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RENTAL HOUSING JOURNAL

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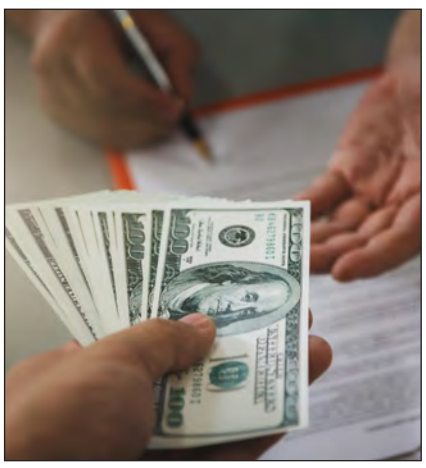

Must I Pay Real Estate Agent Again Upon Lease Renewal?

By Hank Rossi

Dear Landlord Hank: I have rented my property through the real estate agent and paid the one-month commission. The agent did tenant background verification and contract execution. I would like to know the procedure if the tenant wants to renew the lease. Do I need to pay the agent commission again? The same agent executes the contract again? Can you give me some info on this? Thanks. — Sun

Dear Sun: Please review your agreement with the agent that brought you the tenant. In Florida, I use the standard MLS agreement for finding a

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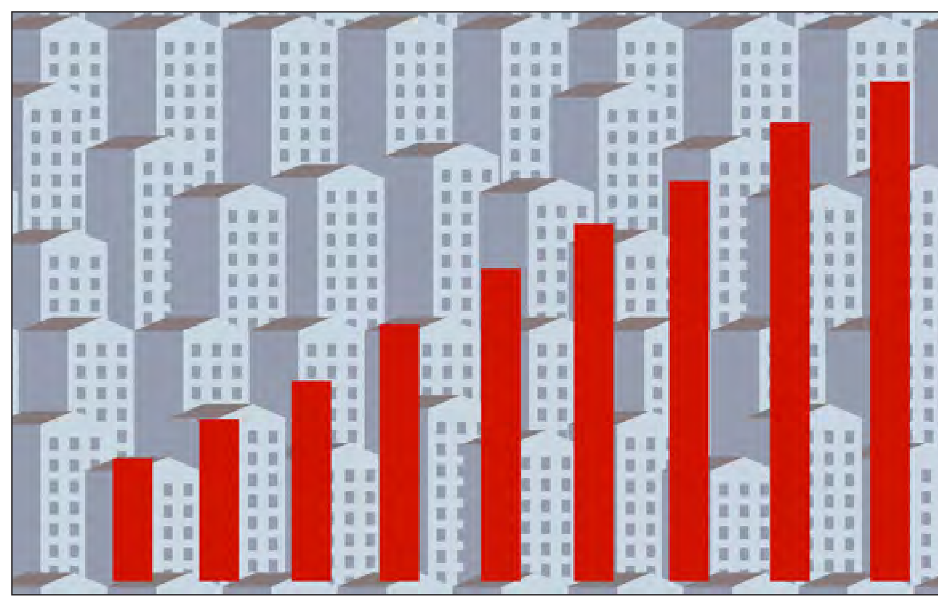
18 Months of Outstanding Rent Growth Coming to An End

Rental Housing Journal



Asking rents are falling in many national multifamily markets, bringing an end to 18 months of record-breaking rent growth, according to a special bulletin from Yardi Matrix.

The decline in rent growth has been steadily expanding in multiple multifamily markets.

"Of the 136 multifamily markets that Yardi Matrix forecasts, 56 had month-over-month declines in asking rents in September, compared to 53 markets with declining rents in August and 18 markets with declining rents in July," Yardi Matrix writes in the report. "Of the Yardi Top 30, 22 markets saw asking rents fall month-over-month in September, versus 21 markets in August and seven in July."

Multifamily Rent Forecast Update

"After approximately 18 straight months of record-breaking rent increases in nearly all markets, national rent growth has ground to a halt," senior research analyst Andrew Semmes writes in the report.

"As usual, most of the volatility is being driven by lifestyle buildings, where asking rents are down an average of 0.15 percent month-over-month across all 136 markets we forecast, and down an average of 0.41

See 'Longstanding" on Page 7

Possible 2023 HUD Announcement Could Affect Private Landlords

By David Pickron

Have you ever been punished for something you didn't do or that was completely out of your control? My guess is you have, and that the thought that flashed through your mind at the time went something like this: But I didn't do anything wrong! Frustration sets in as you try and figure out what you could have done differently, reaching the conclusion that sometimes these things are out of your control. The situation below might be one of those times.

For property owners, although it hasn't happened yet, this scenario may soon play out based on some

See 'What' on Page 8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Why Delaware Statutory Trust Investors Should Practice 'The Anchor and the Buoy Investment Strategy'

By Dwight Kay, Founder and CEO of Kay Properties & Investments

Real estate investors currently considering a Delaware Statutory Trust (DST) investment for a 1031 exchange or even a direct-cash investment, one of the first things to consider is what specific investment strategy should you pursue? For example, is the goal to achieve greater appreciation even if it means investing in an asset that carries greater risk? Or is your long-term strategy to have steady monthly income even if it means lower overall appreciation potential? I like to call this the "Anchor and Buoy" investment theory. One of the beautiful things of Delaware Statutory Trust investments is that they can potentially provide investors both the benefits of the anchor and buoy investment strategies.

How 'Buoy' Investments Work for Your Delaware Statutory Trust

To better understand how to use the anchor and buoy theory to evaluate potential DST investments, consider a multifamily building that has 500 tenants. First, while residential properties use comparable sales or "comps" to approximate valuation, multifamily properties are also valued based on the amount of Net Operating Income (NOI) they produce. NOI is calculated by subtracting a property's operating expenses from its gross income. Gross income is derived from the sum of all sources of income for the multifamily property. While the vast majority of income comes from rent payments, there could also be ancillary sources of income like covered parking fees, laundry/vending income, pet rent income and even rent for storage unit access. On the flip side, operating expenses are the costs required to run the multifamily property on a day-to-day basis. Although these amounts will vary depending on the type of building, the line items will be typically very similar. These can include things like utilities, taxes, insurance, maintenance, property management, and even legal fees.

In this example, the multifamily building has a diversified tenant base of 500 tenants that are paying rent each month. Additionally, because most multifamily assets use an annual lease, landlords have the opportunity to potentially increase those leases every year. In addition, any vacancies can provide owners the opportunity to potentially raise rents when filling the vacancy. In this way, multifamily properties act like a buoy, moving and adjusting with the conditions.

While all real estate investments have some form of material risks associated with them like interest rate risks, vacancies, general market conditions, and financing risks, many investors like assets like multifamily and self-storage because they have the potential to gain more appreciation over time as they hopefully are able to increase their income generated through rental increases over the years. In addition, multifamily and self-storage are considered good "buoys" to potentially hedge against inflation because owners can hopefully raise the rents each year to help offset rising costs.

Why Multi-Family and Self-Storage are Considered Good Buoy DST Investments

Many investment professionals and accredited investors view self-storage and multifamily markets through the same investment lens. First, both asset classes follow a similar set of metrics to help determine market favorability, including demographic trends and income statistics. Second, both multi-family and self-storage use rent growth and vacancy rates as a way to project future performance. Finally, as mentioned earlier both asset classes are considered to be somewhat recession-defensive, and because operators are able to quickly respond to changing market conditions with rent changes, both property types are also considered to be an inflation hedge option in commercial real estate.

What is an Example of an Anchor Delaware Statutory Trust Investment?

So, if a multifamily building is considered a "Buoy" DST investment, then what is an "Anchor" DST investment? Many investors consider a commercial net lease type of asset as more of an anchor investment for their DST 1031 Exchange investments. First of all, instead of using NOI and market capitalization rates (cap rates) solely as a valuation measurement, most commercial net lease assets are going to additionally tie the valuation of the property with the creditworthiness of the tenant. For example, Joe's Pizza Shop is not as creditworthy of a tenant as FedEx or Walgreens, both of which are considered investment grade tenants. First of all, Joe's Pizza Shop can shut down and investors are left with an empty building and the potential for expensive maintenance costs and unpaid rent. While it is possible that FedEx or Walgreens can also shut down a location, the odds are that these multi-billion dollar public companies will continue to pay rent as they have investment grade credit ratings by Standard and Poor's (S and P).

Why are Long-Term Net Lease Commercial DST Buildings Considered Anchor Investments?

In addition to the creditworthiness of the tenant, anchor investments also use the length of the lease as another important factor to take into account. For example, a FedEx distribution center with a 10-year lease is an inherently valuable asset because there are 10-full years of potential income that has a corporate guarantee on the lease to pay the landlord the predetermined amount each month. However, while this type of asset can act as an anchor over the course of many years, there is typically not an opportunity to raise rents as can be found in multifamily or self-storage facility DST investments.

How Delaware Statutory Trust Investments Blend Both Anchor/Buoy Philosophies

DST investments provide investors several ways to incorporate both anchor and buoy investment strategies by incorporating diversification into a real estate portfolio. For example, DSTs can create diversification through geography, property type, and investment structure.

- **GEOGRAPHY**

The beautiful thing about Delaware Statutory Trust investments is they can hold real estate assets in any state across America, helping investors target properties in specific markets where they believe will deliver a desirable combination of ongoing income and potential appreciation. For example, investors might decide to invest in tax-friendly, high-growth states like Texas, Florida, or North Carolina among others.

- **PROPERTY TYPE**

Delaware Statutory Trusts also allow investors to achieve the potential for greater diversification through property types as well. For example, DSTs can include a wide range of asset types including apartments, distribution centers, medical buildings, and self storage facilities. Essentially any asset that can qualify as a "like kind" 1031 exchange property can potentially be structured as a DST.

- **INVESTMENT STRUCTURE**

Another way DSTs help investors incorporate both anchor and buoy investment strategies is through investment structure. A good way to explain this is to recognize that while many DSTs consist of a single property, other DST investments consist of a larger portfolio of similar assets e.g., multiple apartment complexes, self-storage facilities, office buildings, or retail properties. In this way, a DST portfolio can create a "built-in" diversification component that many investors find attractive.

In conclusion, an investor could place their entire exchange proceeds into a multifamily or self-storage DST if they were seeking greater upside potential that the buoy strategy is seeking. The downside is that if the economy were to suffer, if another pandemic or any other myriad of black swan events were to happen that investor could easily see cash flow cut in half or suspended entirely. So in an effort to enhance appreciation potential the investor sacrifices the stability of income that many investors are seeking in today's volatile environment.

However, many investors these days are achieving the goal of potential appreciation by utilizing the buoy investment strategy of multifamily and self storage DSTs and at the same time blending in the anchor strategy in an effort to gain potential stability of income by utilizing long-term net leased DSTs with tenants such as FedEx and Walgreens. This blended anchor and buoy combination strategy is gaining popularity as investors consider where we are in today's economic and geopolitical environment.

To see a complete list of anchor and buoy DST properties and other real estate investment options, please visit www.kpi1031.com.

About Kay Properties and www.kpi1031.com

Kay Properties is a national Delaware Statutory Trust (DST) investment firm. The www.kpi1031.com platform provides access to the marketplace of DSTs from over 25 different sponsor companies, custom DSTs only available to Kay clients, independent advice on DST sponsor companies, full due diligence and vetting on each DST (typically 20-40 DSTs) and a DST secondary market. Kay Properties team members collectively have over 150 years of real estate experience, are licensed in all 50 states, and have participated in over $30 Billion of DST 1031 investments.

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Apartment Rents Won't be Heading to Sky, Report Says

Rental Housing Journal

The combination of recession concerns, requests to return to the office, rents that are just too high, and a multi-decade high of new rental supply are all combining to cause rents to soften and potentially decline, writes John Burns Real Estate Consulting.

In a report by Alex Thomas and Jesse McConnico called "Apartment Rents Don't Grow to the Sky" they write, "Rents are set to fall in many areas around the country, which is exactly what the Fed needs to help get inflation under control. This short-term pain for rental investors should be offset by the long-term gain of a stable economy and lower borrowing rates.

"Every quarter, we summarize the earnings calls of six publicly traded apartment REITs (Real Estate Investment Trusts) for our research clients, and our consultants have been busier than ever helping apartment and build-to-rent developers understand local market dynamics as they build and lease new communities," they write in the report and in a recent email newsletter.

Why Rents Soared

Rents soared for a couple of reasons, the report says.

It was the combination of record demand due to working from home and relocations, plus capital flowing into apartment construction resulting in a 36-year high of multifamily starts and a 34-year high of multifamily completions.

Even with the level of construction it was still not enough to meet demand.

What Some REITs Told John Burns Consulting

- **AvalonBay Communities:** "We've assumed that [rents] will decline, just at a more modest pace than pre-COVID periods would typically dictate."
- **Essex Property Trust:** "What we are expecting is normal seasonality. We do have headwinds from tougher year-over-year comps. Last year, in the first half, our blended lease rate was -4 percent. But in the second half, it surged to about +13.25 percent. That's the tough year-over-year comp."
- **Equity Residential:** "We assume we're going to have rents peak somewhere in this first or second week of August and then have a normal kind of trail off in rents until you get to that January period."

Conclusion: Watch Apartment Market for Signs of Job Losses

"Watch the apartment market carefully for early signs of job losses, which is something that the Fed wants and is even forecasting," the report says.

"The increase in rental demand due to homeownership becoming less attainable doesn't mean rents can rise to the sky, and the rental market demand/supply balance can quickly turn upside down when job losses coincide with a lot of apartment completions."

For more information on the apartment market and a comprehensive view on housing demand and supply, or help understanding your local market dynamics, see www.realestateconsulting.com or email clientservices@realestateconsulting.com.

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How to Winterize Your Rental Property

By Phil Schaller

It's that time of the year again. Winter will bring cold and wet weather, and it's critical to prepare your rental for the elements.

Just one cold spell can wreak havoc on your pipes, gutters, roof, and unfortunately more. But have no fear, we are here to help!

The checklist below is a must-do heading into winter.

While the items listed below will set your property up well for the months ahead, it is not exhaustive. The koi pond in the front yard will require some attention, although we don't have it listed below (maybe a future article).

1. Blow the irrigation system.

This will require a landscaping company to come out to clear your systems, but it's quick and not very expensive.

2. Detach your garden hose(s) and cover the spigots.

Water left in the hose/spout can cause pipes to crack and the spouts to malfunction (not to mention the hose as well).

3. Caulk any cracks or holes around your windows.

Exterior silicone caulk is the way to go here. It's water-resistant and very durable.

4. Clear the gutters.

With more precipitation ahead in the winter months, your gutters need to function as well as possible. All those needles, leaves, pinecones, etc., clog things up.

5. Clean up the roof and siding.

If you notice any moss buildup (common in the Pacific Northwest), it's best to scrape it to prevent further buildup. We don't recommend hopping on the roof yourself; hire someone who has the proper equipment.

6. Bring in outdoor furniture and grills.

If your furniture sits outside all winter in the elements, you'll be buying new furniture before you know it.

7. Insulate water-supply pipes.

Focus on pipes that aren't kept warm by insulation or heating – pipes in the attic, crawl spaces, garage. Foam pipe covers work well and are easy to install.

8. Install draft guards and weather stripping to necessary doors.

Draft guards are inexpensive and slide onto the bottom of a door.

9. Replace the furnace filters.

This is important to do regularly, but especially important heading into winter. You and your tenants will want the furnace working as well as possible.

10. Adjust the thermostat.

If you're turning over a unit or a single-family home, make sure you don't let the temperature dip below 50 degrees. Damage to uninsulated pipes can ensue if it gets too cold.

While that's a decent to-do list, winterizing your rental property (or any property for that matter) will pay dividends in the long run. On top of that, these tasks aren't very time-consuming or expensive.

If you have any questions for us, please feel free to reach out anytime. Happy winterizing!

Founded in 2020 by Phil Schaller, an experienced startup operator and landlord, and Pete Hanks, a Seattle-based general contractor, RentalRiff's mission is to change the way small rental properties are managed. Their solution allows landlords to be hands-off while knowing the property is well-cared for - it also provides tenants with a tremendous support system, all for a fraction of the cost of hiring a property manager. The service is based on a system developed by the founders to manage their own rental properties.

RentalRiff

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Property Management Made Easy for 2023

Do you wish there was an easier way to manage your rental properties?

Now there is, SimplifyEm Property Management Software makes it simple. Made by real estate professionals and made for landlords, real estate investors and property managers with no accounting experience. SimplifyEm is an all-in-one software solution that is user friendly and covers everything for property management including accounting, leasing and communication.

SimplifyEm tracks all of the income and expenses on your properties. Income can be recorded, imported via downloading transactions from your bank account or automatically entered by the system via online rent payments. The system can auto withdraw the tenant's rent every month on their due date. This reduces late rent and tenants never have to life a finger. They can simply set it and forget it. Expenses can be tracked and the receipts and invoices can be attached to the transactions. Tracking receipts and invoices will help you stay better organized for tax season. SimplifyEm has built in tax reports including the Schedule E. The system automatically fills in the Schedule E and in under a minute, you can use it for taxes.

When it comes filling a vacancy, SimplifyEm handles it all. SimplifyEm is integrated with the biggest brands in real estate including Zillow, Trulia, Rents.com and RentPath totaling over twenty sites for marketing. All of the leads from these sites are saved in SimplifyEm and you can see their information and messages to follow up. SimplifyEm also has tenant screening, online applications and leases streamlining the whole leasing process. You can eliminate paper applications and leases and manage them online where everyone can e-sign. You an also collect your application fee and security deposit online too.

Communication with tenants can be challenging. SimplifyEm property management software makes it easier with automated notices and allowing you to email and text tenants in the software. You can also create your own templates and send messages in bulk to all tenants. All communication is saved to the tenant file so you can easily review the history and know where you left off with each tenant. Automated notices include rent reminders, late rent notices and rent receipts saving you time.

SimplifyEm's customer support team would be happy to help you setup your account with the free, unlimited training and world class live phone and email support. Take your rental business to the next level in 2023 and sign up for a free 14 day trial and test it out yourself (no credit card required).

SimplifyEm
Property Management Made Easy!

For more information about SimplifyEm and our products, visit www.SimplifyEm.com, send us an email at support@SimplifyEm.com or for immediate support call our customer care number: 1 (510) 790-9066.

Due Diligence Needed to Verify Requests for Accommodation

By The Fair Housing Institute

Reasonable-accommodation requests can be completely obvious and straightforward. Still, more often than not, they require a little bit more due diligence or investigation to verify the need for what is being requested.

Along with that is the range of requests a leasing office can come across: accessible unit, live-in aide, and parking-spot requests, just to name a few. Forms are a practical way to help a leasing office gather the information needed to make a determination. But it raises the questions: What kind of forms should a leasing office use, and what should you do if a resident refuses to fill one out?

Best Practices for Forms

Many offices have a pretty basic or boilerplate type of form that they use. This is fine but can result in missing information that can be helpful when making a determination. Having forms specific to each type of request can help you avoid this. Also, pre-made forms can ensure that every resident is asked the same questions to avoid any appearance of discrimination.

For example, a resident is requesting that they need to change units because they have allergies and their next-door neighbors own a bird. Having a form that asks specific questions regarding allergies will help determine if the tenant has an allergy that meets the definition of a disability, therefore having an identified need which should be accommodated. But what should you do if a request is being made and the resident refuses to fill out your form, perhaps insisting that the doctor's note they gave you is enough?

I Don't Need to Fill Out Your Form!

We have all been there. A resident is requesting an accommodation but doesn't want to do the paperwork. First off, you can try to defuse the situation by stating that the easiest way to get the ball rolling is to complete the form and that you would be happy to help them fill it out. Just be sure that the information contained and the signature authorizing the verifier to provide the information must be from the resident.

Another common hurdle we see is that a resident has brought in a note from their physician insisting that it is all they need to do. While it's true – we technically can't require a resident to use or fill out a form – if the doctor's note is missing critical information, then the verification process can't move forward. Only then can you ask that a verification form be completed if there is needed information missing, with the form outlining the specific information required.

Reasonable Accommodation Forms - Final Takeaway

Having carefully created forms for specific accommodation requests helps to create a streamlined process and reduces the chances of miscommunication that can lead to a charge of discrimination. Having forms ready for your staff, along with proper training on how to execute them, will help your leasing office manage these requests and keep everything fair-housing focused.

In 2005, The Fair Housing Institute was founded as a company with one goal: to provide educational and entertaining fair-housing compliance training at an affordable price at the click of a button.

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Fannie Mae to Include Rent Payments in Mortgage Approval Process

Datalinx clients have always known that reporting consistently on-time rent payments to the credit bureaus can have an incredibly positive impact on a consumer's borrowing power. Now it seems that Fannie Mae — the nation's leading source of mortgage financing — has also realized the power of rent-payment reporting, and it could be a game-changer for first-time homebuyers.

Introducing "positive rent-payment history"

In September 2021, Fannie Mae announced that it would be adding a new "positive rent-payment history" feature to its Desktop Underwriter® (DU®) software. The feature allows the program to use verification-of-asset (VOA) reports to identify and factor in recurring rent payments when assessing a borrower's credit.

Rent payments traditionally will not appear on consumer credit reports without a third-party reporting service like Datalinx — and Fannie Mae's new feature won't change that. However, through VOA reports (like bank statements), potential borrowers can prove to a mortgage lender that they have made their recurring rent payments on time and consistently. Fannie Mae's DU software will also automatically identify rent payments in an applicant's bank statement data, but only with the applicant's permission.

Like the major credit bureaus' recent addition of buy now, pay later (BNPL) loans to their credit reporting data, Fannie Mae's new program was created to promote a more inclusive credit evaluation.

"This is one step in a series of efforts Fannie Mae is exploring to help expand sustainable homeownership opportunities for underserved populations and support a more equitable housing finance system," the Fannie Mae website reads.

Your renters could already be benefiting from their positive rent payment histories with your firm if you were a Datalinx data furnisher! Reach out to us today to get started.

DATALINX

You can contact us at (425) 780-4530 or sales@datalinxllc.com.

More Answers to Questions from Landlords

Continued from Page 1

tenant for an owner. The standard agreement from MLS indicates that if the same tenant renews, then the owner would owe an additional commission, to be determined.

That is not how we work; we think one commission is fair for a tenant no matter how long they stay — whether one year or 10. I can see the reason for the commission for renewal, though, IF the agent is managing the property.

I usually ask why tenants are not renewing. Usually it's because they need more space, found a better location or want more amenities, but sometimes I hear that the tenants complain about the property management.

They sometimes say that when they called for maintenance that the property manager took forever to get anything fixed and the tenants felt like property management didn't care about them so they are moving for that reason.

Anyway, check the agreement you signed with your agent for the answer.

Can I Use Surveillance Cameras To Protect My Rental Property?

Dear Landlord Hank: I have been told that cameras are an invasion of privacy. However, I am aware that several professionally managed sites use them.

My situation involves use of cameras (NOT pointed at individual doors) placed to cut down on trash and toys that make my rentals dangerous and unattractive to tenants. Would you please clarify what the law says?

We don't want to leave our tenants having to report their neighbors. — Pam

Dear Landlord Pam: You'd have to check with your state and local laws, but you should be able to place cameras viewing common areas without an issue as long as the cameras are not hidden and not IN someone's residence, as that could be construed as spying.

Also, cameras with audio capability are another issue you would need to check on.

I think it is a great idea but I would let current and future residents know in advance that cameras are being put in use to cover common areas around the property.

Tenant Moved Out, Someone Else Finishing Lease; What Do I Do?

Dear Landlord Hank: What should a landlord do and how should it be handled if you find out your tenant moved out and someone else moved in to finish the lease? The six-month lease is up Oct 31, 2020, and I'm unsure how to handle this. Any suggestions? Lori

Dear Landlady Lori: I would talk to the current tenant and ask them if they are planning to move out at the end of term or if they'd like to continue on (this assumes they've been a good tenant and you may want to keep them).

If they are moving, you have your answer. If they'd like to stay, I'd tell them they haven't gone through the application process and they must proceed like a real tenant if they want to stay.

Then I would check the lease I'd had with the original tenant and see what it says about what happens if the tenant leaves early and what the consequences of subletting are. Then I'd call the original tenant and tell them the consequences.

Make sure you follow your state's guidelines for handling security-deposit refunds and do so in a timely manner. It sounds like you have a good replacement tenant.

Good luck, Lori.

Each week Hank Rossi answers questions from landlords and property managers across the country in his "Dear Landlord Hank" blog in the digital magazine Rental Housing Journal. https://rentalhousingjournal.com/asklandlordhank/

Longstanding Rent Growth Coming to An End

Continued from Page 1

percent month-over-month in the Yardi Top 30," the report says.

More Than Just Regular Seasonal Decline

The report says while the U.S. economy is not in a recession, the chances for one are increasing in the next year.

"Our forecasts for the end of 2022 and for 2023 have broadly been revised downward, as the usual seasonal deceleration has been exacerbated by a more uncertain economic horizon in the medium term.

"Moving into 2023, we do not expect to see rents accelerate again nearly as much as they did in the first half of 2021 and 2022, but inflationary pressures remain high and employment gains are still very strong, so there is potential for a stronger-than-average jump out of the gate in the spring," the Yardi report says.

"However, eventually the Fed's actions will noticeably cause inflation to fall and unemployment to rise, and when that happens rent growth will largely become anemic. Until the Fed's policy moves work their way through the economy, though, we should expect a period of increased volatility," Semmes writes.

Get the full report at www.yardimatrix.com/Publications.

Yardi Matrix researches and reports on multifamily, office and self-storage properties across the United States, serving the needs of a variety of industry professionals. Yardi Matrix Multifamily provides accurate data on 18+ million units, covering more than 90 percent of the U.S. population. Contact the company at (480) 663-1149.

What a Possible 2023 HUD Announcement Could Mean for You As a Private Landlord

Both You and Your Property Could be at Risk Financially and Physically

Continued from Page 1

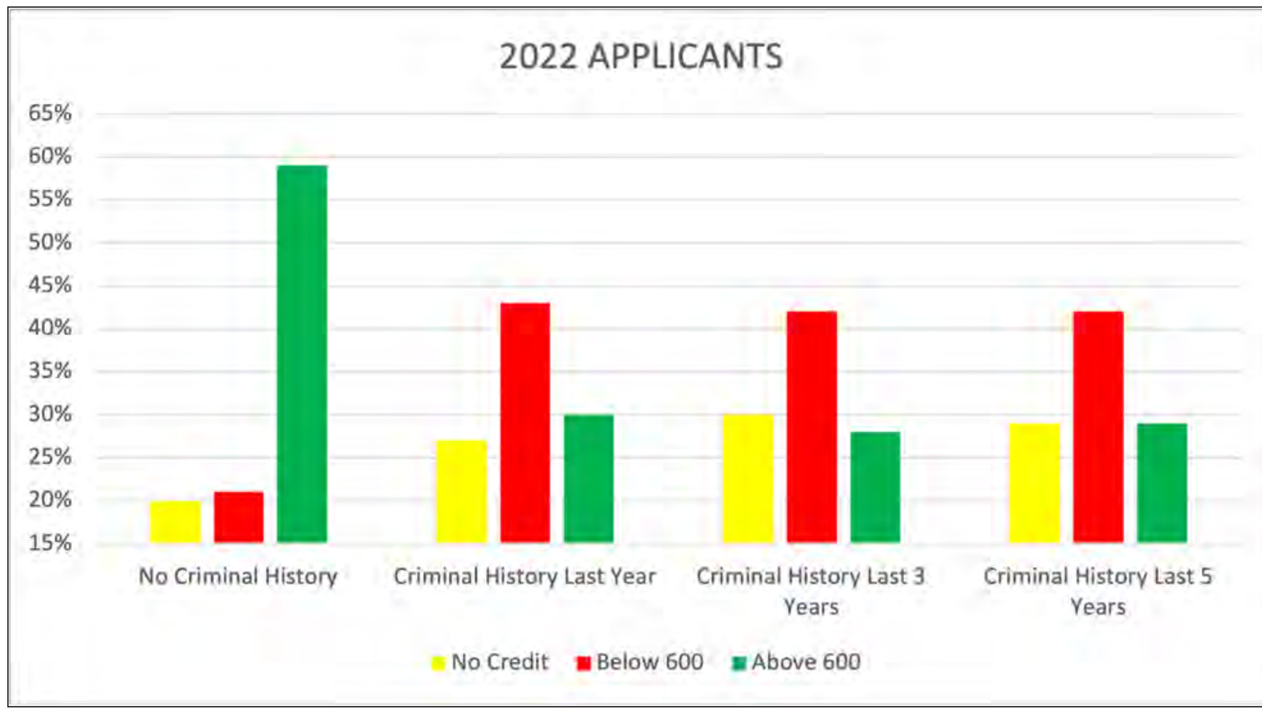
recent actions being considered by HUD.

On April 12, 2022, Marcia Fudge, Secretary of the U.S. Department of Housing and Urban Development, issued a memorandum to her staff with the subject line: Eliminating Barriers That May Unnecessarily Prevent Individuals with Criminal Histories from Participating in HUD Programs. In short, HUD is trying to determine what criminal criteria HUD programs should use, if any, when qualifying an applicant. At that time, she called for a six-month study period that ended October 14, 2022. History shows, when HUD makes a policy for government housing, they slowly try to implement it into the private sector. And even though it hasn't happened yet, it may be coming.

This is where the "unfair" results kick in. Think about those jurisdictions who have source of income as a protected class, where it is illegal to discriminate against people who use Section 8 vouchers as income. As a private landlord, whether you want to or not, you are required to take Section 8 housing if your rents are in line with the standard rental rate of local housing providers. If this happens, the government just took your private housing and turned it into government housing, and you must follow all of HUD's rules and recommendations or else.

As an example, I have an income-producing rental home in Tucson, Arizona. The market value of rent is $1,100 per month and a Section 8 voucher is willing to pay $1,100. Section 8 rationalizes that your financial risk is covered by the government so there is no need for me as a private landlord to financially qualify an applicant any further. The most I can require is three times the applicant's portion of the rent, which is usually zero to begin with. As part of my normal tenant-onboarding process, I then run the applicant through a background check to see if there is any criminal history and subsequently find this individual has several felony drug convictions. Right now, I can decline this individual based on a "no-felony drug-conviction-in-the-last-seven-years" rule that is a key part of my rental-applicant criteria. This is where it gets tricky based on what HUD could propose regarding criminal history because of the memo referenced above. They are trying to justify mandating the removal of any criminal history search, claiming that a criminal history has no correlation with you as a private landlord receiving the rent because the government is covering that part. That is a scary thought process.

As more jurisdictions vote to add source of income as a protected class, more private rentals will be sucked into government housing rules and criminal histories could become a thing of the past. And it won't stop there, as HUD will slowly try and use a similar disparate-impact argument in the other areas that we as private landlords use to protect our investments, forcing the private market to follow the direction of HUD, leading to the demise of criminal history and ultimately private landlords.



Knowing the Section 8 payment tables in your area and comparing them with market rent will help you decide if you want the government as a partner or not. If you have homes or rentals that can demand higher rents than what the housing authority is willing to pay, you will be able to duck this discrimination claim for now. But you never know how long that is going to last, as the market has something to say about it.

All these moves have made me look at landlords in the private market and get to the root of the HUD study by asking this critical question: Does criminal history affect a person's ability to pay rent? I accessed my own data sets from our tenant-background-screening company, Rent Perfect, and analyzed actual and factual numbers to answer this question. We took all applicants who applied for a qualification to rent either a single-family or multifamily rental across all 50 states from Jan. 1, 2022, through Oct. 15, 2022. See the graphic for specific results. Generally speaking, applicants with NO criminal history are twice as likely to have a credit score over 600,, which translates to rent getting paid more consistently and on-time. As a landlord, those are the type of odds that play in my favor.

Getting rid of criminal history as a qualifying factor for HUD properties now, and inevitably for private individuals in the future, would put you and your property at risk financially and physically. At Rent Perfect we know different criminal histories pose more of a threat than others, but we also know landlords are not the judge and jury and hold no special training on how to determine recidivism rates or risk based on each crime. Our research results clearly show that no matter what the crime is, whether felony or misdemeanor, credit scores go down and collecting rent is riskier for those with a criminal history than without.

So, what do you do about it? Rather than sulk in the corner – which may have been your childhood response to unfair treatment – we all need to band together and fight to protect our rights as private landlords. Uniting your voice with a local Real Estate Investment Association (REIA) can help us as landlords stand our ground and protect our investments. After all, we didn't do anything wrong.

David Pickron is president of Rent Perfect, a private investigator, and fellow landlord who manages several short- and long-term rentals. Subscribe to his weekly Rent Perfect podcast (available on YouTube, Spotify, and Apple) to stay up to date on the latest industry news and for expert tips on how to manage your properties.

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