

Leasing 101

An Educational Resource
for Prospective Renters



Step 1: Prepare to Rent	1
Determine Your Budget and Understand Your Rental Costs	1
Budgeting	1
Understanding Rental Costs	1
Step 2: Find Your New Rental Home	3
Step 3: Prepare for the Application Process.....	5
Resident Screening Criteria.....	5
Step 4: Apply for Your New Rental Home	7
Step 5: Sign the Rental Agreement.....	7
Knowing Your Rights and Responsibilities.....	8
What to Expect When You Move In	9
Preparing for the Move-in.....	9
Proper Care of Your Rental Home.....	9
Maintenance Requests.....	9
What to Expect When You Move Out.....	10
Giving Notice of Your Intent to Move.....	10
Cleaning of the Rental Unit	10
Changing the Utilities	10

Leasing 101: An Educational Resource for Prospective Renters

As you begin the search for your next rental home, the following resource is intended to be a helpful tool for you. From developing a budget and reviewing rental options to leasing your apartment and moving in, this guide includes informational steps to assist you throughout the process.

Disclaimer: This document is intended for informational purposes only. It is not legal or operational advice. When searching for a rental home, you should also be aware of applicable federal, state and local laws. If you have any questions about your rental agreement or lease contract, you should consult a licensed attorney.

Step 1: Prepare to Rent

Determine Your Budget and Understand Your Rental Costs

Budgeting

Beginning the search for your next rental home can be an exciting time and opportunity. Before you even begin to look at rental options, build a solid foundation for renting by taking some time to think through your budget.

A successful renting experience starts with understanding your finances and determining how much you can spend to rent. Consider using tools like [Freddie Mac's budget worksheet](#) to help you.

To help guide your decision-making process, the 30% rule or 50/30/20 rule are common budgeting standards designed to assist.

- The **30% rule** states that you should try to spend no more than 30% of your gross monthly income on rent.
- The **50/30/20 rule** suggests 50% of your monthly income should go toward necessities (including rent), 20% should go toward debt payments and savings and the remaining 30% should be set aside for discretionary and lifestyle-related expenses.

Understanding Rental Costs

You should plan to pay upfront costs in the application phase and when you sign your lease as well as ongoing monthly rental costs.

Upfront Costs may include:

- **Application Fee** – An application fee, sometimes known as an administrative fee or lease administrative fee, generally covers the costs incurred during the application process, including processing your application, obtaining your consumer report or other criminal, financial or rental history or utilizing resident screening or fraud detection tools. *Application fees are generally per applicant over the age of 18.*
- **Security Deposit** – A security deposit may be required to cover the costs of damages, which could include damage to the unit that exceeds normal wear and tear, unpaid rent or other costs. The amount varies per market, but it is usually a fixed cost or equal to one-to-three months' rent.
- **Pet Deposit or Fee** – A pet deposit or fee may be assessed for each animal that will live in your new rental home.
- **Move-In Fee** – A move-in fee may be assessed to cover turnover costs or for dedicated use of the community's freight elevator.
- **Moving Costs** – Whether you need boxes and tape, a rental truck or movers, you'll need to consider moving costs when you calculate your up-front expenses. Some utilities may require upfront security deposits for new accounts.

Monthly costs may include:

- **Rent** – Rent covers the use of your rental unit, the community's amenities and may include some utilities and parking. It's established in the rental agreement which also includes the method of payment and when the rent is due and considered late. Remember you will experience rent increases overtime as your housing provider's expenses increase or to keep pace with inflation. (Note: In some states, rent does not cover community amenities.)
- **Pet Rent** – Instead of an upfront deposit or fee, your housing provider may charge an ongoing amount for animals that reside in your home. Every rental community is different. Ask your housing provider to learn more about any upfront or ongoing pet-related costs you should expect.
- **Renters Insurance** – Your housing provider maintains several different types of insurance to cover their liability. However, you may be required to obtain renters insurance which helps protect you and your personal property from unexpected perils—such as kitchen fires, water damage, theft and dog bites. Even if it is not a requirement, it is something that should be considered.
- **Utilities** – While some utilities may be included in the rent, renters are responsible for setting up an individual account and paying for certain utilities, which could include internet. Generally, utilities include electricity, gas/propane and possibly water and sewer that is separately metered and managed by a third party or government agency. It is important to ask your housing provider and learn about the utilities you are responsible for.
- **Fees** – There are different types of fees that you may pay in addition to your rent. As an informed resident, ask about fees during your rental search and read your lease to understand any fees that

are part of the agreement.

Fee Type	Definition	Examples
Mandatory	These fees/charges are required of all residents. They can be one-time or recurring. Generally, they are a fixed amount, but might be percentage based.	<ul style="list-style-type: none">• Annual amenity• Trash pickup• Package storage / delivery
Contingent	These fees/charges are based on the actions of a resident. They generally are one per action but can be a fixed amount or a percentage.	<ul style="list-style-type: none">• Late fees• Non-sufficient funds fees on a bounced check
Optional	These fees/charges arise from a choice made by the resident. They can be one-time or recurring. Commonly, they are a fixed amount.	<ul style="list-style-type: none">• Pet fee• Bike storage• Car parking
Usage Based	These fees/charges are based on the usage of items like utilities. They are recurring and fluctuate in amount based on the resident's usage.	<ul style="list-style-type: none">• Water• Gas• Electricity

Knowing the fees associated with living in the rental unit is a key part of knowing if you will be able to afford the rent and fees associated with living there. **That is why it's important to ask about all fees and charges associated with the unit before applying.**

If the information you receive is incomplete or not provided, move on and find a rental property that is willing to disclose the information at your request.

Step 2: Find Your New Rental Home

Once you decide on your rental budget, you should consider some basics in the search for your new rental home:

- **Find housing that suits the needs of your household** – Look for housing that can accommodate the size of your household. Remember housing providers must comply with occupancy standards that limit the number of people living in a rental unit.
 - When living with others, consider that all adults must sign the rental agreement and they will be held liable for the full rent amount jointly and individually. It is important to consider the financial responsibility of any potential roommates.
- **Learn about the location and parking situation** – Consider the distance to and from work or school, proximity to your loved ones and access to public transportation and major roadways. Ask whether parking is available on-site and whether it's included in your rent.
- **Consider the factors that would make your apartment community feel like home** –

- **What amenities do they offer?** Consider what you need vs. want. For example, nearly 90% of prospective residents want a gym, but on average only 10% use it on a regular basis. Amenities can increase the cost of rent or have fees in addition to rent, so be realistic about what you need, will utilize and are willing to pay for.
- **Is the property pet-friendly?** Some properties will allow pets, but they usually come with restrictions and additional fees, so you should take that into consideration.
- **Are you looking for smoke-free housing?** Smoke free rental homes exist and should be considered as part of your search, especially if you or someone living with you has a sensitivity to secondhand smoke.
- **Ask if you need flexibility in the length of your lease** – The length of the rental agreement will generally vary, with options ranging from month-to-month to six months and year leases. Consider your situation and how long you will want to live in the rental community. Depending on your need, the length of your lease may influence your rental cost.
- **Consider reviews** – Online reviews and social media will give you a sense of what current and former residents think of the community. Like any review that you read online, read with caution!
- **Avoid scams** – Unfortunately, when searching for a rental home you must be cautious of rental scams. This is especially true when you are looking for an individually owned single family home or condo. Some tips to avoid being scammed are to:
 - **Verify the lister's identity** – Check for proof that the person you are dealing with owns or is authorized to rent the property. Do an online search of the company and check their reviews. If you found the listing on a third party's website, don't be afraid to reach out directly via the company's website to confirm the posting is genuine. You may also consider searching the database of the local tax assessor for ownership information.
 - **Beware of a rushed timeline** – If you are being asked to submit a deposit or share personal information before seeing the rental unit, be careful. If the person is a scammer, you risk losing your deposit and being the victim of identity theft.
 - **Go and see the unit** – It's easy to lift information on rentals and homes for sale off the internet and repost them for a rental scam.

Here is an additional resource from the Federal Trade Commission (FTC): [Keys to avoiding home rental scams | Consumer Advice \(ftc.gov\)](#)

A successful rental search is much like going grocery shopping. It all starts with your rental search check list. By making a list of what you want based on the decisions you have made about your preferred location, size of the unit, rent, amenities you want and the rental criteria that they use in relation to your qualifications.

This will help to make your rental search as efficient as possible and allow you to be wise with the money you spend on application fees.

Step 3: Prepare for the Application Process

When you apply for a rental unit, the individual or company will be evaluating the applicants for risk while also complying with applicable federal, state and local laws. Generally, part of the risk scoring involves looking at your credit scores, previous evictions, employment record and criminal and rental history. The information gathered is evaluated against a resident screening criteria to determine which applicant is selected for an available rental unit.

In most cases you will have to pay an application fee. The amount of the fee may vary, so it's best to ask the cost of an application fee up front when you are shopping for rental units and gathering information on their resident screening criteria.

Resident Screening Criteria

Most of the rental communities you are considering for your rental home will have resident screening criteria – a set of requirements by which you will be evaluated as a potential tenant. Basically, it establishes the parameters the operator of the rental community uses when evaluating residents for available rental units. It also represents the level of risk the operator is able to accept.

The intention is that all applicants that apply are reviewed based on the same standard to ensure compliance with federal, state, and local fair housing standards.

When you are searching for a rental home, focus your attention on communities that publish or will share with you the rental screening criteria. Documents including paystubs, Social Security information, student loan paperwork, child support payments, etc. can be used to show proof of income. If you have poor credit, an eviction, bankruptcy or a criminal history you should be up front and ask if that will impact your application. The person helping you through the leasing process may not know all the details of their resident screening criteria. If that is the case, ask to talk with someone who can answer your questions before you apply. If they are unable to provide you with their resident screening criteria, consider applying to other rental options.

The following aspects of rental criteria are things you should consider.

- **Rent to Income Ratio** – When your application is evaluated, they will consider your income in relation to the monthly rent. Typically, an applicant will need a gross monthly income that is 2.5 to 3

times the monthly rent, but it can vary, so it is best to ask. Rental assistance programs, like the Section 8 Housing Choice Voucher program, have different standards too.

- ***Credit Score** – Your credit score, which is an indicator of your ability to pay your bills, may be part of the screening criteria. There are a variety of credit scoring models that take various factors into consideration, which is why knowing your credit history and correcting any errors with the credit bureaus is very important.

More on Credit Scores

- There are three national credit bureaus that collect your payment history regarding credit you have received. This includes payments on credit cards, car loans, mortgages, etc. The information is then scored based on a variety of factors to establish a credit number. The higher the number the better the credit risk.
- You can access your TransUnion, Experian, and Equifax reports through [AnnualCreditReport.com](https://www.annualcreditreport.com). Understanding your credit history and correcting any mistakes better positions you in applying for any type of credit.

- **Bankruptcy** – If you have declared bankruptcy in the last seven years, it will be on your record. If you have a bankruptcy on your record, you should ask if they consider bankruptcies when evaluating applicants and what is their policy.
- ***Eviction/Unlawful Detainer Action** – If you have eviction history, you should ask the housing provider if eviction is part of their screening criteria for the property. You should disclose any eviction history they may find in a consumer report; falsifying your application is generally an automatic denial of a rental application. Also, be prepared to provide an explanation. Consider sharing why you are no longer at risk for eviction, for example, recent history of steady employment and paying your rent on time.
- ***Criminal Record** – If you have a criminal record, consider asking if the housing provider includes criminal history in their screening criteria for the property. If you have any criminal convictions, you should disclose it in your application and be prepared to explain items on your record for housing provider's individualized assessment procedure. Falsifying your application is generally an automatic denial of a rental application.
- **Security Deposits** – Some rental operators may require a security deposit. Depending on state laws, the deposit can be used for a variety of things ranging from: damages, loss of rent, repairs to the rental unit, agreed upon fees that are unpaid and unpaid utility charges that the resident owes, and are applied to the property owner.
- **Guarantors/Cosigners** - Guarantors/cosigners are an option for some renters who don't meet one or more of the rental criteria. In some cases, like student housing, each resident is required to have a

guarantor. Should this be an option for you, the guarantor/cosigner will be required to complete a rental application and meet the income and credit criteria which may be different from the original criteria.

**Disclaimer: Resident screening laws (including, but not limited to, credit history, criminal record, and eviction history) and disclosure requirements about resident screening criteria vary from state.*

Step 4: Apply for Your New Rental Home

- Determine if you need a guarantor or co-signor.
- Complete the rental application – Should you have roommates or a guarantor/co-signer, they will be required to complete separate applications. Generally, anyone living in the apartment who is 18 years or older is required to complete an application and sign the rental agreement.
- Pay the application or admin fee.
- Gather and submit your documentation – Have your identification documents (driver's license, state-issued ID, passport, social security card, etc.) available (make sure none are expired) as well as documentation on your employment and rental history.
- Your rental application may or may not include references. If it doesn't, consider providing rental or personal references if you think this will positively influence your application.

Step 5: Sign the Rental Agreement

Before signing any agreement or contract, you should read it and ask questions about anything you don't understand or need more information on. Remember that once a rental agreement is signed by both parties (renter and property owner), it becomes a binding contract. Request a copy of the executed rental agreement for future reference.

The length of the agreement will vary, depending on the type of property, its age and applicable local, state and federal laws. If you are seeking a rental home in an apartment community, you should pay attention to the house rules that will designate quiet hours and use of the community amenities. If you are renting a

single-family home, you may have special requirements regarding landscaping. Reading your rental agreement and following it will protect you and the property owner.

Knowing Your Rights and Responsibilities

A renter's rights and responsibilities include the legal protections and remedies to which you are entitled and the rules you will obey as a resident. These are part of the rental agreement that also outlines the rights and responsibilities for your housing provider. Here are examples of both:

Resident Responsibilities

1. Pay rent and any utilities agreed upon in a timely manner and in accordance with the lease terms.
2. If required, obtain and maintain renters insurance or tenant legal liability insurance for the rental unit.
3. Allow landlord access to the rental unit at reasonable times and for practical purposes, such as maintenance, inspections, and other required services.
4. Keep your rental unit free from rodents, pests and insects.
5. Keep the rental unit clean, sanitary, and safe as conditions permit.
6. Dispose of garbage and other debris properly, using provided receptacles or other approved trash containers.
7. Properly operate plumbing, electrical, cooling and heating systems.
8. Be respectful of other neighbors and residents.
9. Do not engage in hazardous or other activities that could physically harm you or other residents.
10. Upon move-out, return the rental unit to the same condition it was in at move-in.
11. Comply with all community rules and housing codes.
12. Alert the landlord to health or safety issues in a timely manner.

Owner Responsibilities

1. Be familiar with and follow federal, state and local laws, including the state's Landlord-Tenant Code.
2. Follow all state and local building, fire and housing codes affecting a resident's health and safety.
3. Make all repairs needed to keep the rental unit fit and habitable.
4. Maintain structural components in good repair and working order.
5. Maintain any appliances provided with the rental unit.
6. Keep all plumbing, electrical, cooling and heating systems in good and safe working order.
7. Provide adequate locks and keys.
8. Keep all common areas, walkways, stairways, and halls safe and free of debris.
9. Notify residents of rent increases in accordance with state or local laws.
10. Maintain all lights, ventilation systems, windows and doors.

11. Respond to all maintenance and service requests in a timely manner.

These are not exhaustive lists. Individual state and local laws may differ in some areas; however, these represent common themes in rental agreements around the nation.

What to Expect When You Move In

Preparing for the Move-in

As moving day approaches you should start preparing, which entails more than bringing your boxes and furniture into your rental home. You should:

- Ask about the process for your move in inspection. Many state laws have provisions for damages that can come out of your security deposit minus ordinary wear and tear; to protect yourself from preexisting damage, you should document the conditions of the unit prior to moving in.
- Change the utilities to your name to avoid an interruption in service.
- Verify where you can park the moving van. Some rental communities and cities have restrictions on access and parking. You may need a permit.
- Make sure that the staff at the rental community is aware of the day and time you plan on moving in in case they need to provide you with access to parts of the building that are not ordinarily available to residents.
- Understand the rent amount due prior to move-in to be given access to your new rental home. Ask whether certified funds are required.

Proper Care of Your Rental Home

After you have moved into your rental home, you should make sure to follow any house rules and properly care for your new rental home. This includes proper cleaning to avoid creating conditions that may negatively impact you and your family or cause damage to your rental home.

Understand recycling and trash disposal requirements. Rental homes may or may not have a bulk trash disposal system in place. Cleanliness issues can be grounds for infractions, fines and potential cause for evictions.

Maintenance Requests

If you need maintenance or repairs, you should contact your property manager to let them know so they can schedule the necessary repairs. Some communities may require you to use an app on your mobile device and others may allow you to report requests by phone. Regardless of the method to be used, you should

make the request. When scheduling the work in your rental home, you should consider if you will be present during the work or not. Larger rental communities with onsite maintenance staff may be able to do the repairs while you are at work. Emergency maintenance may be required if the damaged equipment or property immediately puts residents' health and safety in danger or the property itself is at risk.

What to Expect When You Move Out

Giving Notice of Your Intent to Move

When moving out of your rental home, you should read your agreement or talk with the property manager to understand the notice requirements that you agreed to give in your rental agreement. The period of notice varies by state, so it's best to know this before starting the search for your next home. Please provide your new address so that you can receive your security deposit refund in a timely manner.

Cleaning of the Rental Unit

Typically, you are required to give the rental unit back to the property manager in the same condition as you received it. This means that the flooring, walls, countertops, appliances, etc. should be as clean as they were when you did your move in inspection. Failure to return the unit in a clean and rentable condition will incur cleaning costs that can be deducted from your deposit. You may also incur the cost of damage to the unit, above normal wear and tear. Consider documenting the unit's conditions with pictures or a form completed by you and your housing provider.

Changing the Utilities

If you move out without notifying your utility providers, you may be responsible for extra charges and expenses. By notifying the provider in advance of your move out date, this avoids extra charges and if you provided a security deposit for your utility services, it ensures that you can get them back.