Agenda for today

- **Welcome** – Todd Richardson, HUD
- **Credit invisibility research and credit builder loans** – Irene Skricki, CFPB
- **Rent reporting** – Mary Jo Halder, Credit Builders Alliance
- **Practitioner perspective** – Jemila Hart, Housing Authority of Clackamas County
- **CFPB credit building resources** – Irene Skricki, CFPB
- **Questions and discussion**
Disclaimer

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The Consumer Financial Protection Bureau is a 21st century agency that implements and enforces Federal consumer financial law and ensures that markets for consumer financial products are fair, transparent, and competitive.
Office of Consumer Education

- Part of the CFPB’s Division of Consumer Education and External Affairs
- Serves populations who may lack full, affordable access to financial services
  - Low to moderate incomes
  - Low wealth
  - Otherwise financially underserved or vulnerable
Why does credit history matter?

Having good credit can affect:

- Where you live
- What job you can get
- Access to affordable credit
- The cost of utility deposits and financing a cellphone
- Opportunity to invest in longer-term assets such as homes and businesses
CFPB research on credit invisibility

Consumers who:

- Have no credit record (11% or 26 million people)
- Have a credit record that cannot be scored
  - Insufficient history (4%, or 9.9 million people)
  - Stale history (4%, or 9.6 million people)
- Overall, 1-in-5 U.S. adults does not have a credit score (20% or 45 million people)

These consumers potentially face higher costs for borrowing money and barriers to housing and employment.
Who is credit invisible?

- **Age**
  - Sharp declines from late teens through 20’s, then a leveling off

- **Income**
  - Strong correlation between having a lower income and the likelihood of being credit invisible

- **Race and ethnicity**
  - Variations by race and ethnicity, with Black/African American and Hispanic/Latino individuals having the highest rates of credit invisibility
Credit invisibility by neighborhood income

(B) Share of Consumers

Percent of Income Category

Income Category

Low
Moderate
Middle
Upper

Insufficient Unscored
Stale Unscored
Credit Invisible
How to build credit

Strategies for credit building

• Timely payment of bills and other good money management practices
• **Credit builder loans**
• **Rent reporting**
• Secured credit cards

Strategies for credit protection

• Check credit reports
• Dispute errors
Credit Builder Loans
Credit-building loans as a way to build credit

- The lender...
  - Moves the loan into a savings account it controls
  - Releases funds to the borrower after each payment or in whole after all payments
  - Reports payments to the credit reporting companies
- Minimize risk to consumers and lenders
- Potential stepping stone to secured credit cards and other products
Evaluating credit builder loan outcomes

Credit builder loan product

- Standalone* credit builder offered by a credit union
- $600 loan + $48 in interest
- 12 monthly payments
- Reported to the 3 major reporting companies
- Tracked participants’ credit and savings for 18 months

*This study focuses on a “standalone” CBL—one that was not part of a broader credit building program. Nationally, a number of programs pair CBLs with other services such as one-on-one financial coaching.

The study was conducted by RAND with funding from the CFPB under competitive award CFP-12-Z-00020/0002.
What did we learn?

- Credit builder loans were more effective for people *without existing loans*
- For participants without existing debt, opening a credit builder loan:
  - Increased their likelihood of having a score by 24%
  - Increased their average credit score by about 60 points
- The credit builder loan increased average savings balances by $253
Rent Reporting
Briefing for Public Housing Authorities
June 7, 2022
Agenda

1. About CBA
2. Recap of recent rent reporting momentum & research
3. Considerations for implementation
4. Pain points & opportunities
5. Q&A
Our mission:
To help organizations move people from poverty to prosperity through Credit Building.

Our philosophy:

Good Credit is an Asset

Mission driven nonprofits and other entities are uniquely positioned to help the households they serve build credit as an asset—often the FOUNDATIONAL asset.
CBA Seeks to Spur Rent Reporting Implementation Across the Country

- Educational tools, TA, & funding to housing providers
- Communities of practice
- Subject matter policy expertise
- Research and field furthering support
## Rent Reporting Momentum

### Policy Developments
- DC (2018)
- California (2020)
- Colorado (2021)

### Industry Growth
- Growth of rental servicer companies
- Freddie Mac incentivizes rent reporting (2021)
- CDIA convenes bureaus for data standardization (2021)
- Banks getting into this space

### Increased Implementation
- Funders & policymakers supporting more housing providers to implement
- Growth of integrating financial capacity within housing

### Research
- CBA’s Power of Rent Reporting Pilot (2015)
- HUD’s report (2020)
- CBA + Urban Institute working on first Rent Reporting RCT
Implementation within PHAs & TDHEs*

- Boston Housing Authority (setting up)
- Citizen Potowatomi
- District of Columbia HA
- Durham HA*
- Families Forward/Housing Works*
- Home Forward
- Housing Authority of Clackamas County
- Housing Authority of Cook County
- ISWA Development Corporation
- Northern Circle Indian HA
- Northwest Oregon HA*
- New York City HA (setting up)
- Pittsburgh HA*
- Tlingit Hiada Regional HA

*This list is compiled to the best of CBA’s knowledge; it may not be exhaustive
**No longer actively reporting or reporting status is unknown
100% of residents with no trades transitioned to the thin-file category and are now SCOREABLE by VantageScore 3.0.

### Risk Segment

<table>
<thead>
<tr>
<th>Risk Segment</th>
<th>Percentage of Unscoreable Population</th>
<th>Average VantageScore 3.0 before</th>
<th>Average VantageScore 3.0 after</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prime</td>
<td>72%</td>
<td>N/A</td>
<td>688</td>
</tr>
<tr>
<td>Nonprime</td>
<td>28%</td>
<td>N/A</td>
<td>646</td>
</tr>
<tr>
<td>Subprime</td>
<td>0%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>N/A</td>
<td>676</td>
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</tbody>
</table>
Key Rent Reporting Studies

NYC Office of Comptroller (2017)
- The addition of positive rent data could raise credit scores for an estimated 76% of NYC tenants who elect to report their rent to credit bureaus, including significant increases of 11 points or more for an estimated 19% of participants.

HUD (2020)
- Adding PHA rental data for those with on-time payment histories raised credit scores much more often than it lowered them.
- The addition of the full-file PHA rental payment data both raised and lowered credit scores, with more score increases than decreases.
- The addition of the full-file PHA rental payment data tended to dramatically reduce unscorability.
- The share of consumers who were scorable and had credit scores above 620 noticeably increased with the addition of the full-file rental payment data.
Outcomes Beyond the Credit Score*

Housing Providers
- Increase in on-time rent payments
- Built trust with residents
- Increased participation in other supportive services and programs (IDAs, financial coaching, FSS, etc.)

Residents
- Decreased items in collections
- Access to other credit building products
- Household income increases
- Achievement of financial goals

*These outcomes have been tracked by various housing providers, but have not been measured with rigor.
How Does it Work?
Implementation Overview

- **Choose**: Choose a reporting mechanism
- **Identify & Train**: Identify & train involved staff
- **Create**: Create a tenant outreach & enrollment plan
- **Implement!**: Enroll & support residents on an ongoing basis
Rent Reporting Mechanisms

- Direct to the Bureaus
- Property Management Software/Payment Processor Add-ons
- Direct to Renter
- Third Party Provider
Direct to Credit Bureau(s)

- Property management agencies become credentialed to furnish data directly to one or more of the credit bureaus.
- Data furnished by leveraging data collected in Property Management/Accounting software either manually or through automated integrations.
- Each bureau has a different process, set up can be time consuming.
- There may be a cost to integrate through your property management software; bureaus may have an “audit charge” for small portfolios.
Property Management Software/Payment Processor Add-ons

- Housing providers leverage property management software or payment processor platforms to offer rent reporting
- There may be an additional cost to turn on this functionality
- The housing provider is the data furnisher (and typically must credential with each bureau) and the software act as data bridge to the bureaus
- Interested parties must reach out to their account representatives directly
Renters use a consumer permissioned app to sign up for rent reporting
- Rental payments are typically verified by granting the company access to their bank account
- Cost range from $0-$10/month; some have set up fees and an added costs for historical reporting up to 24 months ($25-$50)
- Comparison resource: [https://finmasters.com/best-rent-reporting-services/](https://finmasters.com/best-rent-reporting-services/)
Third Party Rental Service

- Housing providers enlist a third-party company to provide data reporting
- This third party may act as the data furnisher to the credit bureaus
- Typically costs $1-$6/per renter/unit
- Cost may be shouldered by the property manager, housing provider, and/or resident
Key Considerations

For all options:
- Cost
- Staff capacity
- Compliance responsibilities
- Positive reporting vs full-file
- Bureau coverage
- Property management software compatibility

For third party options:
- Charging per unit or per participant?
- Portfolio threshold
- Ability to implement an opt-in program
- Access to individual & aggregate data
- Renter interface
- Additional features & support options (outreach, marketing, customer support, etc.)
<table>
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<tr>
<th>Property Management Software Requirements</th>
<th>SUSU</th>
<th>RentDynamics</th>
<th>RentTrack</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrates with Yardi, RealPage, MRI, Entrada, but can work with any software</td>
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<td>Yardi, RealPage</td>
<td></td>
</tr>
</tbody>
</table>

| Type of payments reported | Disenrolls renter before reported as late | Positive | Positive |

| Bureaus | Equifax, Experian, TransUnion | Equifax, TransUnion | Equifax, Experian, TransUnion |

| Compliance level | Data agent | Data furnisher | Data furnisher |

| Cost for Landlords of Affordable Housing | $3,500 set up fee + $0.75/unit/mo for all units + $2/unit/mo for participating residents | $1.75 per enrolled resident/mo; no set up fees | $1-$2 per enrolled resident/mo; no set up fees |

| Portfolio threshold | 100 units | No threshold | 500 units |
# Mitigating Risk to Residents: Opt-in vs Opt-out

## Opt-in Benefits
- If applicable, ensures Federal Privacy Act compliance
- Renters are in control
- Ensures that housing providers are clearly communicating about the program to renters

## Opt-out Benefits
- Aligns with behavioral insights
- Reduces burden on overworked staff to market the program & enroll renters (opt-in results in low participation rates)
- Easier for the technical set up (cheaper for 3rd party providers)
- Leads to higher participation rates
## Mitigating Risk to Residents: Positive vs Full-File Reporting

<table>
<thead>
<tr>
<th>Full-File Reporting</th>
<th>Positive Only</th>
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<tbody>
<tr>
<td>Increases credibility for predictiveness of the tradeline</td>
<td>Lowers risk of negative impact on residents</td>
</tr>
<tr>
<td>HUD study shows that even with full-file reporting, the majority of renters benefit</td>
<td>Credit bureaus are allowing it</td>
</tr>
<tr>
<td></td>
<td>Could increase confidence as a low-risk strategy leading to more adoption among housing providers (low hanging fruit for policymakers too!)</td>
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Lessons Learned

- Offer funding to support movement from interest to action
- Pair with Family Self Sufficiency programs (ex: DCHA, BHA, Home Forward)
- Embed within leasing and recertification processes (ex: Cleveland Housing Network)
- Incentivize property management collaboration (ex: Foundation Communities, Mercy Housing, Winn Properties)
- Include incremental credit check-ins for coaching and outcome tracking (ex: Home Forward, DCHA)
- Bring in outside partners to expand capacity for outreach, coaching, workshops, client support (ex: HACC, Compass Working Capital, Working Credit)
Additional Resources

Visit
- www.rentreportingcenter.org

Read
- CBA’s Integrating Credit Building in Affordable Housing Toolkit
- NALCAB’s Rent Reporting Pilot Report

Watch
- The DCHA Rent Reporting Story here

Contact Us
- rentreporting@creditbuildersalliance.org
Why Rent Reporting?

- Rent Reporting is an effective way to help people build their credit.
- Residents are impacted daily as a result of low/no credit
- People lack of access to affordable credit
- Higher fees or deposits for insurance, cell phones and utilities if you have no/low credit.
- Opportunity for residents to build credit without taking on additional debt

Most our most recent report:

- Average Credit Score Increase: +62pts
- Median Credit Score: 707
- % Residents with Improved Scores: 92%
- % of Residents Removed from Poor Tier (330-579): 28%
Why Rent Reporting?

- Rent Reporting encourages on-time rent payments
- Financial skill building
- Complements other Asset Building programming you might offer
Why Rent Reporting?

- Organizational support for developing outreach strategy, policy, procedures, and setting up rent reporting platforms
CFPB consumer resources on credit
The suite of *Your Money, Your Goals* resources

**Booklets**

- Behind on bills?
- Debt getting in your way?
- **Want credit to work for you?**
- Building your savings?

Access electronic materials and order printed copies online: [http://www.consumerfinance.gov/your-money-your-goals](http://www.consumerfinance.gov/your-money-your-goals)
Eight tools related to credit

- **Yellow** – taking the first steps of requesting and reviewing your credit report and getting errors corrected
- **Blue-Green** – planning for action to build credit, improve scores, or deciding when to use credit
- **Red** – can be used for immediate challenges and needs
Credit report

- Get free copies of your credit reports
- Decide when to request your free credit reports
- Figure out what to do once you receive your reports
Make a plan to get your credit reports for free each year.

Request a free copy of your credit report. Requesting your free annual credit reports will not cause your credit score to drop. AnnualCreditReport.com is the only federally authorized central source for free credit reports.

<table>
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<tr>
<th>☐ Online</th>
<th>Visit AnnualCreditReport.com and follow directions to request your free credit report. See 'Be prepared' to learn about the security questions you may be asked.</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ By mail</td>
<td>Download and complete form at AnnualCreditReport.com/manualRequestForm.action Mail to: Annual Credit Report Request Service P.O. Box 105281 Atlanta, GA 30348-5281 If additional information is needed to process your request, the credit reporting company will contact you by mail.</td>
</tr>
<tr>
<td>☐ By phone</td>
<td>Call 877-322-8228 to have a request form mailed to you.</td>
</tr>
</tbody>
</table>

Set a date and mark your calendar. You have a right to get a free report from each of the three nationwide credit reporting companies once every 12 months.

☐ I’ll request my reports on three dates
Staggering them can help you see if anything is changing throughout the year or if any fraud has occurred.

☐ I’ll request all three reports on this date
This is a good idea if you’re buying something big soon, using credit, so you can correct any errors right away.

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<tr>
<th>DATE</th>
<th>COMPANY</th>
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<td></td>
<td>Equifax</td>
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<td>Experian</td>
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<td>TransUnion</td>
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<td></td>
<td>Equifax, Experian, &amp; TransUnion</td>
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Credit report tool:
Be prepared

Be prepared

What will I be asked for when I request my report?
You will be asked to provide some information to verify your identity. This includes your Social Security number and previous addresses (if you’ve moved in the last two years).

Also, be ready to answer a series of security questions that are meant to be hard for anyone but you to answer, such as:

- What’s the amount of your monthly mortgage or car payment?
- What were your previous home addresses?

TIP: Each credit reporting company uses different security questions. If you find you can’t answer one company’s questions, try requesting your report from another company. You could also request your report via mail.

You can get additional free reports under certain circumstances. Visit cfpb.gov/askcfpb/5/ for more information.

There is more than one kind of report. Your credit report is just one of many different types of ‘consumer reports.’ Other types of consumer reports include banking history reports, background checks, and utility payment reports.

To learn more about specialty consumer reports and how to get a copy of them, visit cfpb.gov/askcfpb/1813

Follow the three steps below to make sure that the information included in your report is accurate.

Step 1: Request a free copy of your credit report
Step 2: Read and review your credit report (try the Checking for Errors tool)
Step 3: Dispute any errors that you find in your credit report (try the Disputing Errors tool)
List of specialty credit reporting companies
Handouts on credit scores and reports
Thank you!