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HUD Takes Aim at Discriminatory Practices by Tenant Screening Companies and Housing Providers

New guidance addresses how the Fair Housing Act protects renters from common tenant screening practices, including use of AI

WASHINGTON – The U.S. Department of Housing and Urban Development’s (HUD) Office of Fair Housing and Equal Opportunity (FHEO) issued strong and comprehensive guidance this week to protect rental housing applicants from discriminatory tenant screening practices that violate the Fair Housing Act. The FHEO targets some of the most common tenant screening practices, including the use of criminal records, eviction records, and credit history.

“We applaud HUD for continuing its vital work protecting rental housing applicants by providing a desperately needed clarification of the rules of the road under the Fair Housing Act for both tenant screening companies and housing providers,” said Ariel Nelson, staff attorney at the National Consumer Law Center, who leads its Criminal Justice Debt and Reintegration Project. “HUD has made it clear that certain information is simply not relevant in assessing rental applicants, and its use may result in unlawful discrimination. Credit history, for example, does not accurately predict a successful tenancy, as credit scores are designed to assess the relative risk of consumers defaulting on a loan—not the risk that a tenant will fail to pay rent.”

Landlords almost always engage in some form of screening of rental applicants, often involving reports from specialized tenant screening companies. These reports typically combine information about criminal records, eviction filings, and credit history. In many cases, the report includes a score or recommendation that some tenant screening companies claim is derived using artificial intelligence. These AI tools can worsen discrimination in housing for various reasons, such as racial disparities in the data fed into the algorithms and used to train the models.

“This guidance is a crucial step forward in dismantling barriers to access in rental housing that disproportionately affect disenfranchised communities. For too long, opaque and unjust tenant screening processes implemented by landlords and fueled by tenant screening companies have stood as major obstacles to housing equity,” said Rasheedah Phillips, director of housing at PolicyLink. “By setting forth clear expectations and best practices for non-discriminatory tenant screening practices, HUD’s guidance not only upholds the tenets of the Fair Housing Act but also champions the rights of all Americans seeking housing.”
“FHEO’s guidance clarifying tenant screening practices must abide by the Fair Housing Act is another important step forward in the Administration’s work advancing tenant rights,” said National Low Income Housing Coalition (NLIHC) president and CEO Diane Yentel. “The power imbalance between renters and landlords is exacerbated by the unscrupulous practices of tenant screening companies. FHEO’s guidance provides needed clarification for fair housing advocates, housing providers, and tenant screening companies alike to ensure more equitable access to housing for all.”

The guidance makes clear that housing providers and tenant screening companies should:

● Only screen applications for information relevant to predicting whether someone will be a good tenant.
  ○ Records without a negative outcome are not relevant (such as an eviction record if the tenant prevailed or with insufficient information to determine the outcome).
  ○ Consider other sources of income or financial resources, such as Housing Choice Vouchers, when assessing an applicant’s ability to afford rent.
  ○ Enable applicants to dispute whether negative information should be considered if inaccurate, or even if the record is accurate, such as when an eviction is related to domestic violence.
● Use only accurate records.
● Make written tenant screening policies publicly and readily available and actually follow them.
● Provide detailed reasons for the denial of an applicant and copies of any screening reports relied upon.
● Design and test complex models for fair housing compliance.

HUD also provided in-depth guidance cautioning against the use of credit history, eviction history, and criminal records, emphasizing that overbroad screening is especially likely to have an unjustified discriminatory effect.

“No one deserves to be screened out of housing. HUD’s guidance targets some of the most harmful tenant screening practices, and affirms that tenants should not be denied because of an eviction filing or credit score,” said Natasha Duarte, project director for housing at Upturn. “The guidance also makes it clear that having a voucher or other subsidy to pay rent should help rather than hurt tenants in the screening process.”

“Current tenant-screening methods further entrench discrimination against poor tenants and tenants of color. If landlords and tenant-screening companies comply with HUD’s new guidance and end the use of arbitrary data and racist computer algorithms, more tenants would get the housing stability they need,” said National Housing Law Project director of litigation Eric Dunn.

Related Resources
Since 1969, the nonprofit National Consumer Law Center has worked for consumer justice and economic security for low-income and other disadvantaged people in the United States through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training.

The National Housing Law Project's mission is to advance housing justice for poor people and communities. We achieve this by strengthening and enforcing the rights of tenants and low-income homeowners, increasing housing opportunities for underserved communities, and preserving and expanding the nation's supply of safe and affordable homes.

The National Low Income Housing Coalition is dedicated to achieving racially and socially equitable public policy that ensures people with the lowest incomes have quality homes that are accessible and affordable in communities of their choice.

PolicyLink is a national research and action institute advancing racial and economic equity by Lifting Up What Works®.

Upturn is a nonprofit research and advocacy organization that works to advance justice in the design, use, and governance of technology. We investigate the specific ways that technology and automation shape people's opportunities, and we seek transformative social change.