Screening matters more than ever - by Chris Ulep

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Property managers have seen a wave of risk issues arise since the pandemic prompted an increase in online applicant traffic. These issues challenge property managers' ability to stay ahead of lease and identity fraud. Let's look at recent developments around resident screening as well as the tools available to help operators confidently identify low-risk renters.

Heightened exposure to fraud

The increased adoption of online leasing has allowed prospects to move through the applicant journey more easily and efficiently than ever. But greater applicant anonymity increases the potential for fraud.

Consider the 2020 NMHC Apartment Resident Preferences Report's finding that 73% of leases are signed electronically. The reason for this high percentage is obvious: online leasing is simpler and faster than in-person leasing, but it makes reliable fraud prevention technology more important than ever. According to recent research from TransUnion, online fraud attempts have increased 46% globally since the pandemic began. That means more instances where applicants pose as someone else, invent false identities or simply change a few (relevant) details about themselves. It's next to impossible to clear every prospect on your own, manually, without opening yourself up to human error and a lot of time spent playing detective.

If you don't know who's living at your properties, you're opening your business and community to safety and financial liabilities. For instance, it might be harder to collect on property damages if the person you think you were renting to isn't actually that person.

New solutions to reduce risk

With modern technology, the age of guesswork and manual screening is over. It is now possible to know if someone is who they claim to be within a matter of seconds. Given the increased need to manage risk, operators should look to address ID and income fraud via the latest screening automation, ID authentication and AI-powered income verification tools.

Screening tools minimize risk and help you make smarter rental decisions. It's also important to note that the entire screening process can be a seamless part of the leasing process. When prospects

apply online, you can require them to fill out their screening information before completing the process. This fully integrated approach delivers fast, comprehensive reports that automate rental recommendations tailored to your properties. Now you can use your own judgement and the industry's latest, most sophisticated AI tools to find the best renters for your community.

As part of a modern screening process, you can also vet income using a combination of automation and AI to validate employment history, banking information and paystubs. Given that fraud takes many shapes and forms, it's important to have information about someone's criminal and credit history but also their job history. You can always ask for references, but those are fairly easy for any determined person to falsify. On the other hand, the latest income verification tools pull income data directly from over 80% of Fortune 500 companies and return reliable, trustworthy data in seconds flat.

Handling changes to screening regulations

Unfortunately, federal legislation on screening is far from clear and consistent. Property managers and owners need to stay informed and prepared to act in accordance with the law. Nicole Upano, AVP of Housing Policy & Regulatory Affairs at NAA, notes upcoming legislation to make source of income (SOI) a protected class is emerging in federal, state and local law. There is pending legislation at the federal level, while nine states and over 120 local jurisdictions have SOI laws already in place.

There is also new fair chance housing legislation that involves changes as to how housing providers can evaluate credit, criminal and rental histories. Operators have the challenge of complying with new state and local laws while finding the best residents to live at their properties.

Luckily, if you use fraud prevention screening workflows built into your leasing software, you can rest assured that the processes are legal and compliant with the latest regulations. Yardi has several screening solutions that do the heavy lifting for you. Learn more about our latest offerings at YardiBreeze.com.

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