

HPD/HDC Tenant Selection Criteria

Implemented 10/1/2015

| | <u>General Applicants</u> | <u>Homeless Shelter Referrals</u> |
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| Credit Score | <p>Developers may <u>not</u> reject applicants based solely on credit score. Credit score may be used only as an indicator of financial stability.</p> <p>Developers may choose to <u>accept</u> applicants with a credit score of 580 on a FICO scoring system without further review of their financial stability.</p> <p>If applicant’s credit score is below 580, applicant must also fail to meet one of the other criteria detailed in these guidelines in order to be rejected.</p> <ul style="list-style-type: none"> • Developers must explicitly state in the Marketing Plan how credit score will be used in evaluating applicants and must consistently apply the policy throughout the lottery. • If the developer is using a credit scoring system other than FICO as an indicator of applicants' financial stability, s/he is required to provide the monitoring agency with an explanation of the scale and scoring criteria for that model. | <p>Same as criterion for general applicants, except that developers may choose to accept homeless applicants with a credit score of 500, rather than 580, without further review of their financial stability, provided that the client is receiving a rental subsidy or is participating in a credit repair or financial improvement program.</p> |
| Eviction/ Landlord- Tenant Action | <p>Developers may reject an applicant for a prior for-cause eviction, provided that a warrant of eviction was executed upon within the last four years and the tenant never restored to possession.</p> <p>Developers may also reject an applicant for a history of multiple landlord-tenant actions within the last four years, provided that the actions were commenced by the landlord and resulted in a judgment of possession.</p> | <p>Developers may reject an applicant for multiple prior for-cause evictions, provided that two or more warrants of eviction were executed upon within the last four years and the tenant never restored to possession. Developers may also reject an applicant for a history of multiple landlord-tenant actions within the last four years, provided that the actions were commenced by the landlord and two or more of the actions resulted in judgments of possession.</p> |
| MONTHLY Debt to Income Ratio | <p>Developers may reject an applicant for monthly debt obligations (including gross rent and minimum credit card & loan payments) that bring an applicant’s gross debt-to-income ratio above 50% (60% if the obligations include scheduled repayments for incurred medical bills) at the time of processing.</p> | |
| TOTAL Debt to Income Ratio | <p>Developers may reject an applicant for total outstanding debt (excluding rent) per household exceeding 25% of the household’s annual gross income (30% if debt includes significant medical-related bill).</p> <ul style="list-style-type: none"> • In this “total” approach, rent is excluded to account for what actual “debts” a household has prior to executing a lease. Tenants with exorbitant debts pose financial risk for developers, so the acceptable level of debt is capped at a reasonable level that (a) acknowledges the applicant has accrued some debt but is responsibly paying it off as an alternative to bankruptcy and (b) specifically recognizes an additional accommodation for hardships created by medical and health-related circumstances. | |

NOTE: THESE POLICIES ARE THE MOST STRINGENT CRITERIA PERMITTED. DEVELOPERS AND MANAGING AGENTS MAY IMPLEMENT LESS STRINGENT POLICIES SUBJECT TO AGENCY REVIEW.

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| Bankruptcy | Developers may reject an applicant for a prior or pending bankruptcy, provided that the bankruptcy filing occurred within in the last two years (or less if the bankruptcy has already been discharged). | Bankruptcy (even within two years) should not result in rejection provided that (a) the applicant can document compliance with any and all terms of the bankruptcy order (including current standing with any ordered payments) and (b) the applicant can document participation in a credit repair or financial recovery program. <ul style="list-style-type: none"> • For shelter applicants, recent bankruptcy actions are common and affordable housing may be a critical component of their economic recovery. |
| Money Judgments | Developers may reject an applicant for open/unsatisfied money judgments or liens. <ul style="list-style-type: none"> • Developers may not reject applicants based on satisfied money judgments. If an applicant resolved a judgment in the past, it is a sign of positive progress and should not be held against an applicant. • Developers may not reject applicants for open/unsatisfied money judgments or liens, if such judgments or liens do not exceed \$3,000 in total <i>and</i> the applicant can document participation in a credit repair or financial recovery program. | |
| Delinquencies | Developers may reject an applicant based on rent delinquencies for which there is not an acceptable mitigating justification, if the delinquencies are (a) currently open or (b) if there is a history or pattern of rent delinquencies being a repetitive, chronic issue. <ul style="list-style-type: none"> • Developers may reject an applicant for other, non-rent delinquencies only if the current outstanding amount exceeds \$500 (e.g., an applicant should not be rejected based on a single overdue cable bill). | Developers may <u>not</u> reject a homeless client based on rent delinquencies occurring prior to shelter stay. Such circumstances are covered by the above criteria for “landlord-tenant action.” <ul style="list-style-type: none"> • Developers may reject a homeless client for non-rent delinquencies only if (a) the delinquencies are current and (b) when added to liens/judgments described above they cumulatively exceed the \$3,000 threshold. |
| Home Visits | Home visits may <u>not</u> be performed in tenant selection. | |

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