

Why are the credit bureaus moving backwards?

As an investor I like to buy houses for the investment, but the truth is, my real love is technology. I'm amazed at how far the technology has come in cars for example from a horse and buggy to the fully electric Tesla; a lot about cars has changed. For those who grew up in the 60's or earlier, seatbelts or airbags were a completely foreign concept. Those basic safety features are now required in every car to provide us an increased measure of safety. Much like the improvements to automobiles, other technology like our phones and video cameras also just keep getting better and better. Our society has become to expect consistent levels of improvement in everything we do, no longer settling for the status quo.

This expectation recently hit our industry as bad tenants now have an improved chance of moving into your properties. What is an improvement for them is certainly not an improvement for you as a landlord. As of June 15, 2018, the major credit bureaus quit reporting all civil judgements and liens (great for tenants, bad for landlords). This includes: eviction judgements, consumer non-payment judgements, tax liens, and property liens. As you qualify people for your properties, the highest priority is, how do they take care of the roof I provide over their head? Do my tenants see their rental home as their most important payment each month? Are these applicants the ones who will leave you with a costly eviction? Are they the ones that stay in your investment for months without paying as your mortgage comes due?

I believe that the credit bureau not reporting liens and judgement will prove to be devastating to landlords, so why would they do that? Simple, two major factors make civil judgements and liens hard to report.

First, most judgements come from civil courts. Unlike criminal courts who report personal information like date of birth, many states have laws that do not allow civil courts to have personal data other than their name as part of the public record. Because of this lack of information, you cannot cross reference a second piece of data to confirm you have the right person. Imagine trying to find a lien or judgement on an applicant named John Smith? You would need an address, social security number, or date of birth to cross reference to ensure you have the right John Smith. And even then, there are Jr's and people with the same name and same date of births. Failure to cross reference these parameters jeopardizes the investigation and creates false positives. In other words, you received data on the wrong John Smith. The credit bureaus were constantly getting sued for reporting judgements and liens on the wrong individuals. So now their risk avoidance measures put you and your investment property at risk.

Second, judgements and liens can be satisfied but often were still reported as open because there was no updating mechanism to confirm the lien or judgement as still valid. For example, in Arizona a lien is good for 5 years if it is not renewed. Yet the credit bureaus report these for 7 years. There was no payment or satisfaction; they just expired which once again leaves the bureaus open to lawsuits.

In the old days, a private investigator would review and validate that these judgement and liens were still valid and belonged to the right person. That is a time-tested safety measure, so why would we stop doing that? Rent Perfect and our team of investigators have never stopped. A solid and dependable background report needs the eyes and instincts of a quality investigator, proving that the “old classics” can never be replaced. Rent Perfect is proud to announce that while everyone else is losing judgement and lien data, we are not. We still utilize investigative sources to crawl through the courts and cross reference data, allowing us to be certain it is your applicant on that judgment or lien.

In a world of making things better, Rent Perfect is not ready to throw in the towel because a process gets a little tougher. We will be cutting edge on technology, but still follow the processes that give our clients the best data possible to make an informed decision on protecting their assets. We can't imagine driving without seatbelts or airbags and we would definitely not risk your property to a tenant background that didn't include liens and judgments.

About the Author

David Pickron has been a licensed private investigator for over 20 years, specializing in tenant screening for real estate investment owners and property management companies. His company, Rent Perfect, an Investigative Screening Company, helps clients onboard tenants from the initial background check to leasing and payment collection. You can learn more by visiting www.rentperfect.com or calling 1-877-922-2547.