

A GUIDE TO RENTING AFFORDABLE HOUSING



For many of us, where we live is the most important decision we make and our housing costs are a major part of our budget. Finding affordable rental housing can be challenging and overwhelming. This guide was created through the Statewide Housing Services Collaborative to provide tips and help you navigate the process to finding an affordable place to call home.

Topics include:

- Determining affordability
- Understanding your credit score
- Preparing your apartment resume
- Asking the right questions
- Repairing your background
- Understanding your lease
- Qualifying for public housing

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Before you start searching for an apartment, it's important to know how much you can afford. Take a look at your monthly income. As a rule of thumb, you should only be spending 30% of your gross income¹ on housing (rent and utilities) so that you can also afford food, transportation and healthcare.

\$15.66 The hourly wage needed for a single adult to rent an affordable two-bedroom apartment in North Dakota, costing **\$814**, based on HUD's fair market rents².

Let's say Betty makes \$15.66 an hour and typically works 40 hours a week. Here is how we would determine her monthly income.

Hourly wage X hours worked per week X 52 weeks ÷ by 12 months.

$\$15.66 \times 40 = \$626.40 \times 52 = \text{her annual income of } \$32,572.80 \div 12 = \$2,714.40$

To ensure that she is not going to be paying more than **30%** of her gross income, we'll take her monthly income of $\$2,714.40 \times 30\%$ or $.30 = \$814.32$.

DON'T FORGET UTILITIES

Utilities in an apartment usually include water, heat, electricity, cable/internet. In some cases, some utilities are included in your rent payment, but it is important to get that information up front. You should assume that utilities will equal about 18% of your rent depending on your location and type of rental. To figure out your utility cost take your rent $\$814 \times 18\%$ or $.18 = \$146.52$, for a total housing payment of **\$960.52**. If the apartment that Betty is interested in **does not** include utilities, the total of rent and utilities should not exceed **\$814**. This means Betty can afford **\$690** for rent and an **18%** utility payment of **\$124.20**. It is important to understand what is included in your rent payment and to budget for these expenses.

YOUR FIRST MONTH

The first month in your new apartment, you should be prepared to pay first month's rent, a security deposit³ and utilities.

In Betty's case, her rent is \$814. Her landlord is asking for a security deposit of \$700 and she figures her utilities will be around \$146. She needs to save approximately \$1,660 before she can move.

Having a good handle on your income and expenses and budgeting for the future is a great first step in beginning your rental search.

¹ Gross income is defined as your salary or wages before any deductions are taken.

² Fair market rent is the amount of money a property would rent or lease for if it were available at this time.

³ In North Dakota, a security deposit cannot exceed the amount of one month's rent. If the tenant owns a pet, the landlord may require a "pet deposit" not to exceed the greater of \$2,500 or two months to cover any pet related property damage. This amount includes the regular deposit, Legal Services of North Dakota, www.legalassist.org.

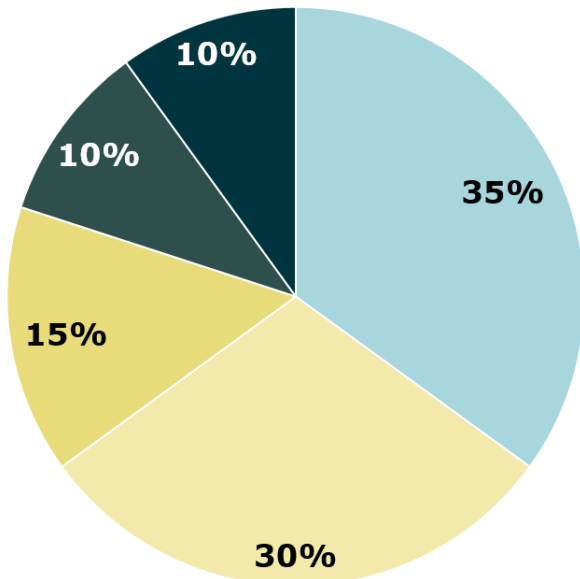


Your credit score plays a big role when shopping for an apartment, home or any consumer credit. Your credit score is a numerical score that is based on information from a credit reporting agency. Credit scores are used to assess how likely a person is to meet his or her financial responsibilities. It is important for you to know and understand your credit history prior to applying for an apartment or home loan so that you can correct any mistakes that may adversely affect you.

WHERE CAN I GET MY CREDIT SCORE?

Federal law allows you to obtain a free credit report each year. For a copy of a free report, visit www.annualcreditreport.com. Please note that this is a report only. To obtain your score, a nominal fee may apply. See resources on *Repairing Your Credit* for more information.

WHERE DOES MY CREDIT SCORE COME FROM?¹



35% payment history

Late payments can damage your score quickly, but a record of on-time payments helps your score.

30% outstanding debt

Less is more! Lowering debt can be the key to a higher credit score.

15% length of credit history

The longer history of responsible credit the better.

10% types of credit used

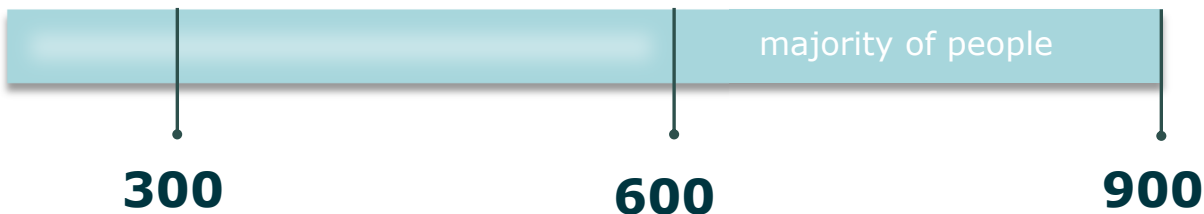
Responsibly managing different types of credit such as a student loan, auto loan and credit cards can help your score.

10% new credit

Opening new credit accounts may potentially lower your score; it represents a greater credit risk.

CREDIT SCORE RANGES

Most credit scores range from 300 to 900. Ideally, the higher credit score the better. If your credit score is below 600, refer to *Repairing Your Background* in this guide for more information and helpful resources.



Your credit score is a key component when it comes to housing. It always pays to improve your score before renting or purchasing a home.

¹ myfico.com

Before renting to you, most landlords will ask you to fill out a written rental application form. The application process includes a small fee that covers a background and credit history check.

A rental application is a lot like a job application. The landlord or apartment manager will be evaluating you to make sure the people they rent to are reliable and courteous. It's important to make a good first impression. Each adult in the unit will have to complete a rental application and it will usually ask for the following information:

Drivers license or passport and social security card.

These are used to pull your background and credit history information.

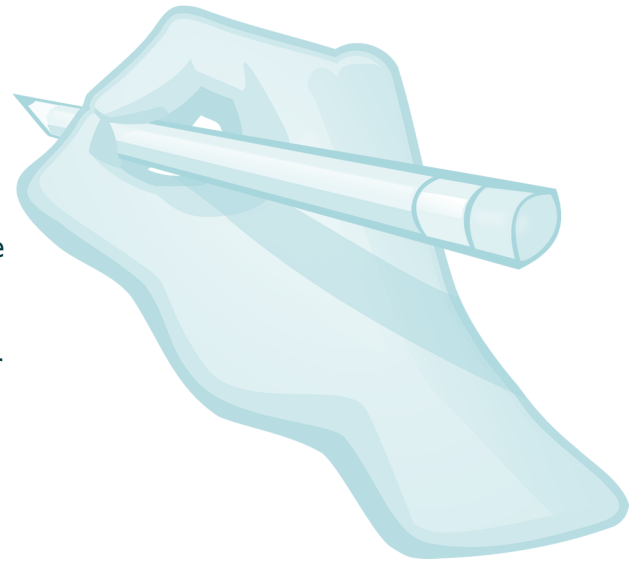
Basic information about your prior residences. This usually covers the past three years. You will need your previous landlord names, phone numbers, addresses, the dates you moved in and out and your reason(s) for leaving.

Information regarding your current income. This can include your current employment in which you'll need to provide your employer address, name of supervisor, job title, and length of employment. If you receive social security or disability, that documentation will also need to be submitted.

Contact information of people whom you want to use as references. These include, but are not limited to, a teacher/professor, case manager, supervisor or co-worker. Remember to ask for permission first before listing them on your application.

The application will likely contain an authorization for the landlord to **obtain a copy of your credit report and to complete a background check.** You should request a copy of the report for your own records.

Filling out an application moves you towards the approval process but does not bind you to a unit. It is important to be honest and upfront when providing this information.



ASKING THE RIGHT QUESTIONS

So you found an apartment that you really like, but before you decide to apply it's important to know everything you can. Here are some questions you may consider asking:

- Is there an application fee?
- What's the monthly rent? This will help you determine if your housing will be affordable.
- Are any utilities included (electricity, heat water, sewer, garbage, cable and internet are all possible)? What is the average utility cost in a unit?
- How much is the security deposit? How do I get it back?
- Do you have any leasing specials?

- What lease terms are available (month to month, 6 months, 12 months)? What happens if I have to terminate my lease early?
- What is your rental application criteria (minimum credit score, prior rental history)? Examples can be found in the *Preparing Your Rental Resume* section of this guide.
- Do I need a co-signer?

- I have a disability, how can you accommodate me?

Fair housing laws require providers to make reasonable accommodations in their rules, policies, and practices to give a person with a disability an equal opportunity to use and enjoy a dwelling unit or common space. Examples include: allowing a service or companion animal, designating a reserved parking space closer to the door, visual alarm systems, or moving a tenant to a ground floor for easier mobility. Be mindful that it is unusual to be charged a fee to provide reasonable accommodations. More information can be found at High Plains Fair Housing, www.highplainsfhc.org or 1-866-380-2738.

- Is there a garage, assigned or unassigned parking lot or off street parking?
- Am I responsible for any repairs? How do I request them?
- What are the security features of the building?
- Is there an onsite manager?
- What is your pet policy?

While this list doesn't cover everything, it's a good start. The North Dakota Apartment Association's Landlord and Tenant Rights booklet found at www.ndaa.net is a great resource.

If you have limited credit or negative things are revealed in your background check, don't give up! There are steps that you can take to repair your background.

IMPROVE OR BUILD YOUR CREDIT SCORE

① Be a smart shopper.

- Only apply for credit you need and stay within your credit limits.

② On time payments are a major component of your credit score.

- Set an alarm on your phone to remind you of payment due dates. Or, if you can, set up automatic payments.
- If you do miss a payment, catch up as quickly as you

③ Pay off balances.

- Try to pay down your debt as much as you can even if it's just making minimum payments on your accounts.

④ Build it up.

- If you have limited or zero credit, there are options.

Apply for a secured credit card. You can use this like a traditional credit card, but it is backed by a cash deposit you make upfront.

Apply for a credit-builder loan. These are offered by some credit unions and banks. You borrow an amount (often \$1,000 or less) and make payments for 12 to 24 months. The payments are deposited in an interest-bearing CD or savings account. Make sure to ask that your payments will be reported to a credit reporting



⑤ Seek counsel.

If you are having trouble keeping up with your past due balances, there are many resources available to assist you in learning about managing money and building or improving credit.

- The Village, www.helpwithmoney.org
- CommunityAction, www.capnd.org/resources/financialliteracy.html
- For college students, most colleges have financial resources available. Contact student services for more information.

YOUR HISTORY

Most landlords will perform a criminal background check during the application process. It is important to understand that if you have been convicted of a felony or misdemeanor, what type of charge it was and how long ago. Landlords typically have strict criteria regarding what levels of criminal history are acceptable for tenancy. Unless charged as an adult, a juvenile record should not appear in your criminal background check.

Be able to provide verifiable rental history, up to three years if possible. If there is negative past rental history such as past due payments, uncollected utilities, or breaking a lease, explain the situation up front.

Remember, whether it is your credit history or your personal history, honesty is the best policy.

When you agree to rent an apartment from a landlord for a specific monthly rent, you and the landlord have entered into a contract most often referred to as a lease agreement. This is a legally binding document and cannot be changed without the consent of both parties. There are two types of leases: term lease and periodic lease. A term lease states how long the tenancy will last (six months, a year, etc.). A periodic lease has no specific end date. Usually, these leases are month-to-month.

A lease agreement will typically include the following:

- The names of the landlord and the tenant.
- The address of the rental unit.
- The amount of rent.
- When rent is due, to whom, and where it is to be paid.
- Who is responsible for utilities.
- The amount and purpose of the security deposit.
- The amount of a returned check fee.
- Whether pets are allowed.
- The smoking policy.
- The number of occupants allowed.
- Lock policy. No additional locks can be installed on any door without the written consent of the landlord.
- Condition of Premises. Before you take possession of the apartment, the landlord should give you a checklist that lists all the rooms, fixtures, and appliances in the apartment. Inspect the apartment and make note of the condition of the various items on the list. If you notice any damage make sure to photograph it and report to the landlord. Be very thorough!
- Use of garage or parking space(s).
- Reasonable time for repairs. What is "reasonable" depends on the needed repair.
- The conditions under which the landlord can enter your rental unit. Typically this is for repairs, to show it to prospective residents, workmen or contractors. The landlord should provide notice to the tenant.
- The conditions under which a lease can be terminated.

Before you sign a lease, you should carefully read and understand the entire document. Do not feel rushed into signing. If you don't understand something, ask the landlord to explain it to you. If you still don't understand, discuss the agreement with a friend, family member or legal aid organization.

It is strongly recommended that you keep a file that includes copies of all lease agreements, notices, letters, receipts and other communication between you and the landlord.

More information about leases and tenant obligations can be found at www.ndaa.net.



Affordable housing provides lower-income individuals and families with economic security ensuring they are able to afford life's other necessities including food, transportation, healthcare and childcare.

Because affordable housing is developed with the support of government programs, applicants must demonstrate that their household income does not exceed limits established by the U.S. Department of Housing and Urban Development.

To prove that they are income qualified, applicants provide documents that demonstrate their household income. Assets are considered along with verified income to determine eligibility.

HOUSEHOLD INCOME IS DETERMINED USING

- Earning statements and/or check stubs provided by employer(s).
- Social security benefits statements.
- Interest or dividends.
- Recurring cash gifts or payments from family and friends.
- Unemployment benefits.
- Child support or spousal support.
- Disability.
- Veterans benefits.
- Military pay.
- Government assistance.
- Your assets, such as
 - Stocks, bonds, certificates of deposit.
 - Individual retirement accounts.
 - Cash held in savings and checking accounts.

Additional information may be required to prove income qualification. Potential tenants should be provided with an explanation of the forms needed or the documents collected from a third party for income verification. Any questions can be directed to the organization that provided the subsidy or the property manager.

