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Equity Residential Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions). Your first question comes from Rob Stevenson from Fox-Pitt Kelton.

Robert Stevenson - Fox-Pitt Kelton

Hi, good morning guys.

David Neithercut

Good morning Rob.

Robert Stevenson - Fox-Pitt Kelton

Can you talk a little bit about where bad debt in the portfolio is been trending over the quarter versus the fourth quarter and what you've been seeing more recently?

David Santee

Rob, this is David Santee. You know bad debt has run about 1.1% historically, it's in the 70 basis point range and bad debt really has two key drivers. It's obviously write-off of rent but it's also damages. And we have implemented a pretty, let's say consistent but firm program across the country that really focuses on charges relative to quality of the apartment once we get it back from the resident. So, that's one reason for the increase.

The second increase is what we call accelerated rent. Those folks who choose to roll the dice and wait until that apartment is re-rented on the early termination. And the increase in the early termination part of bad debt is really a result of our increase in average backing day. So all-in-all bad debt is for the most part on track as we expect.

Robert Stevenson - Fox-Pitt Kelton

Okay. And then have you guys made any changes in the last few months on your resident underwriting criteria and how you score different things given the way that the markets been changing?

David Santee

This is David Santee again. We have a credit model that we've had in place for two years and simply it puts people into four categories. We haven't changed the model that defines these categories, but we will change how we treat residents that fall into those categories. So a person that falls into the third bucket that has very questionable credit. Previously we may require two to three months additional rent in security. Today we might be willing to take a little more risk and only ask one to one and a half months rent in security.

Robert Stevenson - Fox-Pitt Kelton

Okay. And then last question for Mark. Based on recent conversations with the rating agencies, what's the capacity to continue to access secured debt before you're at risk of a rating agency downgrade?

Mark Parrell

Yeah, two points just to make. First on the covenant side we have about \$2.9 billion of covenant room before we had the secured debt limit. Your question related to the rating agencies. I think we would probably start to get rating agency pressure if we did call a 500 to a \$1 billion more of secured debt and didn't payoff a similar amount of secured debt. The fortunate thing we have is that this year it's pretty well all secured debt, there is one small unsecured maturity in June Rob.

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