

How to Rent with Bad Credit

Self.

BY MICHELLE LAMBRIGHT BLACK

Leasing an apartment or home with bad credit can be a challenge, but if you follow the right steps some landlords may be willing to work with you.



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Introduction

Apartment complexes, property management firms, and landlords often use credit scores to help predict risk. Credit scores like FICO and VantageScore predict the likelihood that a consumer will fall 90 days or worse behind on a credit obligation within the next 24 months.



Translation:

A good credit score tells a landlord that you're less likely to pay your bills late.

Discover the minimum credit score to rent

Each landlord sets its own approval criteria for tenants. So, there's no universal minimum credit score you must achieve to be eligible to rent an apartment or home. Nonetheless, many landlords require at least a 620 FICO® Score from potential tenants. This is considered a "fair" FICO Score when you consider the overall credit score range of 300-850.

The renting system (and financial system as a whole) favors those who have good credit scores. Still, there are options for people who are working to build or rebuild their credit. If you have a bad credit score that you're trying to improve, you just might need to adjust your strategy and find a landlord that's willing to work with you in the meantime.

Before you start your property search

CREDIT SCORE



Know your credit score

It's important to know where your credit stands before you begin your search for a new place to live. Whether you want to rent an apartment or a home, the landlord or property manager will likely review your credit report and score to assess your risk as a potential tenant.

You can get a free copy of your credit reports from Equifax, TransUnion, and Experian via [AnnualCreditReport.com](https://www.annualcreditreport.com). These free annual reports are available courtesy of the Fair Credit Reporting Act (FCRA). Through the end of 2023, you can use the same website to access free weekly credit reports as well.

To check your credit scores, you may need to get more creative. You can pay for FICO Scores online at [myFICO.com](https://myfico.com) or through the various credit reporting agencies. And your credit card issuer might give you a free copy of one of your FICO Scores too if it participates in the FICO® Score Open Access program. Finally, you can get a free Experian-based FICO Score through the Experian website.

Other websites offer free VantageScore credit scores from one or more of the major credit bureaus. Even if a landlord doesn't use a VantageScore credit score when you apply for a new lease, checking these scores can still provide insight into your creditworthiness.

Pay your bills on time

Bad credit scores aren't the only red flag landlords look for when you apply to lease an apartment or home. That makes it essential to pay your bills on time prior to searching for a new property to rent – especially rent and bills that appear on your credit report.

If a credit check reveals that you have made recent late payments, a landlord might be hesitant to approve your rental application. Past-due notations on current bills and derogatory credit history on former rentals or mortgages (e.g., evictions, foreclosures, etc.) might be especially problematic when you're trying to rent a new place to live.





Save for a larger deposit

Putting up a larger deposit could be helpful when you're trying to rent an apartment with bad credit. A bigger deposit can reduce a landlord's risk. In the event something goes wrong (like a broken lease), a larger deposit could cover the landlord financially while they're looking for a new tenant.

In addition to lowering the landlord's risk, a larger deposit may also communicate that you're serious about recovering from past credit mistakes. And if there's a lot of competition for a particular property, saving a big deposit in advance might help you stand out from the crowd.

Note: Rental scams are common. The last thing you want is lose your hard-earned money to a criminal with bad intentions. Before you hand over a deposit of any size, conduct thorough research to confirm that the rental opportunity is legitimate.



Consider building credit

Working to rebuild good credit after past financial mistakes won't erase bad credit history. Opening new accounts and managing them in a responsible way, however, might build better credit for the future.

Want to demonstrate that you're serious about rebuilding credit? Consider whether the following types of accounts might be a good fit for you.



**Secured Credit
Cards**



**Credit Builder
Accounts**





CONSIDER BUILDING CREDIT

Secured credit cards

Secured credit cards can be a good credit-building option to think about even when you have credit challenges like a bad credit score or no credit history. With credit challenges, some credit card issuers may be hesitant to approve you for new accounts. Yet the approval criteria for secured credit cards doesn't tend to be as strict.

With a secured credit card, you typically make a deposit that's equal to the credit limit on the account. This security deposit reduces the risk involved for the card issuer. Because you're backing the account with your own funds, the credit card company is more likely to approve your application.

Remember, it's important to manage your new secured credit card responsibly if your goal is to build or rebuild credit. Avoiding late payments is essential. You should also pay your full statement balance every month, and keep your credit utilization rate low to protect your credit score.

Credit builder accounts

A **credit builder account** could be another smart way to build credit for many consumers. Like secured cards, credit builder accounts usually feature easier-to-satisfy approval criteria and may work for people with no credit or bad credit.

Here's how this special type of installment account works.

- The lender holds the loan proceeds you borrow in a separate account.
- You make loan payments according to the terms of your agreement.
- Many lenders report your payment history to one or more of the credit bureaus.
- After your final payment, the lender releases the loan proceeds to you plus any interest you earned (if applicable).

If you're considering a credit builder account, look for a lender that reports to all three major credit bureaus. Otherwise, your credit-building potential may be limited (or non-existent if the lender doesn't report to any credit bureau at all).



How to improve your chances of renting

Bad credit can make it tough to rent an apartment or home. But if you can find ways to reduce the landlord's risk, you may be able to strengthen your rental application despite the credit challenges you're facing.





Consider a roommate

One possible way to improve your odds of leasing with bad credit is to find a roommate with good credit and look for a rental together. If you're applying with a roommate, consider listing the person with the highest credit score as the primary rental applicant. Ideally, you want the landlord to check that person's credit first to make a good first impression.

Another way to rent with bad credit is to find someone who already has a home or apartment who's looking to take on a roommate. The landlord or property owner might still ask you to fill out an application and submit to a credit check as an additional tenant occupying the property. Yet you may have an easier time qualifying as additional occupant in this scenario since you're not the primary leaseholder.

Find a cosigner

Living with a roommate isn't a feasible option for everyone. Yet some people might be able to ask a friend or family member with good credit to cosign their lease instead.

A cosigner with good credit could reduce a landlord's risk. But your friend or family member will be accepting a significant amount of risk in return.

Should you break your lease or damage the rental property, the landlord may hold you and your cosigner liable for damages or unpaid rent balances. Such actions might affect the credit scores of both you and your cosigner. Worse of all, it might hurt your relationship.



Get a letter of recommendation

Another strategy that might improve your chances of renting with bad credit is to provide potential landlords with letters of recommendation. A good letter of recommendation should confirm your reliability or perhaps the fact that you're working to overcome past credit problems and could come from one of the following sources.

 **Former Landlord**

 **Creditors**

 **Utility Providers**

 **Employer**

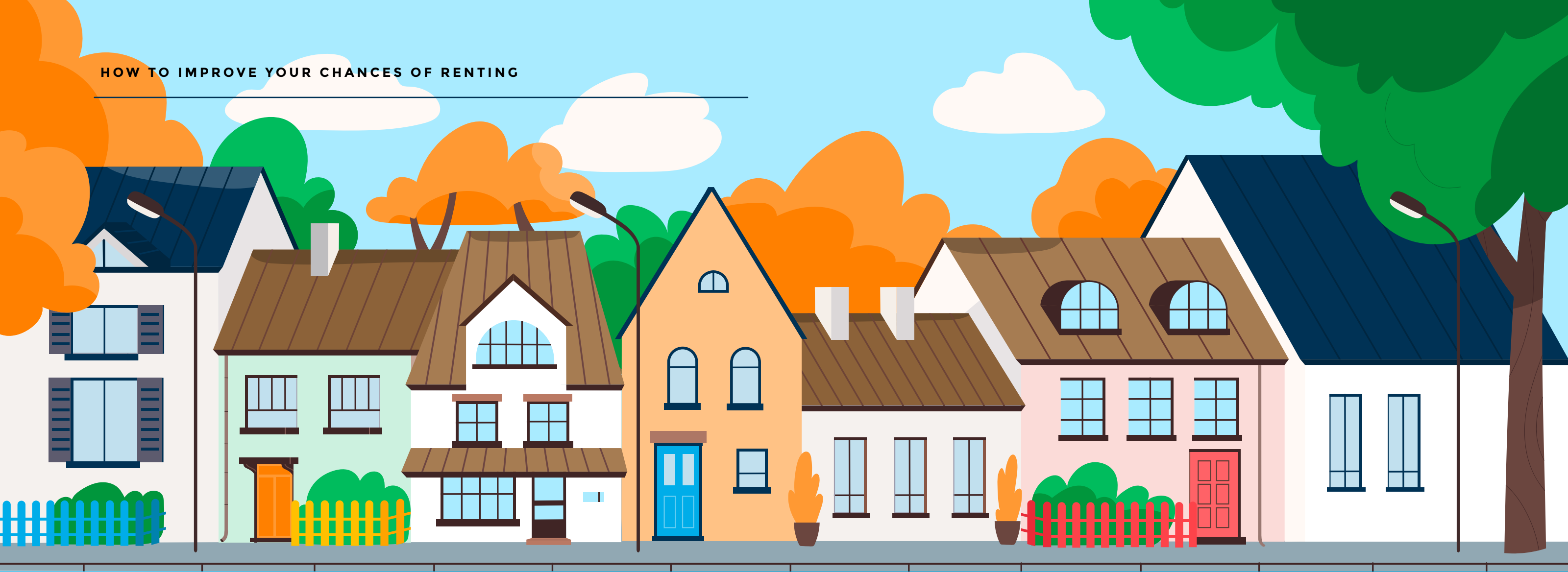
 **Bank**

 **Credit Counseling Program**

 **Credit Repair Service**

You could also provide a personal explanation letter explaining a past hardship that you are working to overcome. For example, if you went through a divorce or an illness in the past and experienced credit damage as a result, letting potential landlords know about your situation may help set their minds at ease.





Find properties that don't require a credit check

Established property management companies typically want to do a credit check when you apply to rent an apartment or home. Private landlords, on the other hand, might be willing to enter into a new lease without this requirement. As a trade off, however, you might wind up looking at some less desirable rental properties in return.

Locating properties that don't require a credit check can also be more of a challenge. You may need to comb through the classified ads of local newspapers, Craigslist, Facebook Marketplace, etc. (As you do so, be careful to watch out for rental scams that may be more common in these types of listing environments.)

Provide proof of income

Bad credit can be an obstacle to renting an apartment or home. Yet if you can prove that you have sufficient income to cover the cost of the rental after other expenses (and then some), a landlord may feel more comfortable renting to you.

Every landlord is different. Some like to see you earn at least three times the monthly rental payment of the property you're seeking to lease.

Landlords may accept a variety of documents as proof of income including:

 **Paystubs**

 **Tax Returns**

 **W2s or 1099s**

 **Employment Verification Letter**

Furthermore, being willing to set up automatic drafts for your rent might also strengthen your application if you're trying to compensate for a bad credit score.

Positive steps you can take once you're renting

It can be a relief to qualify for a rental property despite having bad credit. Yet you shouldn't ignore the need to work on your credit and finances after you've moved into a new home or apartment.

Working to earn a good credit score can pay off in many ways. When your lease is up, good credit might make it easier to renew your lease, rent a new property, or buy a home. A good credit score also has the potential to help you qualify for auto loans, credit cards, save money on auto insurance premiums, and much more.

Below are some positive steps you can take to keep improving your credit and finances once you're renting.





Use rent, phone bills, and utility bills to establish credit

Paying bills on time has the potential to help you establish credit history and build good credit scores. But there's a catch. Not all creditors report payment history to the credit bureaus.



In most cases, bills like rent, mobile phone payments, and rent don't show up on your credit reports. Yet you may be able to add them to one or more of your credit reports through a third-party service like [LevelCredit by Self®](#) or Experian Boost.

For a fee, LevelCredit by Self allows you to add rent, cell phone, and even utility payments to all three of your credit reports – Equifax, TransUnion, and Experian. The service can even help you add up to 24 months of past payment history which could have a positive impact on your [length of credit history](#).

Experian Boost is free. However, the service only impacts your Experian credit report and associated credit scores.

Set monthly budget and savings goals

Working on your credit after you get into a new rental is wise. Just don't forget to set goals when it comes to your money too.

-  To begin, consider updating your budget (or **creating a budget** if you don't already use one). A budget isn't meant to be a tool of restriction. Instead, it's a way to prioritize your financial goals and map out a way to achieve the things that matter most to you.
-  Next, consider setting a goal to **save a percentage of your paycheck** each month. Even if you're working to **pay down debt**, establishing the habit of saving can be helpful in the long run. Eventually you can increase the amount you save as you eliminate debts and free up more room in your budget.

A CFPB study found that a consumer's level of emergency savings often aligned with their credit score (and other financial details). Those with zero savings, for example, were most likely to have no credit or a subprime credit score. Consumers with the highest levels of savings, by comparison, had prime credit.



Conclusion

Searching for a place to rent while you have bad credit can be a struggle. However, the strategies in this guide provide useful tips to help increase your odds of success.

If you are able to rent with bad credit, remember that it's still important to prioritize improving both your credit and financial health. Better credit and savings habits could save you money and open the door to better financial opportunities in the future.



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