

Security Deposit Alternatives

REQUEST FOR EXPRESSIONS OF INTEREST (RFEI)

NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION & DEVELOPMENT / NEW
YORK CITY HOUSING DEVELOPMENT CORPORATION

Security Deposit Alternatives Request for Expressions of Interest- Introduction

Low- and moderate-income renters (“LMI renters”) face a series of challenges looking for housing. One such challenge is the lump-sum security deposit typically required at the beginning of a new lease. It is impossible to know how many apartment searches end when prospective LMI renters cannot meet the security deposit requirements, but it is clear that many households do not have enough cash on hand to make such a lump-sum payment when necessary.¹ When the up-front deposit limits a household’s ability to find new housing, it can have negative consequences, such as a lack of mobility.

The City of New York (the “City”) is exploring allowing renters in affordable units financed under its housing plan to access alternatives to paying a traditional security deposit of one-month’s rent at lease signing. Offering alternatives to the traditional security deposit will help reduce this as a potential barrier to housing for LMI renters.

The New York City Department of Housing Preservation and Development and New York City Housing Development Corporation (“HPD” and “HDC,” respectively) are issuing this Request for Expressions of Interest (“RFEI” or “Request”) for providers of alternatives to security deposits (“Providers” or “Respondents”) to offer their alternative products (“Products”) to renters leasing newly constructed, City- and/or HDC-financed units. The City and HDC will consider Products that a) do not require total payment in excess of one month of rent over the life of a resident’s tenancy, b) allow renters to pay a small proportion of the security deposit up front or the full amount over time, and c) insure owners’ claims for property damage in the unit.

Selected Products will be added to a Pre-Qualified List. Once the Pre-Qualified List is created, owners and managing agents will have the option to offer Products on the Pre-Qualified List to their residents. Provider(s) that currently have clients in City- and/or HDC-financed units will not be automatically placed on the Pre-Qualified List and must become qualified under this RFEI to be considered for inclusion on the Pre-Qualified List.

¹Cargill, Chloe, Matthew Maury, and Christopher Wimer. 2019. “Spotlight on Emergency Expenses: On the Precipice: An Analysis of the Vulnerability of New Yorkers to Financial Shocks.” *Poverty Tracker*. Columbia Population and Research Center and Robin Hood. https://robinhoodorg-production.s3.amazonaws.com/uploads/2019/06/EMERGENCY-EXPENSE-REPORT_6_19_FINAL.pdf

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I. Request for Expression of Interest

RFEI Goals

1. HPD/HDC will identify Products meeting specified criteria outlined in the RFEI, which owners and managing agents of City- and/or HDC-financed housing may offer to their renters as an alternative to a traditional security deposit.
2. After assessing the initial participation in the initiative HPD/HDC may require, through its Marketing Handbook, that renters have access to these Products as an alternative to a traditional security deposit and may prohibit owners/marketing agents from offering products that do not qualify for the RFEI to renters in City- and/or HDC-financed developments going forward.

Eligible Respondents

To be eligible, Providers and their insurers/guarantors, if any, must be approved by, and be in good standing with, the New York State Department of Financial Services. The Provider and their insurers/guarantors, if any, must not have outstanding fines or other enforcement actions from other federal, state, or local regulatory or law enforcement agencies nationwide.

II. Submission Information

Required Documentation

Providers must submit:

- Short narrative responses to the questions listed in Appendix I and II;
- Copies of draft forms and legal disclosures between the Provider and owner/managing agent, and between the Provider and the renter; and copies of draft forms and legal disclosures between the Provider's insurers/guarantors, if any, and owner/managing agent, and between the Provider's insurers/guarantors, if any, and the renter;
- Most recent audited financial statements, including those of both the respondent as well as any insurers/guarantors;
- Credit screening guidelines;
- Copy of any policy related to the privacy, permitted uses of, or disclosure of data on customers, clients, or users;
- Provider's and any insurers'/guarantors' regulatory history of fines or other enforcement actions (if applicable);
- Provider's regulatory history of fines or other enforcement actions (if applicable);
- Copy of Provider's and any insurers'/guarantors' state financial licenses; and

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- A list of the Provider’s board of directors (with professional affiliations) and employees.
- The response must disclose any other employment or situation which may create a conflict of interest if your firm were to be selected, including any relationship that the firm or any of its employees may have with HPD/HDC. Please describe any such relationship in your response, or affirmatively state that no such relationship exists.

Submission Directions

Please send all required documents in a single PDF file to securitydeposits@hpd.nyc.gov. Applications will be accepted and reviewed on a rolling basis until further notice. Priority deadline is **February 15, 2021**. Incomplete responses will not be reviewed. HPD/HDC will select Products that best meet the needs of its owners/managing agents and renters. After the priority deadline, owners and managing agents may begin working with Providers on the Pre-Qualified List to offer Products to incoming renters. Providers who submit responses after the priority deadline will still be reviewed and thus may be eligible to be included on the list on a rolling basis.

Contact Information

Direct any questions to securitydeposits@hpd.nyc.gov. HPD/HDC will issue a response to frequently asked questions, if any, three weeks prior to the priority deadline. All questions submitted after the release of the initial responses will be answered on a rolling basis.

III. RFEI Review Criteria and Selection

HPD/HDC will review each submission based on the guidelines below:

Threshold Criteria: To be fulfilled through submission of Required Documentation and questions in Appendix I.

Providers must meet each of these criteria to be included on the Pre-Qualified List:

- The Product will a) not require total payment in excess of one month of rent over the life of a resident’s tenancy, b) allow renters to pay a small proportion of the security deposit up front or the full amount over time, and c) insure owners’ claims for property damage in the unit;
- Product does not conflict with any federal, state, or local laws; agency rules; or the agencies’ [Marketing Handbook](#);
- The Provider or their insurers/guarantors, if any, does not create or contribute to a “tenant blacklist” or sell or disclose user data for the purposes of evaluating the qualifications or credit profile of or “blacklisting” renters;

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- Provider's and any insurers'/guarantors' most recent audited financial statements demonstrate financial soundness;
- Provider gives each renter a term sheet written in plain language and translated into the City's 10 primary languages (in compliance with Local Law 30 of 2017), detailing their rights and responsibilities, and terms and conditions.

Scoring Criteria: To be fulfilled through submission of Required Documentation and questions in Appendix II

HPD/HDC will evaluate and score Providers based on the criteria below:

- Provider's credit screening process is no more restrictive than those set forth in the HPD/HDC Marketing Handbook;
- Provider's payment collection policies for their service are fair and reasonable;
- Provider's policies for claims greater than the value of one month's rent are fair and reasonable;
- Amount of time to reimburse property managers for claims is fair and reasonable;
- Provider's and any insurers'/guarantors' history of enforcement actions demonstrates reasonableness and conformity with above criteria;
- Provider has a clear policy that governs how and when owners/managing agents can switch Providers or tenants can opt out of the service; and
- Number of renters using a Provider's product (in New York City and in total) demonstrates ability to meet the needs of the New York City market.

IV. Data Gathering

For the Providers whose Products ultimately are selected on the Pre-Qualified List, those selected Providers will be required to report Product usage to HPD/HDC. HPD/HDC will track the number of owners/managing agents and renters that use selected Providers' Products in HPD/HDC financed developments. HPD/HDC may request additional data and/or information from Providers such as the number of claims filed by owners, average payout per claim, and average time to process a claim. HPD/HDC will conduct periodic reviews and can remove a Provider from the Pre-Qualified List if they do not provide the required information and/or are not in conformance with selection criteria above.

V. Current Providers

Provider(s) that currently have clients in City- and/or HDC-financed units will not be automatically placed on the Pre-Qualified List and must become qualified under this RFEI to be considered for inclusion on the Pre-Qualified List.

VI. Conflict of Interest

The City Charter imposes certain restrictions on post-employment business relationships with the City by former City employees and on business relationships with the City by current City employees. Such individuals should consult Chapter 68 of the City Charter on specific provisions on this issue. Any questions concerning such provisions should be addressed to:

Conflict of Interest Board
2 Lafayette Street
New York, NY 10007
(212) 442-1400

VII. General Conditions

This RFEI is subject to the conditions stated below:

1. HPD/HDC is not obligated to pay, nor shall HPD/HDC in fact pay, any costs or losses incurred by respondents at any time, including the cost of responding to the RFEI.
2. HPD/HDC is not legally obligated to issue this RFEI and is allowed to discontinue the Pre-Qualified List at any time.
3. The submission of an Expression of Interest or the acceptance of such Expression of Interest does not obligate HPD/HDC in any manner whatsoever.
4. HPD/HDC reserves the right to reject, at any time, any or all submissions and/or cancel this RFEI in whole or in part. HPD/HDC also reserves the right, at any time, to waive compliance with, or change any of the terms and conditions of, this RFEI and to entertain modifications and additions to respondents' submissions.
5. Successful selection as a Provider does not guarantee owners/managing agents will use the product at their developments.
6. HPD/HDC has the sole discretion to make any determinations with regard to the RFEI including Provider experience, capability, financial resources, selection, and removal from the Pre-Qualified List.
7. This RFEI and any resulting agreement between any respondent and a property manager are subject to all applicable laws, rules and regulations promulgated by any federal, state, or local authority having jurisdiction over the subject matter thereof, as the same may be amended from time to time.
8. Selected Providers will be subject to HPD/HDC reviews when requested and HPD/HDC reserves the right to remove a member of the list at their discretion.

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9. Any material misrepresentation made by a Provider during the application process may result in disqualification or warrant removal from the Pre-Qualified List if selected for the Pre-Qualified List.
10. Each respondent has a continuing obligation, prior to and after selection, to update HPD/HDC regarding any material changes to information that such respondent has provided to HPD/HDC within 30 days of any such material changes, including, but not limited to material changes to information regarding investigations, subpoenas, and changes of principals. Failure of any respondent to update HPD/HDC on such material changes may result in the respondent's disqualification from consideration for inclusion in the Pre-Qualified List or, if the respondent is already in the Pre-Qualified List, the removal of the respondent from the Pre-Qualified List.
11. Each respondent has a continuing obligation, prior to and after selection, to provide any documentation and/or information requested by the City. Failure of any respondent to provide such documentation and/or information when requested by the City may result in the respondent's disqualification from consideration for inclusion in the Pre-Qualified List or, if the respondent is already in the Pre-Qualified List, the removal of the respondent from the Pre-Qualified List.
12. Equal Employment: Provide a copy of the firm's most recent Employer Information Report EEO-1, if any, and include as attachment to the response. Please state how many women and minorities work in your firm.
13. Minority and Women Owned Business Enterprise (MWBE). HPD/HDC is dedicated to furthering the participation of minority and women-owned businesses in its work. All respondents are urged to include in their responses to this RFEI, methods for facilitating the participation in the project of businesses that have been certified by the New York City Department of Small Business Services ("SBS") as women or minority owned. This can take any form a respondent considers appropriate including, but not limited to, responses intended to ensure the utilization of certified minority and women-owned businesses as subcontractors or as joint-venture partners. In addition, responses from minority and women-owned respondents are encouraged.
14. Local Law 34 Compliance. Pursuant to Local Law 34 of 2007, amending the City's Campaign Finance Law, the City is required to establish a computerized database containing the names of any "Person" that has business dealings with the "City" as such terms are defined in the Local Law. In order for the City to obtain necessary information to establish the required database, your response to this RFEI is required to include a completed Doing Business Data Form (the "Data Form"), which is attached hereto. The Data Form should be sealed in a separate envelope marked "Doing Business Data Form". The Data Form will be submitted to the Mayor's Office of the City of New York (the "City"). If the City determines that your Data Form is not complete, you will be notified by the City and given four (4) calendar

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days to cure the specified deficiencies. Failure to do so will result in your responses being deemed incomplete and therefore non-responsive.

Appendix I

Questions to evaluate Threshold Criteria:

1. How does the Product meet the City's housing goals of ensuring security deposits are not a barrier to entry in City- and/or HDC-financed units?
2. Does the Provider require renters to make payments in excess of one month's rent over the life of their tenancy?
3. How does the Provider determine the fees for their product(s)?
4. How does the Provider manage, use, disclose, and protect customer/client/user data? To whom and for what purpose does the provider disclose any customer/client/user data?
5. If a claim is made, what impact does that have on the renter in subsequent tenancies?
6. Does the Provider offer a plainly written term sheet for renters and property managers detailing their rights and responsibilities? Provide sample forms as noted in section III.

Appendix II

Questions to evaluate Scoring Criteria:

1. How does the Provider determine renter eligibility?
2. How does the Provider collect payments from renters—both under standard circumstances, and when a claim has been filed?
3. What is the standard procedure in the instance where the claim exceeds the amount of the standard deposit?
4. How does the Product work, from the perspective of the renter, when a claim is filed?
5. How does the owner/managing agent get reimbursed for a claim?

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6. What is the timeframe and process for reimbursement?
7. Has the Provider been subject to enforcement actions by a government regulatory agency currently or at any time in the past?
8. What is the service termination policy for renters and the owner/managing agent?
9. Does the Provider require an exclusivity agreement with the owner/managing agent?
10. How many renters use the Product in total and in New York City?