

P.B. BELL ASSET MANAGEMENT, INC.

SUBJECT: ADMINISTRATIVE**DATE: 7/03****RESIDENT QUALIFYING PROCEDURES**

Once a prospect has completed and signed the Rental Application, you must now determine whether or not the prospect qualifies based on the following information:

- Employment
- Income
- Rental History
- Credit History
- Age

At the end of this procedure is an "Applicant Qualifying Check List". Please use this form to keep track of the qualifying criteria. You may use Section II on the list for questions asked of the applicant's previous landlord.

EMPLOYMENT:

1. A prospective resident must have verifiable current employment and six (6) months employment history or a verifiable source of income.

School will be accepted as an alternative to employment history provided it can be verified. A full-time student will require a co-signer. (See Co-signer Section of this Policy.)

INCOME:

1. Income must be 2 1/2 to 3 1/2 times the monthly rent. The reason a range is listed of between 2 1/2 and 3 1/2 times the monthly rent is because some properties have all or some utilities included as well as a wide range of rental rates. Check your property's Rent Schedule to determine what exact figure your property is approved for. The income supplied on the Rental Application must be verified through the applicant's listed employer. Be sure to note on the application the name and telephone number of the person who verified this information.
2. If the prospect is self-employed, a copy of the previous year's tax return or W-2 will be required to verify income.
3. Some employers will not verify income verbally. In lieu of verbal verification, the applicant must provide a current payroll stub showing gross monthly or bi-weekly income as well as year to date information.

RENTAL HISTORY:

1. A minimum of six (6) months verifiable history on current residence is required. Note, however, that all listed residences must be verified. Be sure to note on the application the name and telephone number of the person who verified this information.
2. An applicant will be denied residency if a previous landlord reports outstanding debt or non-compliance with any term of their Lease or Community Policies.

No formal rental history will be interpreted as good rental history as long as employment, income and credit history qualifications are met.

Formal rental history will be defined as information obtained from a Property Management Company, Condominium Association, Realty Company or Apartment Community. If renting from a private owner, rental verification from the owner plus proof of previous six (6) months rental payments will be required (copies of checks, bank statements, money order receipts or rent receipts are acceptable.)

Mortgage history is acceptable as listed on the credit report. If the mortgage does not show up on credit, payment history verification from the Mortgage Company is required.

CREDIT HISTORY:

1. Each applicant must provide a valid social security number. The only exception would be for someone from another country visiting, working or going to school with a valid visa/passport/green card who can also verify their income. Credit reports may be waived under these circumstances only.
2. A credit and criminal background report must be processed on each applicant unless there is no social security number. (See #1 above.) Do not accept a report supplied by the applicant. All P. B. Bell Properties currently use U.D. Registry, Inc. for processing credit and criminal checks. The written credit report will become a permanent part of the resident's file.
3. "No Credit History" will be interpreted as good credit as long as employment, income and rental history qualifications are met.
4. Any of the following scenarios would be grounds for denial of an application:
 - Any personal bankruptcy within the past five years that has not been discharged.
 - Any judgment less than 3 years old not remedied and/or any foreclosure of real estate less than 3 years old not included in bankruptcy.
 - Any applicant with an outstanding judgment less than 3 years old from a previous landlord will be automatically rejected unless proof of payment in full is supplied.
 - Any applicant with a criminal public record.
5. In reviewing criminal reports on applicants be sure to carefully read the report. Criminal reports will report public information on people who have been given warrants for arrest and may not report a conviction at the time you are processing a report. If a report states "ME: Sentenced" this means the applicant has been convicted of a crime. It should reflect if the sentence was probation, parole, or prison.

Contact U.D. Registry, Inc. service representative if you have any problems interpreting information provided on the reports. They will be able to provide clarification of information.

6. "Fair Isaac Risk Scores" are reflected on each credit report. Fair Isaac risk scores are calculated on and based on housing indicators typically used by mortgage and title companies. A score is calculated for each report based on the databases of information on the applicant. **Scores range from 300 to 900. The higher the score, the better the credit rating of the individual.**

If a score is under 600, check the file for the cause of the bad rating, (i.e. divorce, unpaid medical bills, etc.). If the applicant has a score of under 600 with no bankruptcy or judgments and the other criteria (income, employment, resident history) have been met, an additional security deposit equal to one month's rent for the apartment size requested will be charged.

Note: Additional deposits cannot violate Section 33-1321 of the Arizona Residential Landlord and Tenant Act which states that we may not demand security in excess of one and one half month's rent. If in doubt, consult with your Portfolio Director.

7. **If an applicant is denied residency based on credit findings only, you must print a Notice of Adverse Action Letter (provided through UDR Software) and provide the applicant with a copy.** This letter gives the applicant directions on how to obtain information on their credit report. A second copy of the letter must stay with the file as a permanent record. You may also fill in the remarks section of the SODA or Return of Rental Deposit (PBBA-11). You MAY NOT provide the applicant with a copy of the credit report or any portion of it. You may verbally discuss the specific credit items from which you based your decision.

At the end of each month, all properties must report skips, evictions and collection account files to U.D. Registry, Inc.

ROOMMATES:

1. All roommates (anyone 18 and over) must complete an Application and sign a Rental Agreement.
2. A credit check must be completed on each roommate.
3. Employment, income and rental history must be verified for each roommate.

You **MAY** combine both roommate's income to qualify them financially, in doing so; each roommate must qualify solely and separately with regard to employment, credit and residency history. If one prospect qualifies but the other does not in either category, they will both be rejected.

5. If a resident wishes to add a roommate after already occupying apartment, the roommate must qualify on all categories, except income, or roommate will not be allowed to move-in.
6. Each roommate must be listed on the Rental Agreement as an occupant. The Rental Agreement, as well as other pertinent move-in forms, must be signed by each occupant.

CO-SIGNERS:

Should a prospective resident fail to meet the qualifying criteria for income, employment or credit, a co-signer may be used. The following will apply to co-signers:

1. No out of state co-signers without approval from your Portfolio Director.
2. The co-signer must be a relative of the applicant.
3. The co-signer must meet all qualifying criteria and must qualify for income ratios after deducting their mortgage or rental payments.

The co-signer must be listed on the Rental Agreement as a "co-signer" and must sign all move-in documents.

5. A credit check must be run on the co-signer.

6. If the co-signer is married, both the husband and wife must sign.

PAYMENT IN FULL TERM:

Should a prospective resident fail to meet the qualifying criteria for income, employment or credit, full payment of the entire Rental Agreement term may be considered. Check with your Portfolio Director. At the end of the Rental Agreement term, the resident must re-qualify for occupancy.

AGE:

All prospective residents must be 18 or older. The only exception is if the prospective residents are married and one or both are under 18. In this case, they must meet all other qualifying criteria and provide proof of marriage.