



# THE POWER OF RENT REPORTING PILOT

## A Credit Building Strategy

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Citi Foundation



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The Citi Foundation works to promote economic progress and improve the lives of people in low-income communities around the world. We invest in efforts that increase financial inclusion, catalyze job opportunities for youth, and reimagine approaches to building economically vibrant cities. The Citi Foundation's "More than Philanthropy" approach leverages the enormous expertise of Citi and its people to fulfill our mission and drive thought leadership and innovation. For more information, visit [www.citifoundation.com](http://www.citifoundation.com).

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#### ***About Credit Builders Alliance***

Credit Builders Alliance (CBA) is a national nonprofit social enterprise dedicated to increasing the capacity of a diverse and growing network of hundreds of nonprofit member institutions throughout all 50 states and Puerto Rico to help low- and moderate-income households and businesses build credit and financial access, which, in turn, support the growth of businesses and personal assets. CBA was created by and for its nonprofit members in response to a serious gap in the modern credit reporting system that locks millions of individuals with poor or no credit out of the financial mainstream, often leaving them without safe, accessible, or affordable products.

For more information, visit [www.creditbuildersalliance.org](http://www.creditbuildersalliance.org).

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## Context

Today, more than one-third of Americans rent their homes, a ratio that has increased since the start of the Great Recession. Although not making housing payments can damage the credit of renters just as much as that of homeowners, only homeowners have typically been able to build positive credit histories when they make mortgage payments on time.

And this matters. A good credit score can save a person a significant amount of money in interest and fees over the course of a lifetime.<sup>1</sup> Landlords and utility companies often require a large security deposit from individuals with no or poor credit scores. A prospective employer may include credit history in a background check. Many auto and property insurers price their products, in part, based on credit histories. And a mortgage or small business loan applicant's credit history could be the difference between obtaining a loan that allows him or her to build a major asset and getting no loan at all.<sup>2</sup>

Companies and landlords may report accounts in collections to one or more of the three major credit bureaus. Far fewer, however, report on-time payments. Credit reports and scores that do not recognize on-time rental payments as creditworthy behavior present an incomplete and negatively skewed assessment of the credit risk many renters pose, impeding their ability to successfully join the financial mainstream.

This is especially troublesome for low- and moderate-income renters in today's economy. Given that a good credit history is an increasingly important financial asset, denying renters the opportunity to build their credit through on-time rent payments may exacerbate already high levels of wealth inequality.

Affordable housing providers across the country are increasingly embracing strategies to strengthen financial capability as a means to improve their residents' financial security and stability. Credit building is a critical component of those efforts, and rent reporting represents a credit building opportunity well suited to concerned affordable housing providers. By reporting their residents' rent payments to the credit bureaus, responsible, mission-driven landlords can offer individuals with poor or no credit an often rare and valuable chance to build their credit history with a payment they already make regularly and without having to assume any additional debt, apply for a new product, or remember to make another monthly payment.

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1 It has been estimated that a 100-point difference in FICO scores could save a person with good credit approximately \$200,000 over his or her lifetime, based on a simulation comparing two consumers with student loans, credit cards, and auto and mortgage debt. Weston, L. (2010, February 19). Lifetime cost of bad credit: \$201,712. MSN Money. Retrieved from [http://www.calvarynaperville.org/images/pdfs/Thrive\\_class\\_resource3.pdf](http://www.calvarynaperville.org/images/pdfs/Thrive_class_resource3.pdf).

2 For example, in 2009, Fannie Mae raised its minimum FICO credit score for conventional loans from 580 to 620. Even if mortgage applicants could afford to make a 20 percent down payment, they could be rejected with a score below 620. In all of 2013, only 1.4 percent of the single-family loans Fannie acquired were to borrowers with scores below 620. The trend continued in 2014. The average FICO score needed to secure a mortgage loan in the first quarter of 2014 increased to 741.

## Executive Summary

Thirty-five percent of U.S. households live in rental housing.<sup>3</sup> That percentage is higher for families at the lower end of the income spectrum. Of those low-income renters who are among the 64 million<sup>4</sup> U.S. consumers with no or subprime credit, many lack access to opportunities to establish or build credit. Although homeowners and renters alike see the impact of failing to meet their housing obligations on their credit reports, most renters' on-time housing payments are not reflected on their credit reports or in their credit scores — even though, for most renters, it is one of their largest and most consistent monthly payments. Without this recognition of creditworthy behavior on a renter's credit report, lenders and other businesses develop an incomplete and negatively skewed assessment of the credit risk posed by many otherwise financially responsible low-income households. This can make it difficult, if not impossible, for these struggling households to get and stay ahead in today's economy.

With generous support from the Citi Foundation and in collaboration with Experian RentBureau and eight pioneering affordable housing providers, Credit Builders Alliance (CBA) has begun to change that reality. Through its Power of Rent Reporting pilot, CBA has spent the last three years catalyzing rent reporting as a credit building opportunity for low-income renters served by the affordable housing industry. In 2012, CBA focused on laying the foundation for rent reporting as a valuable credit building tool, reaching out to hundreds of affordable housing providers and other stakeholders interested in the opportunity. In 2013 and 2014, CBA conducted a pilot to support eight affordable housing providers (AHPs) in becoming credentialed with Experian RentBureau to begin and sustain rental payment reporting on behalf of 1,255 low-income residents.

As a result of the pilot, CBA found that:

- Rent reporting is seen by renters as a good opportunity for credit building. Ninety-seven percent of residents who responded to a survey on the pilot said paying rent on time is a good way for them to build their credit.
- Rent reporting offers a significant credit building opportunity to residents living in affordable housing. After isolating the impact of including rental payment history on participants' credit reports, CBA found:
  - All residents participating in the pilot who initially had no credit score<sup>5</sup> had either a high nonprime or prime score with the inclusion of their rental payment history.
  - A large majority (79 percent) of participants experienced an increase in credit score, with an average increase of 23 points.
  - A small number of pilot participants (14 percent) experienced no change in their credit score after including the rental trade line, and an even smaller number (7 percent) experienced a decrease in credit score.
- Rent reporting is a promising strategy for affordable housing providers seeking to increase resident participation and success in financial coaching and asset building programs. Pilot groups consistently reported the integration of rent reporting outreach and education into existing financial coaching and asset building programs as an efficient and effective strategy for engaging residents in credit building and helping them translate credit improvements into progress toward other financial goals.

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3 Joint Centers for Housing Studies of Harvard University. (2013). America's rental housing: Evolving markets and needs. Cambridge, MA. Retrieved from [www.jchs.harvard.edu/americas-rental-housing](http://www.jchs.harvard.edu/americas-rental-housing).

4 Experian.

5 The credit score used in this analysis is the VantageScore 3.0. VantageScore® is a registered trademark of VantageScore Solutions, LLC.

- Rent reporting in combination with financial coaching can incentivize residents to increase their rates of paying rent on time. Among residents of one pilot group with a history of regularly paying late, those who agreed to have their rent payments reported and to participate in financial coaching were more likely than other residents to substantially increase their rate of on-time payment.

- Rent reporting is a viable financial capability strategy for affordable housing providers seeking to help their residents achieve financial stability.

Bringing it to scale, however, requires more standardized reporting policies and procedures across the credit bureaus, greater technical capacity on the part of affordable housing providers to report payments, and further investigation of solutions for increasing resident participation as a result of the opt-in requirements for federally funded affordable housing providers.

There is much still to be learned and done to ensure that rent reporting becomes more widely understood and accessible to affordable housing providers and their residents. CBA will continue to nurture a growing community of providers to identify impactful, scalable, and replicable strategies that maximize the power of rent reporting and financial coaching to produce tangible, positive outcomes for low-income renters and the organizations that support them.

As the rent reporting opportunity and environment evolves, CBA will continue to serve as a trusted source and critical driver for affordable housing providers seeking to pair rent reporting with relevant, timely and scalable financial education — what we call “rent reporting for credit building”.

**Incorporating rent reporting enrollment into a regular resident interaction, such as lease renewal or income recertification, requires residents to actively make a decision about the opportunity and gives them a chance to learn about the benefits and discuss any concerns they may have with a knowledgeable staff person**

## Pilot Overview

RENT REPORTING	RENT REPORTING FOR CREDIT BUILDING
The establishment of a rental trade line and regular monthly reporting of rental payments to at least one of the major consumer credit bureaus for inclusion on traditional consumer credit reports.	The pairing of rent reporting with financial/credit coaching or other financial capability programming with the aim of supporting residents to recognize and leverage rent reporting as a credit building opportunity.

Credit Builders Alliance, with generous support from the Citi Foundation, launched its Power of Rent Reporting pilot in 2012 to learn if and how affordable housing providers could implement and leverage the opportunity to report monthly rental payments to a major credit bureau to help residents build a credit history.

Experian's decision in 2010 to include positive rental payment data on traditional consumer credit reports was crucial in creating this opportunity. Experian had acquired RentBureau, a specialty credit reporting agency comprised of rental payment information, and was the first major credit bureau to incorporate positive rental payment data reported to Experian RentBureau in its credit files. Since that decision, property managers and online rental payment processing companies that are properly credentialed have been able to report payment information to Experian RentBureau, which has a database with data on more than 13 million residents nationwide.<sup>6</sup>

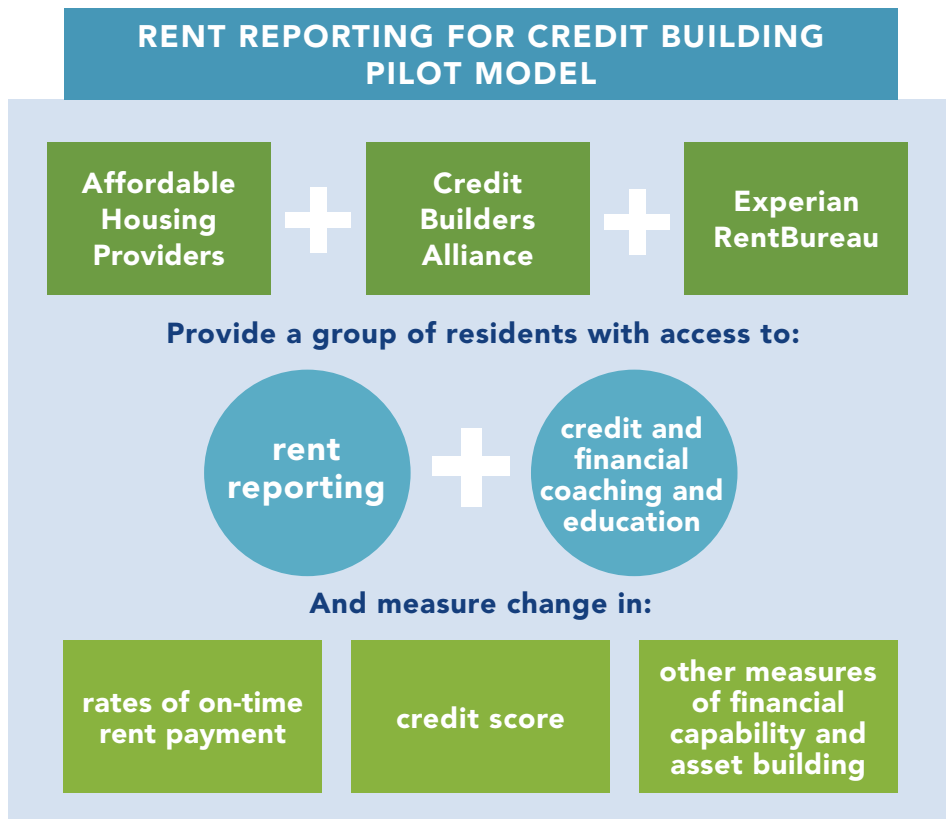
Recognizing that extremely late rental payments were already reported to the credit bureaus through the collections process, CBA quickly identified the reporting of on-time rental payments as an exciting potential credit building opportunity for low- and moderate-income renters. After hundreds of conversations with affordable housing developers, property managers, resident service providers, and other stakeholders from across the country, we concluded that there was enough interest to pilot an initiative to explore and test the idea in the affordable housing field.

### Objectives and Model

The pilot set out to accomplish the following objectives:

- 1) Discern and document the rent reporting implementation process as it applies specifically to affordable housing providers, and identify challenges to the successful implementation of rent reporting for credit building initiatives as well as solutions for overcoming those challenges.
- 2) Examine the impact of rent reporting on residents' credit reports and scores.
- 3) Explore and identify promising practices for leveraging rent reporting as a) a tool to engage participants in translating credit improvements into actual progress toward other financial goals and b) an incentive for on-time rental payment.

<sup>6</sup> In 2013, another major credit bureau, TransUnion, also began including rental payments on its traditional consumer credit reports through its ResidentCredit service. CBA has a long-standing and strong relationship with TransUnion as well as Experian, and this relationship has paved the way for CBA to support affordable housing providers interested in reporting to TransUnion. As of the date of this publication, CBA and TransUnion have yet to collaborate on rent reporting, but several opportunities to do so with pilot groups and newly interested affordable housing providers are in the works.



### Pilot Roles and Responsibilities

To accomplish these objectives, CBA recruited eight affordable housing providers (including public, nonprofit, and for-profit owners and operators) to develop and pilot rent reporting for credit building initiatives with all or a select group of their residents. The roles and responsibilities were divided as follows:

CREDIT BUILDERS ALLIANCE	AFFORDABLE HOUSING PROVIDERS
<ul style="list-style-type: none"> <li>Manage relationships with Experian RentBureau and connect affordable housing providers with appropriate contacts.</li> <li>Help providers develop an understanding of implementation requirements and the credit building opportunity for residents.</li> <li>Facilitate a Rent Reporting Learning Community.</li> <li>Support providers in developing resident outreach and education strategies and materials.</li> <li>Analyze data across program sites for impact of on-time payments on resident credit scores.</li> <li>Disseminate lessons from the pilot.</li> </ul>	<ul style="list-style-type: none"> <li>Offer residents the opportunity to have their rental payments reported through direct credentialing with Experian RentBureau or by partnering with a third-party payment processor.</li> <li>Offer residents credit and financial coaching and other financial education opportunities.</li> <li>Actively participate in the Rent Reporting Learning Community, sharing feedback about the process with CBA and other pilot groups.</li> <li>Track and report resident participation in the program to CBA via monthly reports.</li> <li>Support CBA in increasing the visibility and understanding of rent reporting in the affordable housing industry.</li> </ul>



## Methodology

CBA applied a mixed-methods research design to successfully:

- understand and document the rent reporting setup and implementation process, specifically as it applies to affordable housing providers;
- determine the impact of rent reporting on residents' credit reports and scores;
- identify promising practices for engaging residents in credit building and helping them leverage credit improvements; and
- identify promising strategies for using rent reporting as an incentive for residents to increase their rates of on-time rent payment.

We collected qualitative information from the pilot organizations through monthly reports, regular one-on-one and group conference calls, webinars, and in-person meetings as part of our Rent Reporting Learning Community.

To measure the impact of rent reporting on individual affordable housing residents, CBA collected data from the pilot groups and collaborated with Experian RentBureau to analyze participants' credit profiles. The pilot groups collected data through a resident survey and monthly reports about resident rent reporting outreach and enrollment, as well as participation in financial coaching and asset building programming. Experian RentBureau provided data on the impact of rent reporting on pilot participants' credit files and scores. Experian RentBureau analyzed 987 participants' credit files,<sup>7</sup> isolating the impact of rent reporting by scoring their reports with and without the rental trade line at a particular moment in time.

Because of the self-selection bias resulting from the requirement to obtain residents' written consent (opt-in — see page 12 for details), CBA gained limited but informative insight into how one pilot group's implementation of different rent reporting models with different groups of residents impacted their payment behavior. Cleveland Housing Network shared several years of anonymized resident payment data for four distinct groups of residents: those who opted to have their rent payments reported and to participate in financial coaching, those who were offered the opportunity to have their rent payments reported and to engage in financial coaching but did not opt in, those who were notified that their payments would be reported without their opting in, and those who received no notification regarding the rent reporting opportunity. CBA examined how rent reporting impacted these individuals' payment behavior and compared the change in behavior among the different groups.

Because virtually no prior research had been done on the actual impact of rent reporting on residents living in affordable housing in the United States, these basic measures of resident impact, along with the wealth of detailed qualitative information collected through discussions with the pilot groups, form the basis of the findings in this report and will help serve as a foundation for further research on the impact of rent reporting.

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<sup>7</sup> Not all residents were included in the analysis because of specific data requirements matching or adding the data to File One, Experian's consumer credit database, as well as the timing of when the data file was compiled.

# PARTICIPATING AFFORDABLE HOUSING PROVIDERS

## Affordable Housing, Education and Development Inc.

Affordable Housing, Education and Development Inc. (AHEAD) is a community-based housing development organization dedicated to strengthening families by helping them build and preserve assets for the future. Since 1991, AHEAD has lived its mission by providing safe, affordable rental housing, family support, and financial education to thousands of rural northern New Hampshire families residing in Carroll, Coös, and northern Grafton counties. AHEAD is a chartered member of NeighborWorks® America and operates a NeighborWorks® Homeownership Center. AHEAD owns and operates 400 units of affordable multifamily rental housing in nine New Hampshire communities.

AHEAD participated in the pilot because of its long-standing commitment to providing residents with meaningful opportunities to improve their financial capability. AHEAD offers homeownership counseling, one-on-one financial coaching, and an Individual Development Account (IDA) matched savings program. The organization saw rent reporting as another powerful asset building tool for its toolbox.

## AHC Greater Baltimore

AHC Greater Baltimore was founded in 2004 to address the need for more affordable housing in the Baltimore area. Today, AHC Greater Baltimore has developed six properties with more than 1,100 affordable apartments. AHC Greater Baltimore is part of AHC Inc., a private, nonprofit developer of affordable housing in the mid-Atlantic region that has provided quality homes for low- and moderate-income families since 1975.

AHC Greater Baltimore's resident services team was interested in taking part in the pilot because it saw rent reporting as a tool that could help the team achieve an existing goal: increasing residents' use of online bill payment to get them out of expensive check cashing stores. AHC worked with WilliamPaid to offer its residents the opportunity to pay their rent online and build credit with each on-time payment.

## Cleveland Housing Network

The Cleveland Housing Network (CHN) is the nation's largest nonprofit, single family affordable housing developer. CHN's mission is to build strong families and vibrant neighborhoods through quality affordable housing and strengthened financial stability. Since 1981, CHN has developed over 5,000 homes, helped more than 2,300 low-income families to achieve home ownership, and made \$700 million in capital investments to improve the quality of housing for thousands of struggling families. Each year, CHN serves 30,000 families in affordable housing & home ownership, counseling & education, energy conservation & weatherization, and safety nets and supports. CHN's flagship program, Lease Purchase, allows low-income families to lease a home at an affordable rate with the opportunity to purchase after 15 years. Today, Lease Purchase is replicated across the nation as one of the most successful home ownership programs for low-income families.

CHN was drawn to the pilot for several reasons. The organization sought ways to help Lease Purchase Program residents build credit to successfully purchase and keep their homes. CHN's resident services and property management teams were also excited by the opportunity to incentivize on-time rent payment by helping residents understand rent reporting as a credit building strategy.

## Commonwealth Land Trust

Established in 1985, Commonwealth Land Trust (CLT) is a 501(c)(3) nonprofit dedicated to preserving neighborhoods and preventing homelessness. CLT owns and manages over 350 units of affordable housing and provides on-site case management services to many of Massachusetts' most vulnerable residents. Linking housing with care, CLT works to rebuild lives and communities.



*Map of the eight affordable housing providers that participated in the pilot.*

CLT joined the pilot for two primary reasons. The nonprofit wanted to help residents reduce their reliance on asset-stripping predatory lenders. In addition, by providing an opportunity for credit building, CLT hoped to better support residents' ability to successfully use its mobile voucher program — which allows residents in Boston Housing Authority's project-based subsidized housing to move into private housing.

### **Covenant Community Capital**

Covenant equips working families to thrive financially and secure assets for intergenerational resilience by using credit wisely, saving for future needs, acquiring affordable homes and accessing quality education. Covenant is located in Houston, Texas, and has developed several affordable multifamily properties in the area. Covenant has been a CBA member for years and offers many credit building and financial capability programs, including ones for credit builder loans, IDA matched savings, and homeownership.

Covenant was thrilled about the opportunity to allow its low- and moderate-income renters to build credit with their monthly rent payments. Covenant gained buy-in from its third-party property management company, Hettig Management Corporation, which assumed responsibility for reporting data to Experian RentBureau.

### **East Bay Asian Local Development Corporation**

East Bay Asian Local Development Corporation (EBALDC) is a nonprofit community development organization that builds healthy, vibrant and safe neighborhoods in Oakland, California, and the greater East Bay. EBALDC develops and manages high-quality affordable apartments and homes and retail spaces for local small businesses and community centers, while fostering increased economic opportunities for low-income families and individuals. EBALDC's neighborhood and economic development programs serve 5,000 low-income people annually through resident services at their buildings, financial education and counseling, youth and senior programming, and free tax preparation and assistance.

EBALDC participated in the pilot because of its major organizational focus on financial capability. The rent reporting pilot was well aligned with its mission and goals.

### **EPIC Property Management**

EPIC Property Management is a young and growing property management company that serves as a third-party property manager for Housing Works, the local housing authority for Deschutes, Crook, and Jefferson counties in central Oregon. Housing Works believes dignity begins with quality affordable housing and provides affordable housing, rental assistance, and new beginnings for low- and moderate-income Oregonians. Housing Works also provides programs that bring other essentials — savings accounts, scholarships, financial education, loans, after-school programs — within reach of anyone motivated to make changes for the better.

When Housing Works brought the rent reporting pilot to EPIC's attention, the property manager quickly embraced the chance to demonstrate its commitment to providing residents with meaningful opportunities to improve their financial capability and self-sufficiency. EPIC is responsible for reporting rental data to the credit bureaus.

### **Marquette Management**

Marquette Management Inc. is a full service property management and real estate development company for over thirty years based in Naperville, Illinois. Marquette oversees over 34 apartment communities in Michigan, Texas, Indiana, and Illinois, including an affordable multifamily property called Woodfield Crossing, located in the North West Suburbs of Chicago.

Woodfield Crossing is owned by an affiliate of the Canyon Multifamily Impact Fund (CMIF), an innovative joint venture established in May 2013 between Canyon Capital Realty Advisors (CCRA) and Citi Community Capital (CCC). CMIF seeks to address the need for higher quality workforce housing in underserved communities across the United States. CMIF focuses on investing in opportunities that provide sound financial returns, advance community development and embrace environmental responsibility.

One unique initiative put in place by CMIF at Woodfield Crossing is the rent reporting pilot program, which affords residents the opportunity to build credit with their monthly housing payments similar to how homeowners build credit with each monthly mortgage payment. As the property manager, Marquette agreed to become a data furnisher to Experian RentBureau and was excited about incentivizing on-time rent payment. Through CMIF and its other investment platforms, CCRA focuses on providing value-added debt and equity capital to real estate owners, operators, developers, mortgage lenders and corporations involved in time-sensitive and complicated projects, as well as on markets and transactions that are often overlooked, misperceived and difficult to underwrite. CCC helps community development financial institutions, real estate developers, national intermediaries and nonprofit organizations achieve their goals through a broad, integrated platform of debt and equity offerings.

## How Rent Reporting Works

### There are two avenues for monthly rental payment data to get to the credit bureaus:

- 1) Landlords or property managers credentialed to furnish such data can report payments directly to the credit bureaus.
- 2) Rental payment processing companies, also credentialed by the credit bureaus, allow property managers to give residents the option of paying their rent online via the payment processor and the opportunity to have those payments reported to the bureaus. The payment processor is then responsible for obtaining resident consent to share information with and furnish the rental payment data to the credit bureaus. Some payment processors market directly to residents, but back-end collaboration with the property manager is essential. This avenue for rental payment reporting is new and evolving.

In the case of Experian RentBureau, the landlord, property manager or rental payment processing company sends on-time and late payment data to RentBureau directly from the property management or payment software. Paid-as-agreed rental payments are then added to Experian's traditional consumer credit database and consumer credit reports.<sup>8</sup>

Experian RentBureau manages rental data in compliance with the Fair Credit Reporting Act, works closely with property managers to understand their particular business rules to ensure accurate data interpretation, and has also created myriad educational materials to help rental data furnishers meet their responsibilities and educate their residents. Experian RentBureau accepts information on payment history in addition to current monthly payment data. For our pilot participants, this meant that those who had been living at their current residence for the past 24 months saw that payment history reflected in the rental trade line added to their consumer credit reports the first month their landlord began reporting.

Affordable housing owners or operators who benefit from federal assistance are subject to the Privacy Act of 1974, which places certain safeguards on the sharing of residents' personally identifiable information<sup>9</sup> with a third party, including a credit bureau. Any property owner or operator subject to the Privacy Act and wishing to report rental payment data to the credit bureaus must obtain a resident's opt-in — i.e., prior written consent — to do so.<sup>10</sup>

8 In the case of TransUnion, paid-as-agreed payments and payments that are 30-plus days late are added to the traditional consumer credit database and on to consumer credit reports.

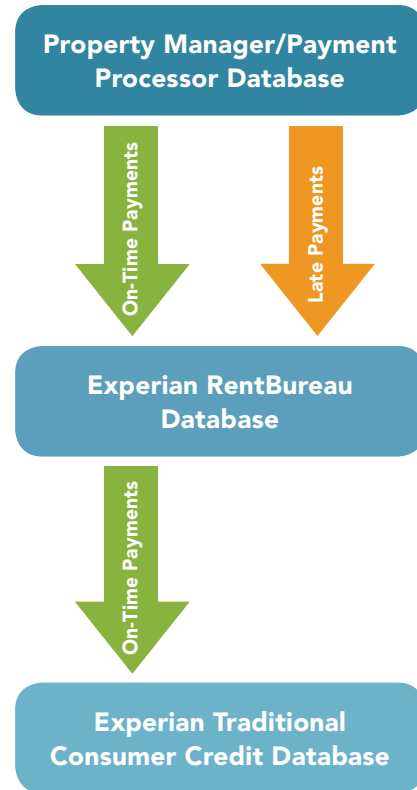
9 The Office of Management and Budget defines personally identifiable information as "information which can be used to distinguish or trace an individual's identity, such as their name, social security number, biometric records, etc. alone, or when combined with other personal or identifying information which is linked or linkable to a specific individual, such as date and place of birth, mother's maiden name, etc." Information such as an individual's name, Social Security number, and date of birth is used in the reporting of rental payments. Johnson, C., III. (2007, May 22). Memorandum for the heads of executive departments and agencies: Safeguarding against and responding to the breach of personally identifiable information. Retrieved from <http://www.whitehouse.gov/sites/default/files/omb/memoranda/fy2007/m07-16.pdf>.

10 The U.S. Department of Housing and Urban Development exempts information that must be disclosed for what is considered a "routine use," including disclosure of information about an individual "to a consumer reporting agency, when trying to collect a claim of the Government." Privacy Act of 1974; Proposed New Routine Use – HUD's Routine Use Inventory, 77 Fed. Reg. 41,993. 41,996 at Appendix I(5) (July 17, 2012) (effective Aug. 16, 2012).

## Components of a Rent Reporting for Credit Building Initiative

In the early stages of the pilot, CBA envisioned the development of one standard model for rent reporting that would allow participating affordable housing providers to seamlessly furnish data to Experian RentBureau (and, ultimately, other credit bureaus). However, rent reporting for credit building initiatives do not just entail the transfer of data to the credit bureaus. They involve intentional resident outreach and education to move renters along the financial pathway out of poverty. During the pilot, it became clear that one standard model was not applicable to all of the participating groups.

The model originally envisioned — along with a number of variations — is outlined below. Nearly all of the pilot groups implemented a model involving at least one variation. These different options ultimately allowed CBA to identify creative solutions for other housing providers interested in pursuing rent reporting that might not otherwise fit the pilot’s standard model.



COMPONENTS	STANDARD PILOT MODEL	OTHER OPTIONS	
Data Furnisher	Property Management Company	Third-party payment processor	
Resident Participation	Opt-in	Opt out	Mandatory
Reporting Relationship(s)	Experian RentBureau	TransUnion	
Data Transfer	Automated	Manual	
Outreach and Education	Incorporated into existing touch points and programming	New outreach mechanisms and programming	Third-party service provider
Dispute Monitoring	Encrypted email notification	Self-monitored e-OSCAR account	CBA-monitored e-OSCAR account

TERM	EXPLANATION
<b>Data Furnisher</b>	The entity responsible for accurately and reliably collecting and reporting data to the credit bureaus is the data furnisher. Direct reporting through property management software is the most efficient way for most affordable housing property managers to report rental payments to the credit bureaus. However, some housing providers may not be able to report directly to the bureaus or prefer to partner with a payment processor that takes responsibility for handling resident rent payments and acts as the data furnisher. Of our eight pilot groups, six chose to report directly. The two that worked with a payment processor are considering direct reporting in the future.
<b>Reporting to the Credit Bureaus</b>	Throughout most of the pilot, only Experian® was actively seeking and reporting rental data on its consumer credit reports from the groups. All pilot groups either directly report to Experian RentBureau or work with a payment processor that is reporting resident payments. <sup>11</sup> CBA has informed the pilot groups of the opportunity to now also report to TransUnion, and several are considering doing so.
<b>Data Transfer</b>	Ideally, rental data is transmitted from the property manager’s database to the credit bureaus in an automated fashion to limit the chances of human error and to make reporting as efficient as possible. However, sometimes automated data transfer is not possible due to incompatible software, and property managers must instead send the bureaus manual monthly reports. Of the six pilot groups reporting directly, four furnish data in an automated fashion through software integrations with Experian RentBureau, and two furnish data via manual monthly reports.
<b>Resident Participation</b>	With the discovery that pilot groups receiving U.S. Department of Housing and Urban Development (HUD) subsidies are required to collect written consent to share residents’ personally identifiable information to report on-time payments, most groups shifted to an opt-in model. While this caused us to adjust our expectations for resident participation, the groups developed various strategies to increase participation by targeting outreach to specific groups and incorporating enrollment into lease renewals, income recertifications, financial education programming, etc.
<b>Outreach and Education</b>	Ideally, the affordable housing provider already has effective platforms for communicating with residents, as well as financial capability and asset building programming, and can use those platforms and programs to inform residents of and engage them in rent reporting. Alternatively, a provider can develop new outreach tools and programming or partner with a local third-party nonprofit that has experience providing such programming. All but one of our groups had financial coaching, financial capability and/or asset building programs in place before joining the pilot. One group partnered with a well-established financial empowerment nonprofit to provide coaching and workshops at its pilot property.
<b>Dispute Monitoring and Resolution</b>	The Fair Credit Reporting Act requires data furnishers to monitor, investigate, and respond to consumer disputes related to the data they report. Most traditional data furnishers monitor disputes through their e-OSCAR <sup>12</sup> account. Because disputes regarding rental trade lines are rare — especially when the data furnisher does a good job with outreach and education — Experian RentBureau also gives its furnishers the option of monitoring disputes through encrypted email. The six pilot groups that chose to furnish data directly opted to receive dispute notifications in this manner.

<sup>11</sup> Pilot groups worked with the rental payment processor, WilliamPaid, to help residents enroll to have their rent payments automatically debited from their bank accounts and subsequently reported to Experian RentBureau. In March 2015, WilliamPaid went out of business.

# Profile: Cleveland Housing Network



## Motivation

At the time CBA started actively recruiting pilot organizations, CHN had recently begun implementation of its new Family Success Program. *The Cleveland Housing Network recognizes that its success is dependent upon the success of its residents. The Family Success Team's mission is to advocate the success of each resident by meeting them along their path through the Lease Purchase program, understanding their needs as families, and connecting them with training, education, and community resources to enhance their health, wealth, and employability.*

CHN identified thin/poor credit history as a challenge faced by many of their residents and recognized rent reporting as a powerful tool to incorporate into their Family Success Program. CHN was excited about the chance to directly provide residents with an impactful credit building opportunity and another positive incentive for on-time rent payment.

## CHN Rent Reporting for Credit Building Model

**Data Furnisher:** Direct. CHN has in-house property management. CHN applied and became credentialed to report rental data directly to Experian RentBureau in early 2013.

**Resident Participation:** Opt in and opt out. CHN applies opt in resident participation for its residents living in subsidized housing and opt out participation for those living in unsubsidized homes.

**Reporting Relationship(s):** Experian RentBureau. CHN is tracking and considering opportunities to report to other major credit bureaus as those opportunities become available. CHN recognizes the value of reporting to multiple bureaus but must consider its own capacity and competing priorities before committing to the significant work involved in becoming credentialed, setting up another data transmission system, and collecting required resident consent in order to begin reporting to another credit bureau.

**Data Transfer:** Manual monthly reporting. Manual reporting was the only option available to CHN because it uses a proprietary property management database. CHN directed one staff person with excellent technical skills to work with Experian RentBureau to create custom manual reports and a secure data transmission system. It took several weeks of back and forth communication and testing between CHN and Experian RentBureau to develop and finalize the data transfer process. Now, it takes one CHN staff person only about fifteen minutes at the end of each month to pull and send the customized reports to Experian RentBureau for inclusion on residents Experian consumer credit reports.

**Outreach and Education:** Rent reporting enrollment/opt-in is part of the lease renewal process. CHN's Lease Purchase program (its flagship program that allows low-income families to lease a home at an affordable rate with the opportunity to purchase after 15 years) residents are required to renew their lease every six months. Incorporating the rent reporting opt-in into this required resident touch point was identified by CHN resident services and property management staff as an efficient and effective mechanism for achieving a high level of resident participation. As of June 2014, only one out of 150 residents declined to opt in during one of these renewal meetings. At the conclusion of the pilot in December 2014, CHN was reporting rent payment on behalf of 505 residents total.

**Dispute Monitoring:** Secure email notification. CHN has not yet received a single dispute in part, because incorporating rent reporting enrollment into regular resident interactions requires residents to actively make a decision about the opportunity and gives residents a chance to learn about the benefits and discuss concerns they may have with a knowledgeable staff person.

## Making Rent Reporting Count

CHN encourages residents to take advantage of the one-on-one financial coaching it offer, as well as a host of other asset building programs, in order to translate improved credit history due to rent reporting into savings, new opportunities, and assets. CHN closely monitors the progress of Family Success Program participants. Just this past February: 68 participants increased their Experian credit score by an average of 35 points; 5 became scorable; 26 participants increased their savings; and 64 reduced their outstanding debt loads.

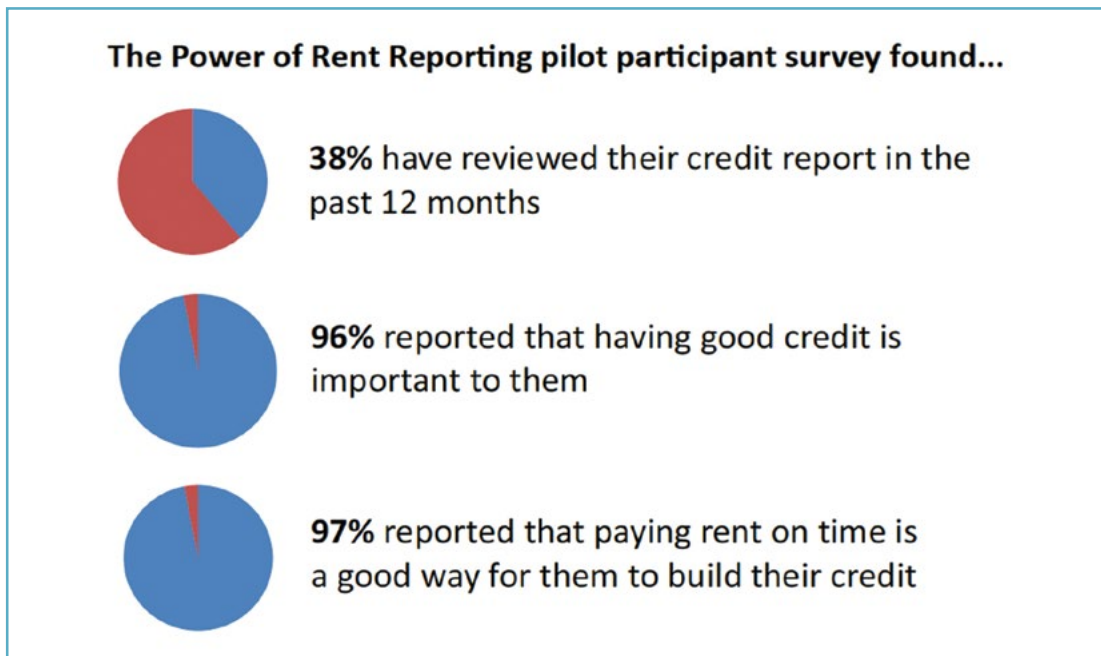
## Summary of Key Findings

By collecting quantitative and qualitative data from the pilot organizations and with analytical support from Experian RentBureau, the pilot revealed the following:

- Rent reporting is seen by renters as a good opportunity for credit building.
- Rent reporting offers a significant credit building opportunity to residents living in affordable housing.
- Rent reporting is a promising strategy for affordable housing providers seeking to increase resident participation and success in financial coaching and asset building programs.
- Rent reporting in combination with financial coaching can incentivize residents to increase their rates of paying rent on time.
- Rent reporting is a viable financial capability strategy for affordable housing providers seeking to help their residents achieve financial stability. Bringing it to scale, however, requires more standardized reporting policies and procedures across the credit bureaus, greater technical capacity on the part of affordable housing providers to report payments, and further investigation of solutions for increasing resident participation as a result of the opt-in requirements for HUD funded affordable housing providers.

## Resident Interest in Credit Building

Early in the pilot, CBA asked participating groups to survey their residents to better understand how receptive they were to credit building generally and, more specifically, to reporting their rent payments to build credit. Pilot groups distributed a questionnaire with a common set of questions to their residents and shared the responses with CBA for aggregation. With a total of 437 responses, CBA found that while few residents had seen their credit report within the last 12 months, a large majority believed having good credit is important, planned to take steps in the near future to build their credit, and viewed the reporting their rental payments as a good opportunity to build credit.



12 The major credit bureaus use the Online Solution for Complete and Accurate Reporting (e-OSCAR), created to help data furnishers monitor and respond to disputes efficiently and effectively.



## The Impact of Rent Reporting on Resident Credit Profiles and Scores

CBA and the pilot groups collaborated with Experian RentBureau to analyze the impact of rent reporting on the credit profiles of participating residents using the VantageScore 3.0 credit score. To conduct the analysis, Experian RentBureau gathered rental payment data from its database for 987 residents.

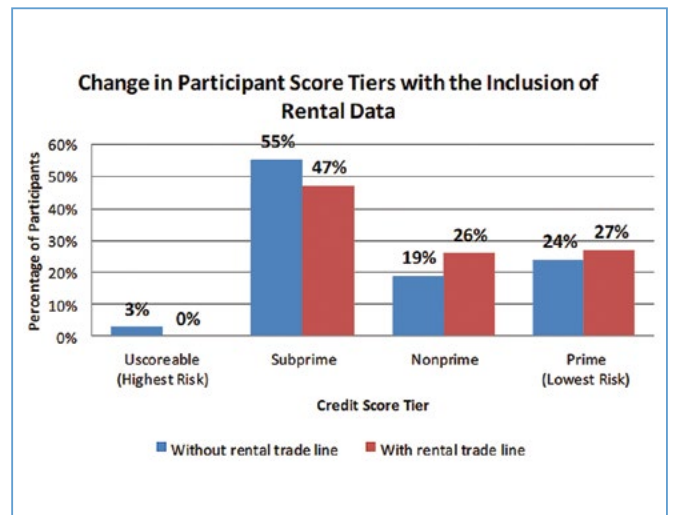
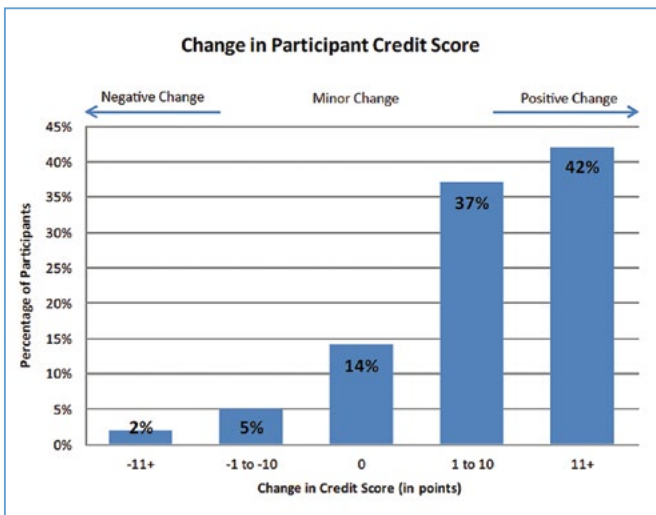
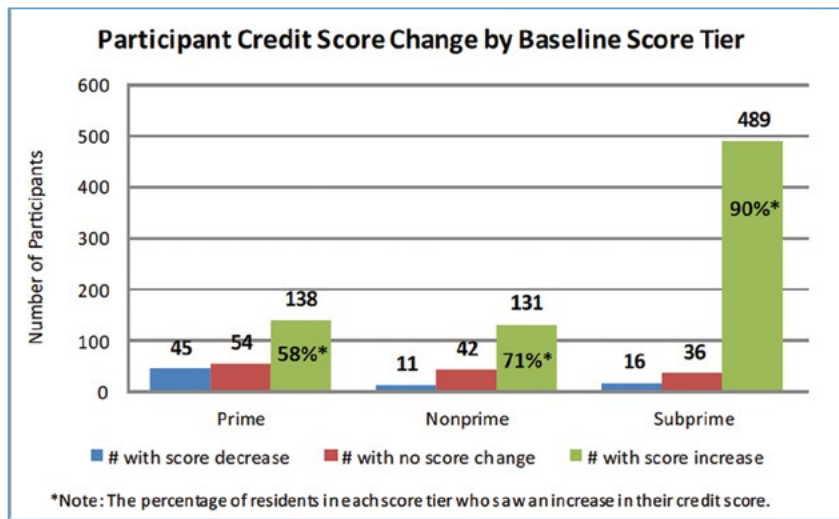
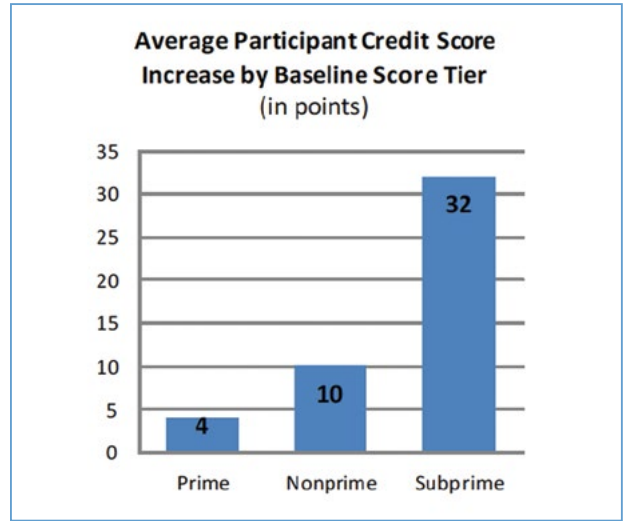
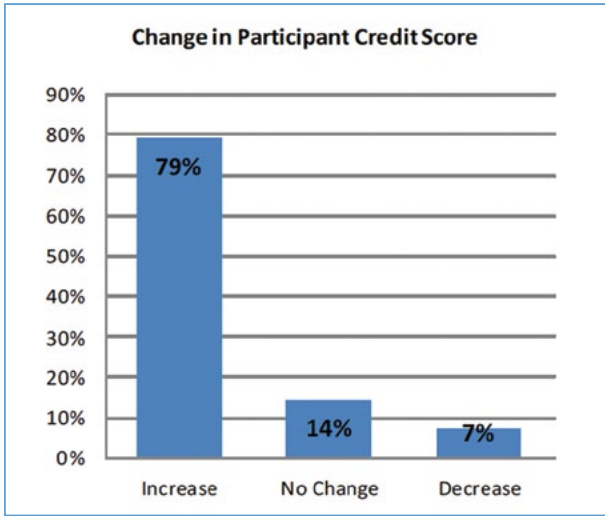
The leases in the pilot population were initiated between 2001 and 2014 and consisted of completed and active leases. All of the leases were added to the Experian credit database as actual trade lines. The analysis isolated the impact of including the rental data by comparing the credit files and scores that included the rental trade line with a simulated credit file and score that did not at a particular moment in time. The analysis revealed that:

- ✓ All residents who were unscorable became scorable at either the nonprime (average 646) or prime (average 688) credit tiers.
- ✓ A large majority (79 percent) of participants experienced an increase in credit score, with an average increase of 23 points.
- ✓ Fifty-five percent of all participants in the analysis initially had a subprime credit score. Ninety percent of those individuals experienced an increase in credit score by an average of 32 points due to the inclusion of positive rental payment history.
- ✓ Fifteen percent of residents moved into a lower credit tier (from subprime to nonprime or nonprime to prime).
- ✓ A small number of pilot participants (14 percent) saw no change in their credit score after including the rental trade line. An even smaller number (7 percent) saw a decrease in their credit score, and only 2 percent experienced a drop of 11 points or more.
- ✓ Overall, individuals with fewer trade lines on their credit report and longer rental payment histories saw the greatest improvements in their credit score.

What the numbers mean...	Credit Tiers	VantageScore 3.0*
	Superprime	781-850
	Prime	661-780
	Near prime	601-660
	Subprime	300-600

\*VantageScore 3.0. Better predictive ability among sought-after borrowers. White Paper Series. December 2013.

# Graphic Representation of Resident Credit Profile Impact



## Promising Practices: Encouraging Resident Engagement in Credit Building and Leveraging Credit Improvements

Pairing a credit building product such as rent reporting with financial education, including credit coaching, is a best practice. Therefore, the groups we selected to participate in the pilot all had financial education or capability programs, with the exception of one, which we connected with a third-party nonprofit experienced in that area. We recommended that groups combine rent reporting with their existing financial coaching, financial capability, and asset building programming, and that, at a minimum, they offer basic financial coaching so that residents could see firsthand why a good credit score is important, how reporting on-time rent payments could positively impact their scores, and how to take advantage of credit score improvements. The groups offered varied levels and types of outreach and ongoing support.

Many groups successfully increased resident engagement in credit building by incorporating rent reporting into their existing financial coaching and asset building programs, which provided a tangible way to help residents see their progress firsthand. By connecting rent reporting participants with financial coaching and asset building programs, the pilot groups were also able to help their residents translate credit improvements resulting from rent reporting into increased savings, assets and other financial opportunities, including individual development accounts and homeownership, banking and bill-pay programs, among others. Together, CBA and the pilot groups discovered the following promising strategies:

- Developing materials for resident outreach and education as well as talking points that clearly connect rent reporting with relevant and specific credit building goals grabs people's attention and motivates them to take action.
- Incorporating rent reporting enrollment into a regular resident interaction, such as lease renewal or income recertification, requires residents to actively make a decision about the opportunity and gives them a chance to learn about the benefits and discuss any concerns they may have with a knowledgeable staff person.

**The resident services team at AHC Greater Baltimore initially struggled to get their residents in the rent reporting target population (mostly seniors) interested in credit building. They told staff that a good credit history was not something they needed anymore since they weren't planning on making any more large purchases requiring financing. The resident services team recognized that most residents weren't interested in messages regarding homeownership or purchasing a new car but they were interested in building their credit in order to get a cell phone plan without putting down a deposit. By recognizing residents' financial goals and targeting rent reporting outreach to help residents understand how rent reporting can help them achieve those goals, the AHC resident services team was able to more effectively get residents interested and enrolled in the program.**



- Connecting the rent reporting for credit building opportunity with existing financial coaching and asset building programming gives affordable housing providers an additional hook to increase resident engagement and successful participation.
- Integrating rent reporting for credit building into financial coaching and asset building programming empowers residents to build on their credit building successes and translate credit improvements into real progress toward their broader financial goals, such as budgeting, saving, and building assets.

**Cleveland Housing Network residents in the Lease Purchase program are required to renew their lease every six months. CHN identified this lease renewal meeting as an effective moment to present residents with the opportunity to learn about and consent to having their rent payments reported. As of June 2014, only one out of 50 residents declined to opt in during one of these renewal meetings — proving that the opt-in requirement does not have to mean low participation rates or mountains of extra work.**



“We had been trying for the better part of 10 years to engage our residents. We had our flyers in the halls and tried to have property managers sell our programs. ... It wasn’t until [The Power of Rent Reporting pilot] that we’ve actually had some buy-in from residents. We had nearly zero residents coming to our workshops and to our counselors. It wasn’t even measurable how many people were participating in our programming. Now, since [AHEAD began reporting rental data], we have 25 people who come in on a regular basis. It’s because of [rent reporting]. This is the only thing that is different. You know, the approach was the same — mailings, flyers, and town-hall meetings — but this piece of it, this carrot, made the difference for our organization.”

– Matt Manning, HomeOwnership Center Director, Affordable Housing, Education and Development Inc.



Experian RentBureau’s analysis confirms that rent reporting can provide a significant credit building opportunity for renters in affordable housing, and, through the pilot, we have identified several promising strategies for engaging and supporting residents in credit building and translating credit improvements into greater financial outcomes. Moving forward, we must test those strategies to determine which are most effective.

## Bill's Path to Homeownership

*By: Samantha Canton, HomeOwnership Advisor, Affordable Housing, Education and Development Inc. (AHEAD)*

Bill had been living in our affordable family housing in northern New Hampshire for three years and had never taken advantage of any of the financial capability programs offered by AHEAD. When Bill received the information packet concerning the Rent Reporting program, he contacted our office to opt in and to make a one-on-one financial coaching appointment. Bill and his wife had great payment history and always paid their bills, including rent and student loans, on time, but they had never viewed their credit report. As a young couple in their early 20s with a small child, they often struggled with financial pressures. Bill believed that home-ownership was just a dream that would not be a reality for many years. Upon pulling their credit report, he discovered, to his surprise, that they both had good credit scores. We discussed techniques to increase their scores by responsibly adding a revolving account and reporting their rental payments and the potential benefits. We developed a monthly budget and discussed strategies to help them feel less overwhelmed and take better control of their finances.

As an incentive to all rent reporting participants, AHEAD offered a \$50 gift card upon completion of four financial coaching sessions. Bill and his wife decided to use their gift card to pay for AHEAD's first-time homebuyer workshop. When they finished the course, Bill met with his advisor again and revealed that he and his wife had made significant progress with their financial success plan and were able to open a savings account. Now they are enrolled in the Individual Development Account program and saving toward homeownership. They have also opened secured credit cards to help build their credit history. With the addition of their rental payments and new revolving accounts, they have realized a 32-point increase in their scores in less than a year.



## Promising Practices: Leveraging Rent Reporting as an Incentive for On-Time Payment

At the pilot's inception, CBA hypothesized that rent reporting would serve as an incentive for residents with a history of late payments to pay their rent on time. Because of the self-selection bias of residents who opted in and implementation delays among some pilot groups, our findings are based on a before-and-after analysis of one group's data (Cleveland Housing Network) and should be interpreted within this context.

CHN engaged with its residents in different ways for its rent reporting initiative. We found that:

- residents who opted in to rent reporting in combination with financial coaching were more likely to substantially improve their payment behavior, decreasing their late payment rate by 26–50 percent; and
- among residents with a history of regularly paying late (initial late payment rates of 40 percent or more), those who:
  - opted in to rent reporting in combination with financial coaching were much more likely than those who did not to significantly decrease their rate of late payment (decrease of at least 25 percent).
  - were having their rent payments reported (both the opted in and opt-out groups) were more likely than residents in other groups to decrease their rate of late payment.

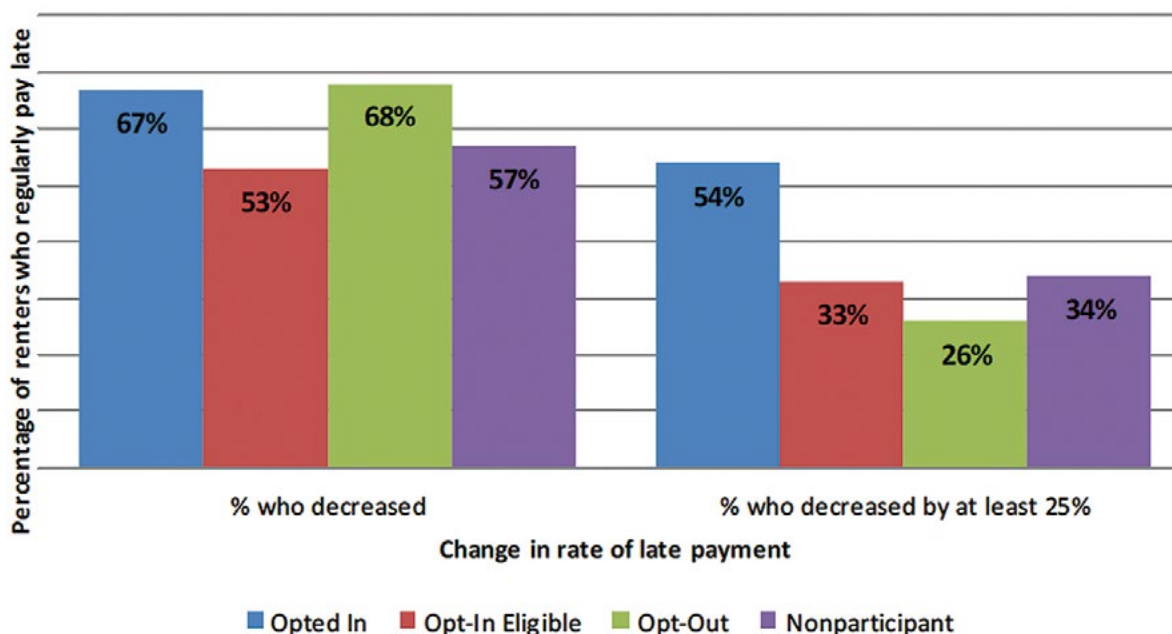
Based on this preliminary analysis of CHN's data, we believe that rent reporting combined with financial coaching can incentivize residents, especially those with a history of regularly paying rent late, to increase their rate of paying on time. In spite of its limitations, the intentional act of opting in to participate may be an effective mechanism for incentivizing on-time payment.

These conclusions are informative but based on a very limited analysis. Further and more rigorous research is needed to investigate the effectiveness of rent reporting as an incentive for timely payments.

The analysis compares four groups of CHN Lease Purchase Program residents: those required to opt in who (1) chose to do so and (2) did not, and those who either (3) were not required to opt in or (4) were not included in CHN's reporting initiative.

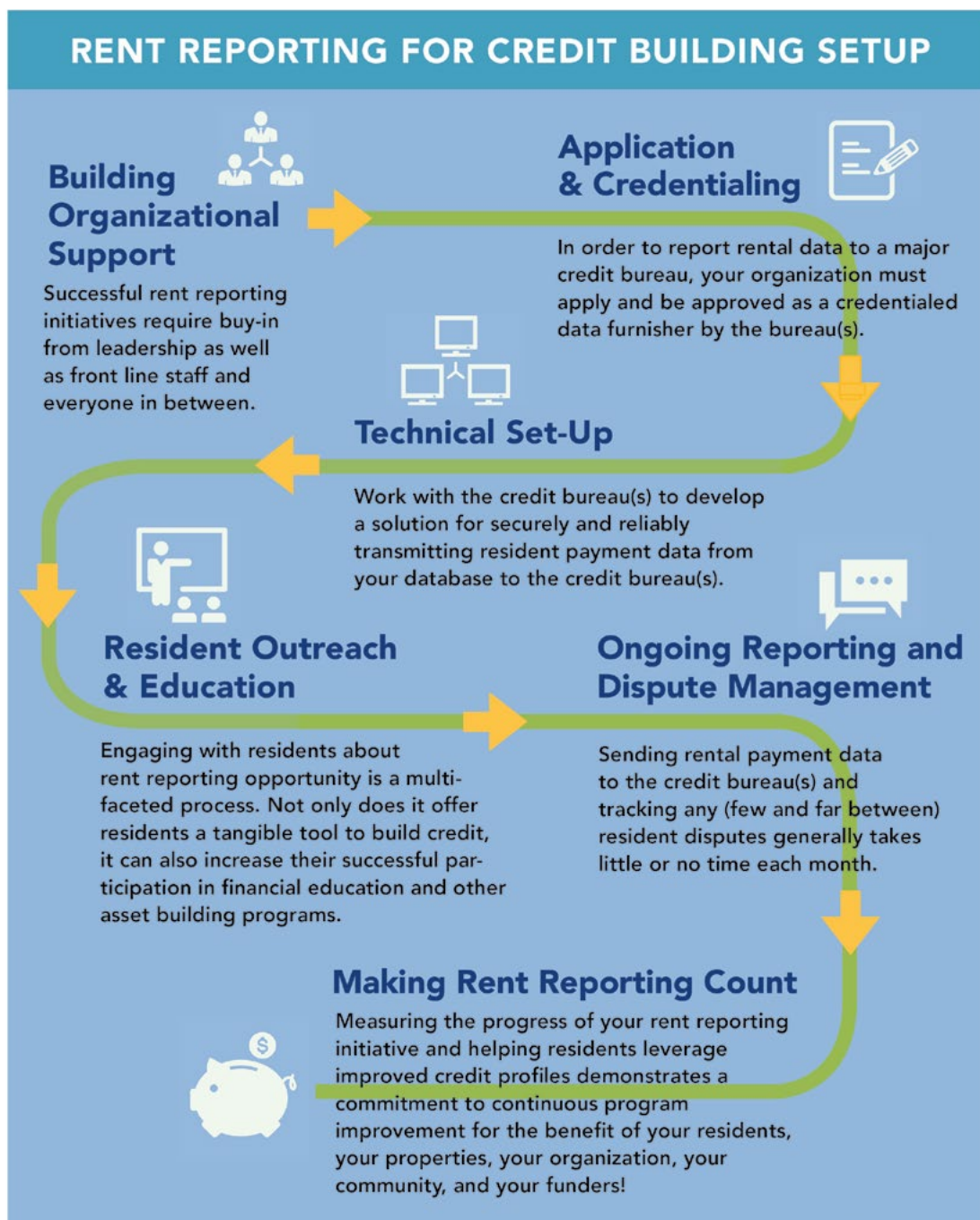
- **Opted In:** Residents who are about five years away from the purchase opportunity, meet with a financial coach every six months, and have chosen to have their rental payments reported (Shown in blue).
- **Opt-In Eligible:** Residents who are about five years away from the purchase opportunity, are asked to meet with a financial coach every six months, and had not yet chosen to have their rental payments reported (Shown in red).
- **Opt-Out:** Residents who are more than five years away from the purchase opportunity, have the chance to meet with financial coaches but are not required to, were notified that CHN would begin reporting their rental payments to Experian RentBureau in Fall 2013 but did not opt in (Shown in green).
- **Nonparticipant:** Residents who are more than five years away from the purchase opportunity, have the chance to meet with financial coaches but are not required to, and have not been notified of the rent reporting opportunity (Shown in purple).

### Change in Payment for Regularly Late Renters (initial late payment rate of at least 40%)



## Process Findings: Lessons Learned

Over the course of the pilot, CBA and the groups identified five major steps necessary to successfully implement a rent reporting for credit building initiative. Each affordable housing provider is unique, and, because of that, the process can vary for different organizations. For example, these steps may sometimes occur in a slightly different sequence, and it is highly likely for two or more to take place concurrently. However, we believe that each step is necessary to implement a successful rent reporting for credit building initiative. The following sections detail the challenges, solutions, and lessons learned for each step in the process.





## Building Organizational Support

While champions for rent reporting can come from a variety of places within and outside an affordable housing provider, cultivating buy-in throughout the organization — from the executive director to resident services, property management, information technology managers, and frontline staff — is critical to effective implementation.

Building support from the top down, starting with the executive director, can be ideal — and essential in some cases — for getting groups involved and committed to the initiative. But we also discovered that while strong support from senior management may help with prioritizing the project, that alone does not drive the process forward. At the outset of the pilot, we considered resident services leaders the optimal contacts for generating internal and external support. This was due in large part to our belief that they would immediately see the value of rent reporting as a strategy to improve the financial well-being of their residents. While this proved true, we quickly recognized that rent reporting requires the support of property managers because the actual responsibility for reporting rental data falls on them. Over time, it became clear that information technology staff or those most familiar with the property management software and its capabilities are also critical to effective implementation. Finally, individuals who play a legal or other compliance role for the organization should be consulted at the beginning and as necessary throughout the process.

**Identifying decision makers, influencers, and implementers early on is essential to effectively and efficiently building support.** To move the initiative forward, champions must identify the key decision makers within each department involved and anticipate those individuals' perspectives and concerns. Frontline staff should be kept in the loop and included in the program design process. Rent reporting and credit building may be new topics for them, and providing appropriate training will help them to feel more comfortable and confident in sharing the rent reporting opportunity with residents.

**Buy-in does not necessarily equate to collaboration or prioritization. Securing commitments to specific actions is the goal.** Once buy-in is obtained, it must be solidified in the form of specific and manageable commitments from key players. No matter how excited specific members of an organization's staff are about rent reporting for credit building, specific tasks and responsibilities must be determined with explicit deadlines assigned to sustain the momentum necessary to get to the point of reporting rental data. Assigning an internal staff person to serve as the project manager can help keep the project from stalling if, and when, other priorities arise.

The rent reporting champion at AHC Greater Baltimore recognized early on the importance of understanding the perspectives and concerns of key decision makers within the finance and property management teams. She held discussions with staff on those teams to understand their roles, motivations, and considerations so that when the time came to present the initiative to key decision makers, she was able to anticipate and effectively respond to their questions and concerns and gain their approval.



***"If [frontline staff] don't buy in, then they can't sell it to the client. They transmit all their fears and insecurities right to [the client], and that's not useful."*** – Ellen Tan, President and CEO, Commonwealth Land Trust



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## **Credit Bureau Credentialing**

**Submitting an application and becoming a credentialed rental payment data furnisher are key steps toward being able to report rent payments to the credit bureaus.** The bureaus will consider applications from qualified property managers or payment processors. The bureaus want to ensure that the applicant is a legitimate legal entity with responsible data-handling policies and procedures. To become credentialed, housing providers must submit an application and data release agreement, and participate in a site visit from the credit bureaus. All pilot groups reporting directly to Experian RentBureau completed this process in less than a month.

**Data furnishers need to understand and establish policies and procedures to comply with the Fair Credit Reporting Act (FCRA).** Property managers that are directly furnishing rental payment data to the credit bureaus must establish reporting policies and procedures. Experian RentBureau offers data furnishers sample policies and procedures to help address how they will:

- maintain data accuracy and integrity at all times;
- continue to furnish information on a regular basis;
- report payments;
- notify residents that delinquent payments could be reported; and
- investigate and update inaccurate information that has been submitted accidentally.

While aware of their obligations under the FCRA, pilot groups already considered themselves responsible data handlers and were able to customize the sample policies and procedures to their own structures, goals, products, accounting, and staffing without any difficulty.

## Technical Setup

**An affordable housing provider's information technology systems, software, and expertise are critical to successful implementation. The technical setup phase of the rent reporting implementation process involves creating a system for transferring residents' personal and payment information to the credit bureaus in a secure and reliable manner.**

Preferably, data is transmitted to the credit bureaus in an automated fashion by building an integration that directly connects a property manager's database with the credit bureaus. If an automated integration is not possible, some property managers are able to create and send reports to the bureaus manually each month. This work is manageable for experienced system administrators and IT professionals but can be challenging for individuals with a limited IT background or too many competing priorities. Affordable housing providers best suited to report rental payments are those that either use property management software that can automatically integrate with the credit bureaus or that have a certain level of in-house technical expertise or external support because successful and efficient reporting relies heavily on technology and staff capacity.

**Even if an affordable housing provider is using property management software that automatically integrates with the credit bureaus, rental data reporting integrations were not originally developed with resident opt-in requirements in mind.** The data integrations that have been built between some of the most widely used property management software programs and Experian RentBureau were originally designed to transmit all residents' data by property. All but one<sup>13</sup> of the pilot groups were required to obtain residents' written consent for reporting and had to work with Experian RentBureau to develop customized data transmission systems that allowed for reporting on an individual resident, rather than an entire property. While the opt-in requirement presented a significant challenge for all parties involved, the groups' and Experian RentBureau's patience and cooperation made it a manageable one to overcome. Moving forward, however, more property management software companies must be willing to not only create automated integrations with the bureaus but also ensure that those integrations allow affordable housing providers to comply with the federal Privacy Act by transmitting data on an individual basis.

**For affordable housing providers unable or unwilling to submit rental data directly to the bureaus,<sup>14</sup> partnering with a third-party rent payment processor offers an alternative.** In such cases, however, the housing provider and third-party payment processor and data furnisher still must develop a streamlined communication plan to ensure the accuracy and efficiency of data transmissions, especially in cases when residents' monthly payments change because of fluctuations in income.

EPIC Property Management is a small up-and-coming property management company in central Oregon. Even though the company does not have a large information systems and technology department in-house, it was able to develop and implement an integration with Experian RentBureau with the help of a technical account manager at Yardi, EPIC's property management software provider. With expert and responsive support from Yardi and Experian RentBureau, EPIC was able to develop an integration and began reporting live resident data over the course of just a few weeks. CBA is hopeful that this integration, which allows for resident opt-in participation, will serve as a foundation for other affordable housing providers seeking to develop similar integrations.



<sup>13</sup> Marquette Management did not have to ask residents to opt in at Woodfield Crossing, which does not receive any HUD funding.

<sup>14</sup> Reasons may include having incompatible software or fear of FCRA liability.

## Resident Outreach and Education

**Existing financial capability campaigns and programs are powerful ways to engage residents.** Rent reporting for credit building gives financial coaches and resident services providers a chance to offer residents a specific and actionable opportunity to build their credit history. It also allows frontline staff to engage residents in a positive and forward-looking conversation about their finances rather than one focused on past problematic behavior. With outreach and marketing material that helps people see rent reporting as an opportunity to build credit, save money, and gain access to new opportunities, more residents may recognize the value of participating in other financial capability and asset building programs that can help them get and stay ahead.

**Integrating rent reporting outreach and education into regular resident interactions can be more effective and efficient than communicating about it as a stand-alone opportunity.** Getting residents enrolled and engaged in rent reporting for credit building does not necessarily have to involve additional or new resident meetings or workshops. Most affordable housing providers already engage with residents in a variety of ways. Presenting the rent reporting for credit building opportunity to residents as part of routine interactions — such as lease signings, orientations, and income recertification — is an effective and efficient strategy for encouraging them to opt in and build credit.

### Judith's Emergency Savings Account

By: James Parker, Resident Services Manager, AHC Greater Baltimore

Judith was the victim of identity theft. She went to the resident services team at AHC Greater Baltimore after being served with court papers for a \$9,000 debt. Judith is a 59-year-old widow and lives on \$1,200 per month from her husband's pension. She was in a panic and seeking help.

The resident services team was able to assist Judith by pulling her credit reports and helping her to initiate an investigation. Together, they were able to identify old bills that were unresolved and track the source of the identity theft. Her identity had been compromised after a visit to a dishonest cell phone provider. Judith's research allowed her to go to court and get the case against her dismissed. By removing the fraudulent debts from her credit report, Judith improved her credit history, which allowed her to reduce her monthly car insurance premium. With the money she saved because of her lower insurance payments, Judith opened a savings account and began saving money to put toward badly needed car repairs.

Judith hopes to own a home again one day and understands that she needs to continue building her credit to make that goal a reality. Judith enrolled with WilliamPaid during AHC Greater Baltimore's May 2014 campaign, and her rent payments were reported to Experian RentBureau starting the next month. She was reluctant to enroll with WilliamPaid at first because of negative experiences with online bill pay. Judith worried that there would be a delay in the processing of her rent payments, which could result in late fees or even an eviction notice. But her trust in the resident services team gave her the confidence and encouragement to enroll with rent payment processor and reporter, WilliamPaid. She hasn't had any difficulties since enrolling with WilliamPaid and she's now comfortable enough to manage her account independently. Judith now has modest savings for emergencies and a higher credit score – making her less reliant on the predatory lenders she had turned to in the past.



## **Making Rent Reporting Count**

**Planning for outcome tracking and evaluation should take place concurrently with designing and developing a rent reporting for credit building initiative.**

Identifying key outcomes and developing a plan for tracking resident outcomes in tandem with designing the actual initiative may help an organization focus on a few specific and measurable results it hopes to achieve. Concurrent program and evaluation planning also helps ensure that staff have the resources and tools they need to track outcomes. Specifically, affordable housing providers must ensure they have residents' consent and, ideally, access to the relevant credit reports and scores to use in tracking the impact of the initiative on residents' credit profiles.

**Involving residents in tracking their own outcomes can be an empowering and motivating experience.** Participatory evaluation is often a regular part of credit and financial coaching programs. Reading and interpreting a credit report and scores with a resident is not only a learning opportunity but a chance to empower residents by developing their ability to monitor and recognize their own progress.

**Maintaining a focus on meaningful impact helps residents leverage credit improvements to achieve their financial goals.** Newly established or improved credit scores are essential, but how residents take advantage of them is what really counts. Helping clients translate credit improvements resulting from rent reporting into other financial outcomes such as real savings by refinancing expensive debt, building assets, or obtaining good market rate rental housing is the real goal. Among other things, pilot groups encouraged residents to translate their credit improvements into savings to purchase a car or home or to pay for education — and into opportunities for their children by cosigning apartment leases and car or student loans.

## **Cindy's Path to Homeownership**

By: Verlisa Hunter, Asset Coach/Homebuyer Club Coordinator, Covenant Community Capital

As an outreach specialist at a local community college, Cindy deeply understood the importance of education and opportunity. And as a single mother, she always wanted to own a home of her own and take advantage of the benefits of homeownership.

While taking a homebuyer pre-purchase workshop at Covenant Community Capital, Cindy began to develop strategies for improving her credit profile. Like many others seeking the approval of creditors, she needed to build credit without burdening her debt-to-income ratio. Paying down debt and reestablishing new credit seemed mutually exclusive. "I felt like I needed a lot of help with my credit," she lamented.

With support from Covenant, Cindy found that help at WilliamPaid, an online rental payment processor that reports client rental payments to Experian RentBureau. After enrolling with WilliamPaid to have her payments reported and backdating her rental history to the beginning of her lease, she saw a nearly 50-point increase in her credit score.

With a score currently in the 700s she believes purchasing a home is now only a matter of building her savings. Cindy feels creditworthy and more in control of her credit. She hopes to buy a home within the next months. "I never thought I would get this far," she said. "They made the process easy." Her recommendation for those struggling to build credit: Use WilliamPaid. "The only thing you have to lose is bad credit."



## Accomplishments, Ongoing Issues and Future Directions

Recognizing the credit building opportunity that rent reporting offers, CBA set out to support mission-driven affordable housing providers in closing the gap in the financial system that has historically excluded renters from building credit as a financial asset. While the emergence of this relatively new credit building opportunity has been widely welcomed by the affordable housing industry, every opportunity comes with challenges, and this is no exception. However, given CBA's long-standing relationship with the credit bureaus, along with our experience and expertise supporting the work of hundreds of nonprofits nationwide, we are uniquely positioned to help overcome those challenges and to provide guidance and support to responsible affordable housing providers as they design and implement their own rent reporting for credit building initiatives.

### Accomplishments

Through the rent reporting pilot, CBA was able to jumpstart action in the affordable housing industry to leverage rent reporting as a credit building strategy. The result has been substantial interest among affordable housing providers, improvements to resident credit profiles, and systems change within the credit industry. Prior to the pilot, for example, residents living in subsidized housing were not reaping the benefits of having their rental payments reported to the credit bureaus. Now they are. The pilot enabled us to do the following:

- 1) **Raise awareness about rent reporting within the affordable housing sector.** Most affordable housing providers simply did not know about the opportunity until 2012, when CBA began its outreach. Today, over 150 providers have been directly introduced to rent reporting, and they show ever-increasing awareness and interest in exploring the opportunity.
- 2) **Contribute to credit bureaus' understanding of issues specific to affordable housing, such as fluctuating and very low rent amounts as well as resident opt-in requirements.** Over the last two years, modifications have been made to credit bureau policies and procedures that accommodate payment issues for residents with rental subsidies — particularly those whose rental payments fluctuate along with their incomes on an annual, if not more frequent, basis — and residents with very low rental payments. Furthermore, while the resident opt-in requirement still presents a challenge on a larger scale, options for automated data transmission between property managers and the credit bureaus now exist and can help set the standard for future developments in this area.
- 3) **Expand the options for affordable housing providers interested in reporting to additional credit bureaus by collaborating with TransUnion.** At the pilot's inception, only Experian was including rental payment trade lines on its traditional consumer credit reports. An early question among affordable housing providers exploring rent reporting for credit building concerned the lost opportunity for residents whose payments were not reflected on credit reports pulled from the other bureaus by lenders and other businesses.<sup>15</sup> In late summer 2014, TransUnion and CBA began discussing the opportunity for housing providers to report to TransUnion, and plans are in the works.
- 4) **Develop resources and a toolkit to assist affordable housing providers in understanding the value of rent reporting for credit building and guidance on implementing it.** As with any new undertaking, housing providers had concerns about their capacity to understand and manage the different stakeholders, options and processes. Through its experience with the pilot, CBA has designed the Rent Reporting for Credit Building 101 Guide to help providers understand the process and make implementation decisions. The guide describes how to build organizational support; provides options and guidance on setting up systems to furnish rental payment data to the credit bureaus; and details how to conduct outreach and

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<sup>15</sup> This concern extended to the credit scores that optimize the rental payment trade line to help establish and improve consumer credit scores. Recognizing the trade line's value, VantageScore was an early adopter. As of 2014, Fair Isaac Corporation (FICO), which provides software for calculating credit scores, intentionally incorporates the trade line into the algorithm for its FICO 9 score.

resident financial education, manage ongoing reporting and disputes, and help residents leverage their credit building success. CBA has also created a new service, CBA Rent Reporting for Credit Building, which provides organizational assessments and consultation on program design, implementation, and tracking outcomes to providers seeking to develop or enhance their credit building efforts based on their residents' unique needs and goals, as well as their organizational mission and capacity. We believe these two resources will address many of the concerns and challenges that the pilot sites experienced, making it less challenging for others to undertake rent reporting for credit building initiatives.

- 5) **Provide further evidence that rent reporting positively impacts credit scores for the vast majority of residents living in affordable housing.** Affordable housing providers are often concerned about the unintended consequences of rent reporting on particularly low-income tenants who are already struggling to pay their rent on time. It is no surprise that mission-driven providers, many of which access government resources to support their operations to some degree, are dedicated to their residents' welfare and sensitive to public scrutiny. As illustrated in this paper, reporting on-time rental payments did indeed have a negative impact on a small number (7 percent) of participating residents, but only 2 percent experienced a credit score decrease of 11 points or more. In traditional loan payment reporting, CBA's nonprofit lender members also often see some small percentage of their borrowers experience credit score decreases with the addition of a new positive trade line. The reasons can be attributed to several factors, including a decrease in the individual's average trade-line age or an increase in his or her amount of outstanding debt. Although no one wishes to see a drop in resident scores, one must consider the significant credit improvements achieved by the vast majority as outlined earlier in this report alongside the potential for harm.

## Hiba's Pursuit of New Opportunities

By: Alex Browder, Operations Manager / Counsel,  
Commonwealth Land Trust

Hiba has been a resident in Commonwealth Land Trust's family housing since 009. After speaking about the rent reporting pilot program with staff, she saw signing up to have her rent payments reported to Experian RentBureau as an ideal way to build credit. She had already started taking steps toward establishing credit, including getting her first credit card. Hiba told staff that she was particularly interested in the program because it provided a way to build credit without having to worry about another monthly bill.

Hiba wanted to build credit to increase opportunities for herself and her five children. Originally from Sudan, she and her family have put down strong roots in Boston. Although she has been a longtime renter, she would like to have the option of pursuing homeownership one day. Hiba would like to build credit to support her children as they continue through school and begin to consider college in Boston. With good credit established, she can help them move toward their goals by being able to cosign for an apartment, a car, or an educational loan. She told staff, "It's important to have credit to plan for the best future." Looking ahead, she's optimistic that her efforts to build her credit will create more possibilities for her family.

Since enrolling in the program, Hiba has already begun to receive more offers to establish credit, and she considers them discerningly. She has made plans to check her credit regularly to monitor improvement and set goals for progress.



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## Ongoing Issues

In light of the challenges encountered and lessons learned through the implementation of the pilot, certain issues remain to be addressed to help bring rent reporting for credit building to scale and ensure residents living in affordable housing continue to get the maximum benefit out of this opportunity. These ongoing issues are detailed below.

- 1) **The priorities of resident services and property or asset management staff are not always aligned, and both usually already have full plates.** Whether property managers are in-house or third-party service providers, the implementation of a successful rent reporting for credit building initiative requires significant collaboration and cooperation between them and resident services staff. More research needs to be done on the impact of rent reporting when it comes to increasing on-time payments and property stability. Such research would help establish the mission and business case necessary to make a rent reporting for credit building initiative everyone's priority.
- 2) **Not all affordable housing providers have the property management software or technological expertise and capacity to report directly to the credit bureaus.** Software companies need to be responsive to their clients' requests for support in developing manual and automated data transmission systems with the credit bureaus. We recognize this requires resources and investment by software companies but believe that such features will soon be a competitive advantage for those that do offer them. Affordable housing providers must recognize that technical expertise is critical to successful implementation, regardless of whether they plan to report manually or through an automated integration.
- 3) **The opt-in requirement results in lower resident participation.** The Privacy Act of 1974 requires affordable housing providers who accept federal funding to obtain residents' written consent before sharing personally identifiable information, which providers must send to the credit bureaus as part of the rent reporting process. This requirement poses challenges to implementing rent reporting on a large scale. For example, requiring residents to opt in increases the workload of an already busy staff and presents obstacles for setting up automated data transmission between property managers and the credit bureaus. Furthermore, behavioral economics tells us that individuals do not always make rational choices based on their best interests but on what requires less commitment in the moment — which means fewer residents are likely to opt in despite the known benefits of rent reporting as an entrée to building credit.<sup>16</sup>
- 4) **Rent reporting is still a relatively new opportunity, and the environment is still evolving.** Rent reporting is gaining traction, but credit bureau policies and procedures differ on how data is collected, interpreted, and reported. More standardization is needed to make rent reporting for credit building feasible for the affordable housing industry in the long term. For example, Experian RentBureau and TransUnion have different reporting policies and procedures, making it a potential challenge for affordable housing providers wishing to report to both bureaus and effectively communicate the differences to their residents. While these differences are not part of the scope of this paper, more work may be required to standardize and streamline policies and procedures for transmitting and reporting rental payment data to make it feasible for providers to report to both credit bureaus, and someday, all three. In addition, the emergence of more and more intermediary data furnishers, such as rental payment processing companies, present opportunities and unknowns for affordable housing providers. More research on standardizing data collection and third-party data furnishers is required.

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<sup>16</sup> In a 2001 study, only 37 percent of people joined a 401(k) plan when they had to opt in by signing up for a plan. When they were automatically enrolled in a plan, however, their participation rose to 86 percent. Madrian, B.C., & Shea, D.F. (2000). The power of suggestion: Inertia in 401(k) participation and savings behavior. Cambridge, MA: National Bureau of Economic Research. Retrieved from <http://www.nber.org/papers/w7682>.



## Future Directions

The Power of Rent Reporting pilot set out to break new ground in designing and implementing a model that affordable housing providers could use to give low-income renters the opportunity to build their credit histories and scores by having their on-time rental payments reported to the credit bureaus. As with any innovation, the pilot encountered success and challenges and identified new areas of work and exploration that we hope will be pursued and will help further transform rent reporting into a more efficient and effective credit building opportunity for renters living in affordable housing. Future areas of work and exploration include:

- More evaluation of rent reporting's impact on residents' credit profiles and scores.
- More research on effective strategies for helping residents translate credit improvements into actual savings, new opportunities, and assets, and for leveraging rent reporting as a positive incentive for on-time rent payment.
- Productive dialogue within the credit industry regarding the standardization of rent reporting policies and procedures to ensure they accommodate the specific needs of affordable housing providers.
- Greater collaboration between property management software companies and the credit bureaus to create effective rent reporting integrations that allow for compliance with the opt-in requirement of the Privacy Act.
- Greater use of credit scores that optimize the rental payment trade line among major creditors and other businesses.
- Review of the Privacy Act opt-in requirement by HUD to determine if there are administrative grounds to include full-file rental data reporting on its "routine uses" list to make opting out an option for affordable housing providers to use in rent reporting.

CBA will continue to encourage rent reporting for credit building throughout the affordable housing industry as a proven tool for helping residents build credit. In addition to affordable housing providers that may report rental payments directly to the credit bureaus, many community organizations working with low-income renters are looking for strategies to motivate property managers to begin and sustain a rent reporting for credit building initiative. We are extremely encouraged by the progress over the past three years, due in major part to effective cross-sector collaboration between the nonprofit affordable housing industry, national for-profit credit reporting agencies, and public agencies from the national to city level. We are confident that, as rent reporting gains traction and more affordable housing providers implement and evaluate rent reporting for credit building initiatives, their results will bolster and expand on the outcomes of this pilot.

CBA aims to make responsible rent reporting a common and valued tool for providers. ***"There is no challenge we will not meet. Rent reporting is the right thing to do,"*** said Matt Manning, the HomeOwnership Center director at AHEAD. CBA and all of the pilot's stakeholders remain committed to moving this opportunity forward.



## Learn More

For more information on the Power of Rent Reporting Pilot and CBA's Rent Reporting for Credit Building services, visit:

[www.creditbuildersalliance.org](http://www.creditbuildersalliance.org)

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