HPD/HDC Tenant Selection Criteria
Revised 4/1/2025

Credit Checks, Background Check Fees, and Evidence of Rent Payments

Applicants may avoid a credit check by providing evidence of complete rent payments for the preceding 12 months.

For applicants who choose to have their credit reviewed:

- If an applicant provides for review a copy of a credit check and a background check conducted within the past 30 days, the developer may not run a credit check or charge a fee for any additional background check.

- If an applicant provides a copy of a credit check conducted within the past 30 days but does not provide a copy of a background check, the fee for the background check is limited to the actual fees or $20, whichever is less.

- When both a credit check and background check must be run, the fee for both checks is limited to the actual fees or $20, whichever is less.

- Developers must provide the applicant with a copy of the background and/or credit check and the receipt or invoice from the entity that conducted the check, after which the applicant may be charged a fee.

Note: credit checks are not permitted for voucher-holders, homeless referrals, or clients in process for project-based subsidy or supportive units

Background Checks

Please review Attachment AA-1 (Justice Involvement Guidance) for a full explanation of acceptable protocol when conducting and reviewing a background check on an applicant.

Allowable Rejection Criteria in cases where Credit Checks are permitted
Bankruptcy

Developers may reject an applicant for a prior or pending bankruptcy, provided that the bankruptcy filing occurred within <u>the last 12 months</u>.

Credit Score

Developers may <u>not</u> reject applicants based solely on credit score. Credit score may be used only as an indicator of financial stability.

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.

If applicant's credit score is below 580, applicant must also fail to meet one of the other criteria detailed in these guidelines to be rejected.

- 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

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> scale and scoring criteria for that model.

Developers may reject an applicant if their <u>total</u> open/unsatisfied delinquencies, collections, money judgments, and liens exceed <u>$5,000</u>.

- Excludes delinquencies due to medical debt or student loans.
- Delinquency must be currently 120+ days past due or in collections.

Prohibited Information and Criteria – All Applicants

- Housing Court history / landlord-tenant actions
- Home visits
- Debt-to-income ratios
- Lack of credit or rental history
- Guarantors, co-signers
- Home visits, photos/videos, etc.
- Personal references
- Contacting previous landlord, neighbors, etc. for information

Approval Criteria for Voucher-holders

- Developers may reject an applicant who reports rental assistance on their application under the following conditions:
  - No proof or history of an active voucher is submitted
  - If voucher or shopping letter is expired for more than one year.
- Developers must process applicants for Conditional Approval if they provide:
  - Copy of active voucher or shopping letter
  - A Voucher that is expired by no more than one year
  - A copy of a shelter letter
  - Current lease or household composition letter from a PHA that indicates that the applicant is receiving subsidy in their current residence
    Note that public housing residents cannot transfer their voucher out of their unit
- Where Conditional Approval is granted for an applicant without an active voucher, developers must hold a unit for 30 days pending voucher issuance. Applicants who cannot produce or prove an active voucher within 30 days may be rejected.

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