



## RISC™ - Rental Income Stability Composite Index

The Rental Income Stability Composite (RISC™) index is a location specific, data-based indicator of the **rental income stability expected from a residential rental property**. Using historical rental performance, on-site due diligence, and expert interviews across the country, data factors for the RISC Index were selected and refined over a decade. Today, using predictive analytics and key data factors sourced from leading data providers, the future income stream of a rental property can be more accurately predicted.

The RISC™ index is a relative index ranging from 0 (no stability) to 100 (extremely stable). A relative index compares the data attributes of one location to peer locations. The RISC is a relative composite index that can be used to compare properties on either a Regional (MSA – Metropolitan Statistical Area Score) or a National (USA Score) basis.

Much like the FICO™ score is used to gauge the risk that a creditor will experience a default on the anticipated repayment of borrowed funds by a consumer (based on data about the consumer), the RISC™ index is used to gauge the risk that an (owner, manager, lender, etc.) will experience an interruption in the anticipated rental income from a residential property location (based on data specific to the location).

And just like a FICO score is typically used in conjunction with other factors (personal income, expenses, assets, etc.) to make consumer credit decisions, the RISC™ index is best used in conjunction with other factors (market rents, operating expenses, property characteristics, etc.) to make decisions concerning residential investment property.

RISC is a composite measure of a residential neighborhood's (census tract) risk relative to factors that influence the current (non-capital) income generation (rental income) of residential income property. Thus RISC is a measure of the relative stability of income from a property in an area based on application of predictive analytics including such factors as:

**Demographics (Income, Education, Profession, Age, Marital Status, Family Size)**

**Housing Type Ratios (SFH, Townhomes, 1-4 & Large Apartments, Mobiles)**

**Population (Total for the Tract, Density)**

**Tenancy Duration, Vacancy Duration, and Unit Turnover**

**Crime (Property and Violent, Incident Density)**

**School Quality (Size, Scores, Expenditures/Child, Graduation Rates)**

**Economic Factors, Unemployment Rate**

CATEGORY/RATING	SCORE RANGE	DESCRIPTION
Excellent ★★★★★ 🏠	>70	Strong positive influence in at least 4 of 5 factors – unlikely to experience income interruption.
Good ★★★★ 🏠	45 – 69	Solid positive influence with no poor influences – mild likelihood of income interruptions
Fair ★★★ 🏠	31 – 44	Average rating and thus typical likelihood of income interruption.
Inferior ★★ 🏠	21 – 30	Below average rating – strong likelihood of income interruption.
Poor ★ 🏠	<20	Very little stability and high risk of income interruptions.

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