MANAGEMENT BULLETIN #407

Date February 24, 2012

To: All IHDA Development Owners/Agents

From: Tony Hernandez, Managing Director

Re: Policy for Lease Guarantors at Authority Financed/Assisted Developments

Effective immediately, the Authority is clarifying its policy regarding the use of lease guarantors ("Lease Guarantors") at Authority financed or assisted developments. This policy applies to any development that has received a loan from any Authority program (including any Tax Exempt Bond programs), a grant from any Authority program, or an allocation of Federal Low Income Housing Tax Credits or Illinois Affordable Housing Tax Credits. This policy also governs the use of Lease Guarantors at developments receiving long term operating support through the Rental Housing Support Program.

Subject to one exception, the Authority prohibits the requirement of Lease Guarantors at any Authority financed or assisted development. An owner/agent is only permitted to request a Lease Guarantor in instances in which the owner/agent is striving to admit an income qualified tenant who does not otherwise meet certain screening criteria. This sole exception to the Authority’s policy prohibiting the use of Lease Guarantors may be made only under the following circumstances and with the following limitations:

- Use of this exception is limited to addressing the following criteria: (i) insufficient minimum income, (ii) insufficient rental history, or (iii) inadequate creditworthiness. Use of this exception to address any other admission criteria must be approved in writing by the Authority in advance. Documentation of the reason for the exception must be maintained in the tenant files.
- The period for which a Lease Guarantor may be required shall not exceed two consecutive 12-month lease periods (or 24-months) during which time the tenant will have the opportunity to demonstrate successful rental occupancy.
- Owners/agents at all times need to abide by all applicable laws, including fair housing laws and shall not discriminate in the rental of housing.

Under no circumstances is a Lease Guarantor to be required of all tenants of a development regardless of creditworthiness or other screening criteria, or solely on the basis of a tenant’s race, age, disability, or other protected class.

For developments that have leases in place as of the date of this Management Bulletin that do not adhere to this policy, the development/owner/agent should adhere to the following procedure:

1) Refrain from acting on the guarantees for the remainder of the existing lease term.
2) At renewal, execute a revised lease that does not include a Lease Guarantor clause or addendum.

Thank you for your cooperation. Please contact your Asset Manager with any questions regarding this clarification.