

Rent Reporting and Credit Building Opportunities for Consumers

Department of Housing and Urban Development/
Consumer Financial Protection Bureau

June 7, 2022



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**

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Introduction to the Consumer Financial Protection Bureau

- 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

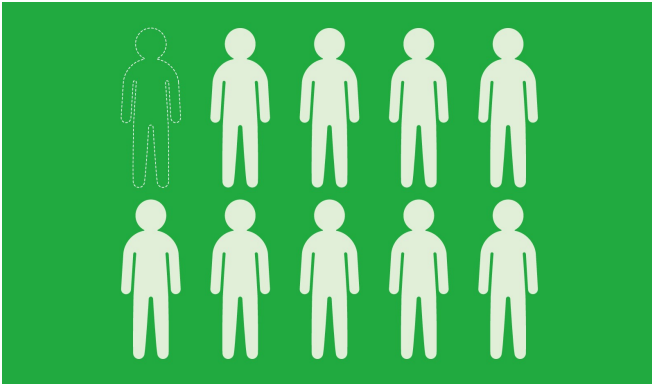
- Part of the CFPB's Division of Consumer Education and External Affairs
- Serves populations who may lack full, affordable access to financial services
 - Low to moderate incomes
 - Low wealth
 - Otherwise financially underserved or vulnerable

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.

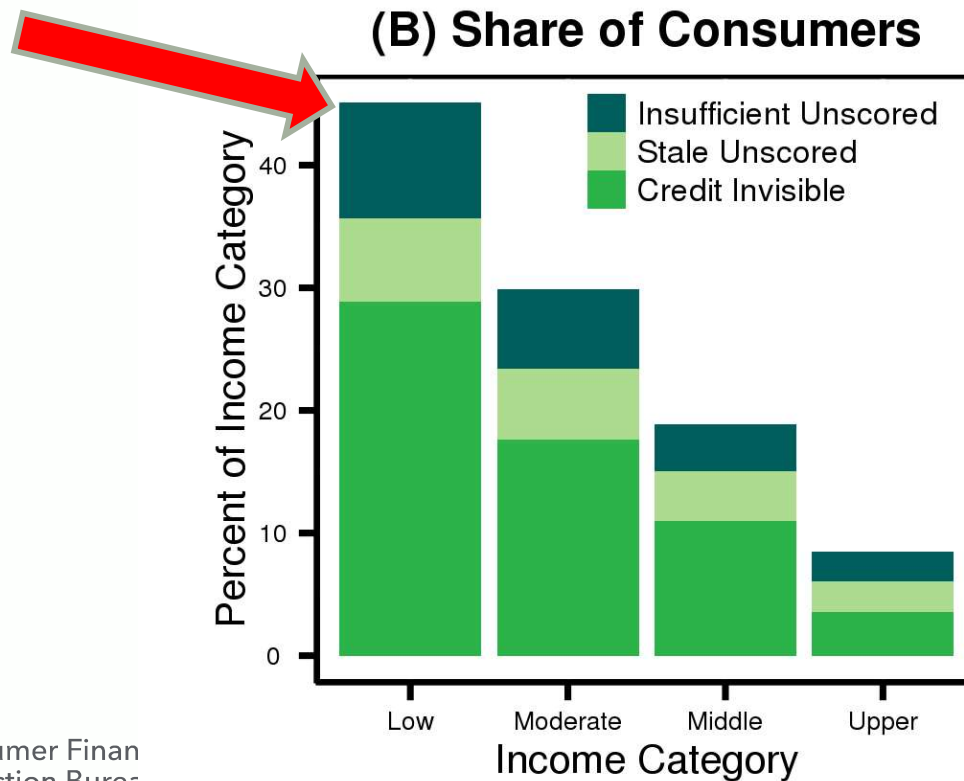
Who is credit invisible?

- 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



Consumer Financial
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Credit invisibility by neighborhood income



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



Consumer Financial
Protection Bureau

*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



RENT REPORTING FOR CREDIT BUILDING



Briefing for Public Housing Authorities June 7, 2022

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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)
- NYC OCC Report (2017)
- HUD's report (2020)
- CBA + Urban Institute working on first Rent Reporting RCT

Implementation within PHAs & TDHEs*

- Boston Housing Authority (setting up)
- Citizen Potawatomi
- 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

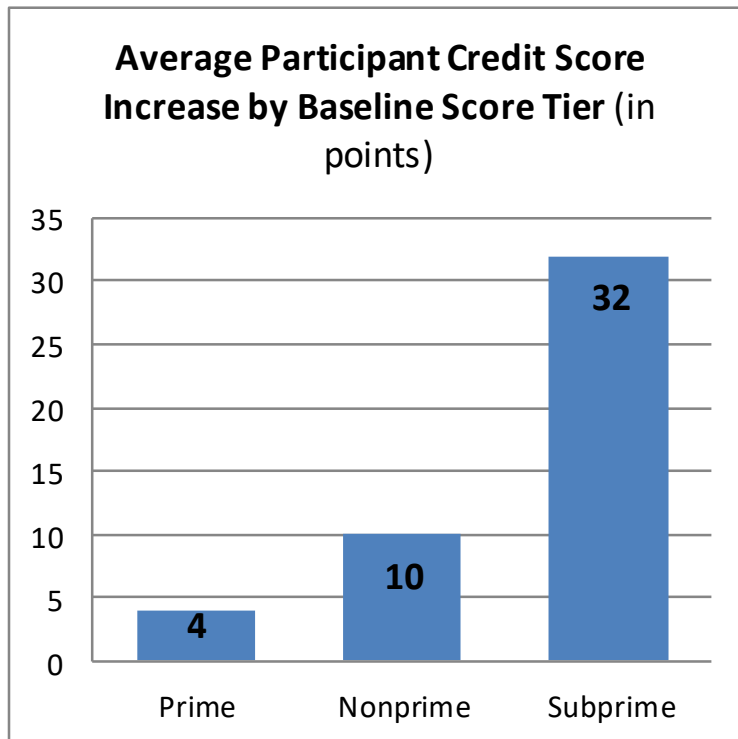




Other Affordable
Housing Providers



Key Rent Reporting Studies: CBA Pilot (2015)



100% of residents with no trades transitioned to the thin-file category and are now **SCOREABLE** by VantageScore 3.0.

Risk Segment	Percentage of Unscoreable Population	Average VantageScore 3.0 before	Average VantageScore 3.0 after
Prime	72%	N/A	688
Nonprime	28%	N/A	646
Subprime	0%	N/A	N/A
Total	100%	N/A	676



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.*



RENT REPORTING FOR CREDIT BUILDING



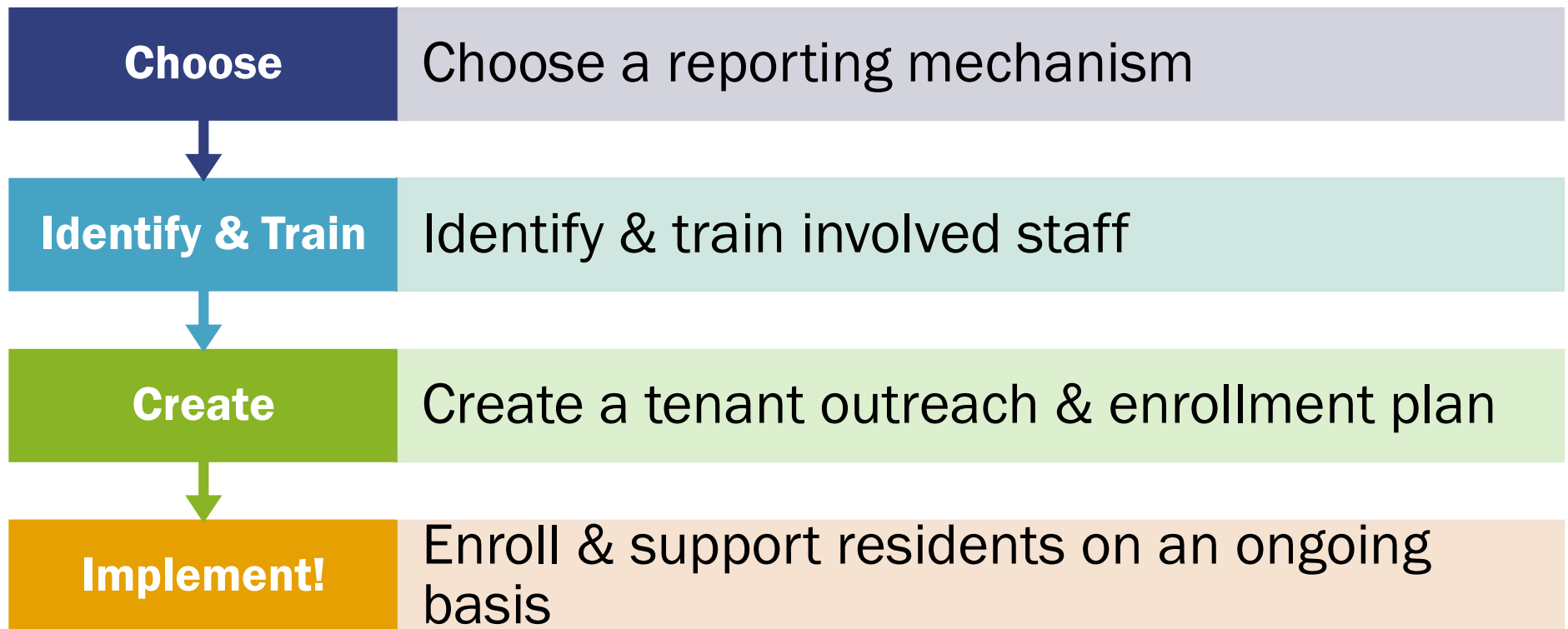
How Does it Work?

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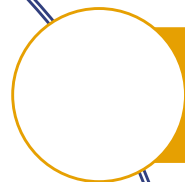


Implementation Overview

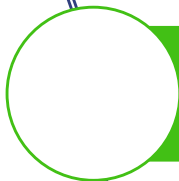




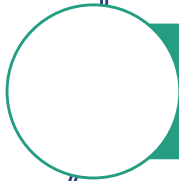
Rent Reporting Mechanisms



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

EQUIFAX

 **experian**™

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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



Powered by
PayLease





Direct to Renter

- 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/>





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



RentTrack



RentDynamics






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.)

			
Property Management Software Requirements	Integrates with Yardi, RealPage, MRI, Entrada, but can work with any software	Integrates with Yardi, RealPage, MRI, Entrada, but can work with any software	Yardi, RealPage
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

Full-File Reporting

- Increases credibility for predictiveness of the tradeline
- HUD study shows that even with full-file reporting, the majority of renters benefit

Positive Only

- Lowers risk of negative impact on residents
- Credit bureaus are allowing it
- Could increase confidence as a low-risk strategy leading to more adaption among housing providers (low hanging fruit for policymakers too!)



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?

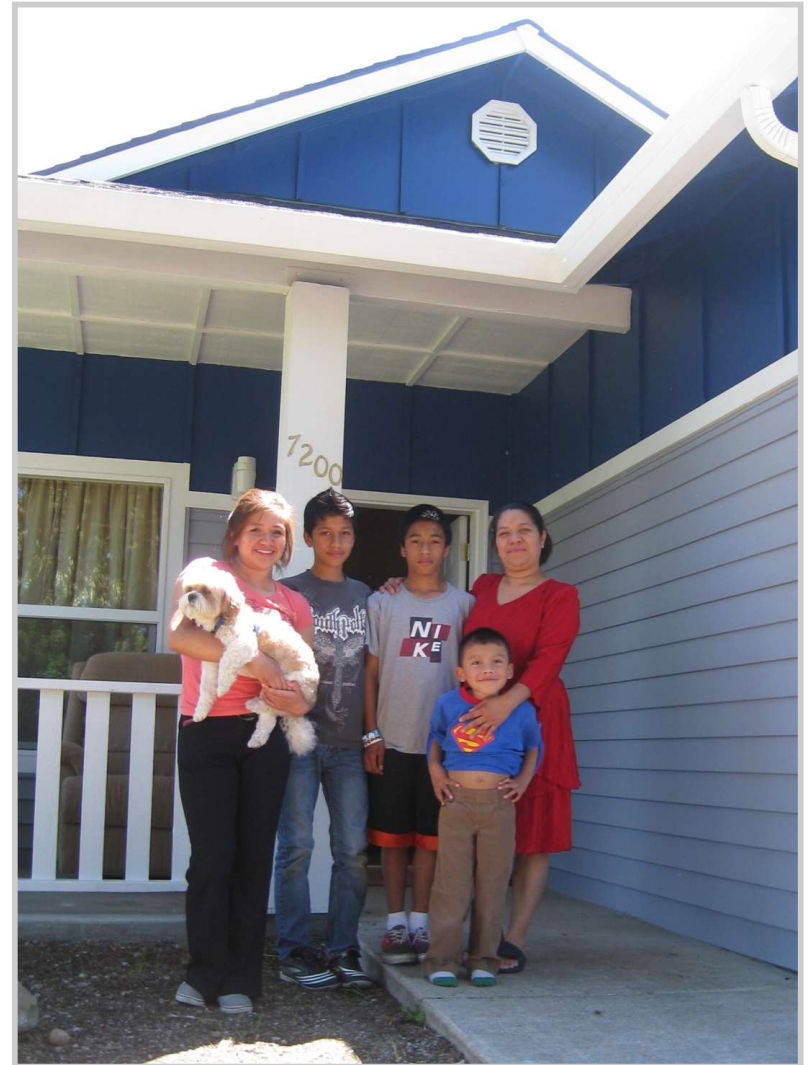
- Rent Reporting is an effective way to help people build their credit.
- Residents are impacted daily as a result of low/no credit
- People lack of access to affordable credit
- Higher fees or deposits for insurance, cell phones and utilities if you have no/low credit.
- Opportunity for residents to 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%**

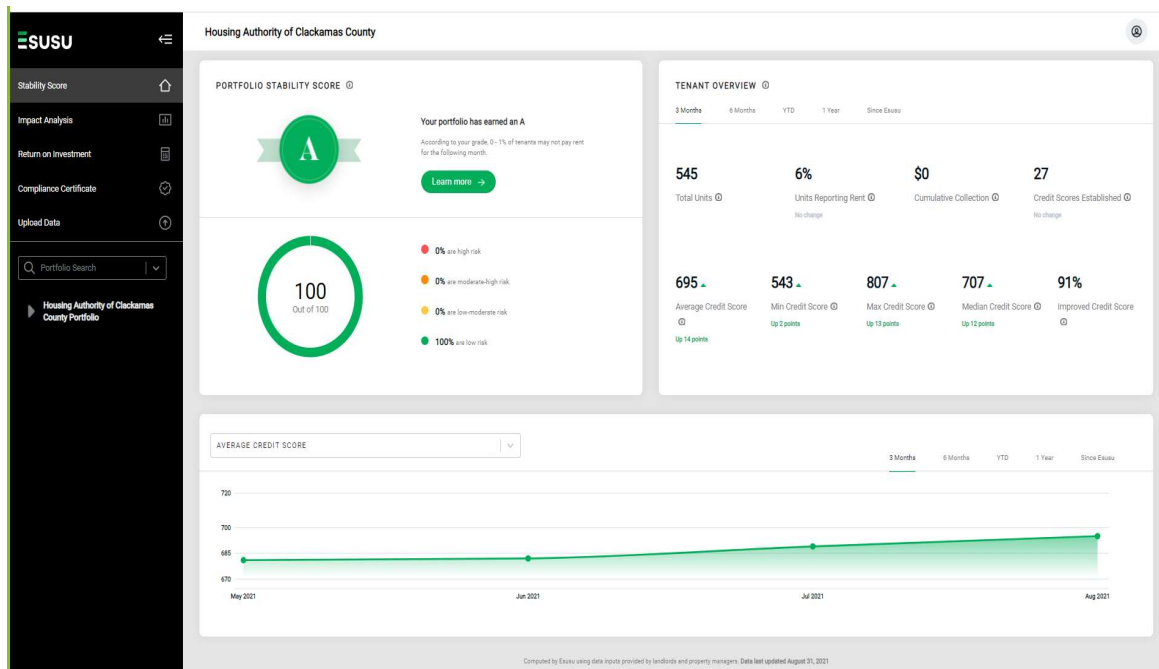
Why Rent Reporting?

- 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



Build Your Credit Just by Paying Rent!

Come learn about an opportunity that can help you build good credit while paying rent.

Problem:

Unlike homeowners, renters do not build credit with each on-time housing payment.

Most Property Managers do not report to the major credit bureaus, which means tenants' rent payments aren't included on their credit reports or calculated into their credit scores.

Solution:

By having your Property Manager report your monthly rent payments to a major credit bureau, you have the opportunity to build positive credit history with each on-time rent payment.

As a renter you finally get credit for your credit worthy behavior!

Improved credit means access to safe and lower-cost loans and credit cards when you need them, lower car insurance rates, no or reduced security deposits on utilities or cell phones, and even improved employment and housing options!

Learn more at our orientation on:

Monday, July 30th

5 to 6pm

CH Community Building
13900 S. Gain St. in Oregon City

Tuesday, July 31st

10am – 11am

OCVM Community Building
200 S. Longview Way in Oregon City

Contact Jemila Hart
at 503-702-1587
for more information

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>

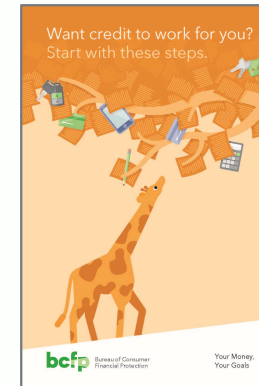


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Eight tools related to credit

- **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

CREDIT REPORT

How do I get a free copy of my credit report?



This tool will help you:

- **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

Know the facts:

Your **credit report** is a record of some of your bill-paying history, public record information, and inquiries by lenders into your **credit history**. It does not tell you your credit scores.

Credit reports may be used by credit providers, banks, and landlords. It's important that you **get your free credit reports every 12 months** and check them for errors.

Start with one question:

When was the last time you checked your credit report?

YOUR MONEY. YOUR GOALS

Make a plan to get your credit reports for free each year.

TIP: Watch out for websites that offer free credit reports or scores. They may require you to share your personal information or try to sell you products that may not be right for you.



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.

<input type="checkbox"/> Online	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.
<input type="checkbox"/> By mail	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.
<input type="checkbox"/> By phone	Call 877-322-8228 to have a request form mailed to you.



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.

<input type="checkbox"/> I'll request my reports on three dates		<input type="checkbox"/> I'll request all three reports on this date	
Staggering them can help you see if anything is changing throughout the year or if any fraud has occurred.		This is a good idea if you're buying something big soon, using credit, so you can correct any errors right away.	
DATE	COMPANY	DATE	COMPANY
	Equifax		Equifax, Experian, & TransUnion
	Experian		
	TransUnion		

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

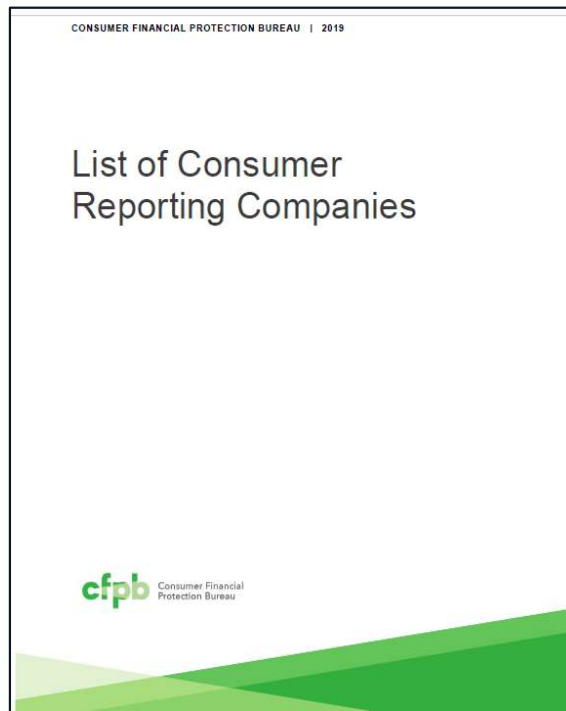


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2 LIST OF CONSUMER REPORTING COMPANIES

Handouts on credit scores and reports

CHECK YOUR CREDIT REPORT AT LEAST ONCE A YEAR

The Consumer Financial Protection Bureau advises consumers to check their credit reports at least once a year.

Consumers can receive free copies of their credit reports every 12 months from AnnualCreditReport.com. This is the only authorized source under federal law that provides free credit reports from the three major national credit reporting companies: Equifax, Experian and TransUnion. Other websites that promise free credit reports may require you to sign up for "free trials" that eventually charge you or purchase other products or services you may not need.

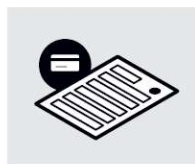
Check your credit report to:

- Look for and fix mistakes that could hurt your ability to get credit.
- Be sure your information is correct and up-to-date.
- Guard against identity theft.

Mistakes in your credit reports, or fraud caused by identity theft, can make borrowing more expensive or prevent you from getting credit.

Common mistakes in credit reports include:

- Loans and credit accounts you've never opened.
- Misspelled name, wrong Social Security number, wrong address, or phone number.
- Accounts wrongly listed as late, incorrect balances, incorrect credit limits, closed accounts listed as open, incorrect delinquency dates, or accounts listed more than once.



Dispute mistakes you find

Your credit report will include information about how to dispute a mistake. If your dispute is about a credit account, you should send a dispute letter to the credit reporting company and the creditor for the source of the information.

Your dispute should clearly explain what is wrong and why. State the facts, explain any disputing the information, and request correction.

In your dispute letter to the creditor, you enclose a copy of the relevant portion of your report. Highlight the items in question. Attach copies of documents that support your position and your original documents. Keep copies of dispute letters and enclosures.

The credit reporting company and the creditor investigate the dispute or fix any mistakes; information is wrong or cannot be verified.

Understand your credit score

Banks, credit card companies and other businesses use credit scores to estimate how likely you are to pay back money you borrow.

A higher score makes it easier to qualify for a loan or lower interest rates. Many scores range from 300-850, but different companies use different ranges.

You have many credit scores

You can have more than one score, because:

- Lenders use different scores for different products.
- There are many different credit scoring formulas.
- Information can come from different credit reporting sources.

For example, your credit score could be different:



Several variables affect your credit score:

- How many credit accounts you have
- How long you've had those accounts
- How close you are to your credit limit

Building credit from scratch

Starting out in the financial world can be confusing. And building good credit takes time. Below are some types of helpful products, as well as actions you can take to help reach your financial goals.

Finding the right products

Secured credit cards

Apply for this card as you would a traditional credit card. Once approved you deposit an amount of money—which can range from \$50 to \$500—into a separate account. The bank holds onto this deposit and extends a credit line matching the deposit amount. Generally, you can build credit with a secured card, but be sure to ask your card issuer about reporting to the credit reporting companies. Many of these cards include a "graduation" component, so you are able to move from a secured card to a traditional credit card seamlessly after establishing a pattern of consistent payments.

Credit builder loans

Financial institutions, typically credit unions, deposit a small "loan" (often \$300-\$1000) into a locked savings account and then you pay the institution back with small-dollar payments over 6 to 24 months. These payments are reported to the credit reporting companies. Once you come to the end of the loan term, you receive the accumulated money back in full.



Retail store cards

Many gas stations, department stores or retail chains offer credit cards. These cards tend to be easier to obtain and typically offer lower credit limits. This combination makes them an option when you are looking to build up a thin or nonexistent credit record.

Actions you can take & things to know about your credit report and score

Get and read your credit report

The first and most important step in building and maintaining good credit is to know and understand what is in your credit report. You are entitled to and can request your credit report from each of the three nationwide credit reporting companies once every 12 months free of charge at annualcreditreport.com.



Learn more at consumerfinance.gov

1 of 2

How to rebuild your credit

When you experience a financial challenge, your credit record could suffer. Rebuilding it takes time. There are no shortcuts or secrets.

The steps below can help

1. Pay your bills on time, every time

"On time" means the payment got to the company by the day the bill is due. Mail your bills a few days before they're due.

Automatic payments from your bank can be a good way to make sure your bills get paid on time. Keep track of automatic payments so you know you have enough money in your account to cover them.

2. Don't get too close to your credit limit



4. If you can't qualify for a regular credit card, try a secured card

Many banks and credit unions offer secured credit cards. With most of these cards, your credit line starts out small. You put an amount equal to your credit limit in an account as a deposit.

Helping youth in foster care start and maintain good credit

Why is it important for youth in foster care to check to see if they have a credit report?

Like many young people, youth transitioning out of foster care are often unfamiliar with the importance of good credit, and in some cases there may already be negative items in their files at the major credit bureaus.

A credit reporting project in California's Los Angeles County found that five percent of foster youth with credit reports had accounts reported in their names due to errors or identity theft. (This report is available at http://oag.ca.gov/external/finance/ageofyouth/privacy/foster_youth_credit_records.pdf) These errors included creditor mistakes, mixed identity, incorrect or fraudulent use of a youth's name or Social Security number on delinquent accounts. Sometimes there were more severe instances of identity theft and fraud. These young people face the added vulnerability of having their personal information passed through the hands of many people as they are moved around in the child welfare system.

Young people that have experienced identity theft may have trouble renting an apartment, getting a student loan, a mobile phone contract, or even getting a job because of a negative credit report. Youth who have experienced identity theft often lack the support and tools to correct the credit report on their own.

How do I check a credit report for a youth in foster care? (for caseworkers)

The Child and Family Services Improvement and Innovation Act of 2011 (Public Law No. 112-34) requires all state child welfare agencies to ensure that youth in foster care who are 16 and older receive a free copy of any credit reports annually and get assistance in interpreting and resolving any inaccuracies in the reports.

To comply with this law, child welfare agencies have arrangements with the three nationwide credit bureaus, Experian, Equifax, and TransUnion. Each of the credit bureaus has established an online portal that caseworkers can use to request credit reports for the youth in foster care under the care of their agency. While each credit bureau has a slightly different system, caseworkers can typically request the information on an individual youth or in batches. Batch requests will pull the reports of a large number of foster youth at the same time.

If you are a caseworker for youth in foster care, here are some steps you can take:

1. Find out if your agency already has a contract with any of the credit bureaus and if there is a designated person responsible for pulling reports. Also check to see if each caseworker must go through a training and certification process to pull reports.
2. Review the process for obtaining the credit reports. Each credit bureau's process is slightly



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Thank you!



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