born. And her roommate, who works as a receptionist and teacher, was back from a two-year stint in Japan, and had yet to earn a U.S. paycheck when the longtime friends began apartment-hunting.

This unique collection of circumstances combined to turn their hunt into a three-month marathon. It wasn't until the Brodsky Organization took the rare step of allowing Tsang's father to act as an international guarantor that she was able to sign the lease, she said.

"I found it was a little bizarre that [landlords] didn't already have a system set up for allowing international students [to rent], considering that New York is so cosmopolitan," Tsang said.

New York landlords are reluctant to accept guarantors from overseas, or even outside the Tri-State area of New York, New Jersey and Connecticut. Yet with the growing number of international students seeking apartments in the city's cutthroat rental market, the high bar to international guarantors has increasingly become a problem for both students and the landlords.

New York continues to attract more international students than any other city in the U.S., which saw a record-breaking number of overseas students in 2010, according to the nonprofit Institute of International Education. Anecdotally, that influx shows no signs of stopping. Between 2000 and 2009, the most recent years on record, the number of international students attending school in New York City rose from 30,269 to 44,044, a 45.4 percent increase. (The data, compiled by the U.S. Department of Education, counts nonresident aliens enrolled in post-secondary institutions eligible to disburse financial aid.)

While international students face many of the same hurdles as other prospective tenants with limited work experience and credit history, those from outside the U.S. often encounter additional complications, including being unable to rely on family back home to guarantee a lease.

"I've been doing this for 24 years, [and] we've never used an international guarantor as someone to guarantee the lease," said David Schlamm, president and founder of brokerage City Connections Realty.

To most landlords, an international guarantor is no guarantor at all, experts said.

Not only is it difficult to verify credit history, it's also an ordeal to go after an international guarantor in the event that a tenant skips out on rent.

Plaintiffs face a number of procedural and legal hurdles when enforcing a judgment from a U.S. court in foreign jurisdictions, and filing a lawsuit overseas usually costs more time and money than it's worth, said Michael Greenberg, CEO of brokerage Level Group and a commercial real estate attorney.

"It's always a risk [for landlords] to take an international client," said Michael Chadwick, an agent at brokerage Bond New York, who found Tsang her apartment. "If someone didn't pay you, and they're not a resident of this country, they're in China, what are you going to do? What legal recourse do you have?" (Chadwick said that Brodsky, a landlord he has worked with in the past, made an exception for Tsang.)

Indeed, most landlords apply the same logic to American guarantors who live outside the Tri-State Area.

That's largely because U.S. federal courts -- which typically handle lawsuits between residents of different states -- can only serve court filings within a 100-mile radius. So if a landlord sues in Manhattan, he could drag in a defendant from New York, New Jersey or Connecticut; but farther afield, he would have to hire local counsel and file suit in the guarantor's home state.

"If somebody did not pay their rent, it would be very difficult for the landlord to go ahead and collect that rent from somebody that's in the [U.S.] far away, or outside the country," said Gordon Golub, Citi Habitats' director of rentals.

Even so, many property managers do take guarantors from across the country, including Rose Associates.

"Am I going to tell some California surgeon whose daughter wants to go to NYU that he's not qualified to pay her rent?" said Robert Scaglione, Rose's senior managing director of residential marketing.

And international students do have other options, like turning to Insurent Agency Corp. Billed as the city's only institutional guarantor, Insurent will underwrite a lease for a foreign tenant with no U.S. credit history for 110 percent of a month's rent -- which brokers and landlords said is filling a niche. International students can also pay six months' or a year's worth of rent up front. But that's not a perfect solution: Aside from the obvious financial burden for students, some landlords are wary of not being able to evict a tenant whose rent they've already collected, and rent stabilized buildings are prohibited from accepting these kinds of payments.

Finally, international students can hunt for individual landlords willing to entertain flexible arrangements. Like Brodsky, Related Cos. and Archstone, based in Englewood, Colo., have also been known to accept international guarantors, according to Gary Posylkin, director of leasing at brokerage Miron Properties.

"We will lease to anybody who qualifies through our standard background-check and credit-check process," said Peter Jakel, a spokesperson for Archstone. In other words, as long as potential guarantors provide the appropriate documentation, they can secure an apartment with Archstone, Jakel conceded. But for foreign individuals, that can obviously be difficult.

A spokeswoman for Related did not immediately confirm whether the company accepts international guarantors. Brodsky did not respond to requests for comment.

As for Tsang, she renewed her lease in September. She said Brodsky bumped up her rent \$50 per month, but "this year they just handed me the lease renewal like they would any other tenant."