



Editor's Note:

Credit Builders Alliance (CBA) submits the below open letter to the Biden administration on rent reporting as a way to promote greater equity in credit score performance among low-income populations and communities of color.

We, the undersigned organizations, applaud President Biden's stated commitment to ensuring economic justice for all. We believe that with the right policy actions, this important goal can be realized. Although there are a variety of strategies in circulation, we would like to focus in on the **responsible use of nontraditional credit** as a proven strategy to promote inclusion.

The use of alternative data in credit scoring has the potential to help the vast number of credit invisible consumers, who are disproportionately BIPOC and people with disabilities, become scored. Strategies such as rent reporting—the reporting of tenants' rental payments to the consumer reporting agencies (CRAs)—are promising evidence-based strategies that could be scaled through effective policy.

A higher percentage of families of color and those with lower incomes rent versus own their homes.¹ Additionally, renters are seven times more likely to be credit challenged compared to homeowners.² Considering this reality, the Biden administration can help promote rent reporting as a solution which has the potential to impact approximately [5 million Americans](#) living in subsidized housing units.

It is a fact that a good credit history is crucial in today's economy and will be even more important as we emerge from the current pandemic. Credit markets are already tightening, and individuals are at risk of seeing credit scores decline without safe opportunities to build credit histories to balance the economic challenges they face. Without a prime credit score, individuals pay higher interest and fees on financial products and spend more on essential services like car insurance and cell phone plans.

¹ American Community Survey. (2017)

² LexisNexis Risk Solutions. "Moving to Financial Inclusion with Alternative Data." Retrieved from <https://risk.lexisnexis.com/insights-resources/infographic/moving-to-financial-inclusion-with-alternative-data>



This creates sustained expense inequality, the flip side of income inequality, and compounds financial hardship, making it even more difficult for lower-income households to get and stay ahead. This is especially problematic for people with disabilities and communities of color and contributes to a persistent and growing wealth divide.

Reporting rental payments to the CRAs offers many an opportunity to build credit as a financial asset without taking on additional debt. Just as homeowners build credit through mortgage payments, renters should have the opportunity to get credit for paying rent.

Pilots and practice have shown that rent reporting can have a positive impact on residents living in subsidized housing, including [CBA's 2012-2015 pilot](#) that helped eight affordable housing providers implement rent reporting across the country. Out of 400 residents surveyed, 97 percent expressed interest in building credit through rent reporting. Of the 987 low-income renters whose rents were then reported, 79 percent saw their VantageScore increase by an average of 23 points, and 15 percent moved into a better credit score risk tier. Every renter who started the pilot as credit invisible became scorable during the program.

A 2019 HUD Report by PERC found that up to 49% of tenants in a sample from three Public Housing Authorities (Cook County, Seattle, and Louisville) were unscorable.³ Overall, about 15% of the sample shifted from subprime or unscorable to nearprime or better when their rental payment data was added to their credit file data and included in the credit scores (FICO and VantageScore).

Rent reporting is a win-win:

- **Residents** gain the opportunity to build credit without assuming additional debt through the establishment of a new active trade line on their traditional consumer report.
- **Resident Service Providers** gain access to a credit building “product” around which they can wrap coaching and education to provide residents with a means to measurably improve their credit profile and ultimately other financial outcomes.
- **Property Managers** gain a tool to offer a positive incentive for increasing on-time rent payments and a competitive advantage in recruiting new residents.

³ Turner, Michael and Walker, Patrick, Potential Impacts of Credit Reporting Public Housing Rental Payment Data (October 2019). Available at <https://www.huduser.gov/portal/publications/Potential-Impacts-of-Credit-Reporting.html>



RECOMMENDATIONS FOR A CONCERTED NATIONAL EFFORT TO SCALE RENT REPORTING

We can begin to eliminate the wealth gap that has perpetuated limited incomes, low wealth, and no or poor credit scores. Although there is no single strategy, opening doors to credit building opportunities can make a difference. Rent reporting is a proven credit building strategy that spurs economic mobility for low-income renters.

We recommend the following actions to effectuate this solution:

1. ***Encourage rent reporting in HUD rental assistance and technical assistance programs.*** The U.S. Department of Housing and Urban Development should analyze its rental assistance programs to see which can be utilized for tenant rent reporting. After this review is complete, HUD should encourage public housing authorities and private owners to provide rent reporting and support this activity through the Community Compass Technical Assistance program. Including rent reporting as a technical assistance focus in the Community Compass program would allow HUD contracted organizations, who are experts in rent reporting, to provide this specialized assistance.
2. ***Remove the opt-in requirement.*** HUD should revisit their policy which requires tenants to sign an opt-in form before they can have their rent payment reported to the CRAs. This requirement is premised on the Federal Privacy Act. However, some activities are exempt from the Privacy Act's protections against disclosure, such as reporting rental accounts in collections to the credit reporting agencies. This opt-in requirement has resulted in low participation at properties which receive HUD funding. To preserve the intent of the Privacy Act while furthering rent reporting, HUD should remove the opt-in requirement and give housing providers the discretion, as long as they provide ongoing communications to ensure that tenants are informed, of using an opt-out strategy.
3. ***Promote rent reporting as an allowable use of Family Self-Sufficiency (FSS) program funds.*** HUD should encourage the Family Self-Sufficiency program recipients to cover expenses related to rent reporting. This may include buying new software if the grantee wants to become a direct data provider to the CRAs; contracting with a third-party payment provider to manage the credit reporting; and conducting an education campaign on credit building as a part of their financial education and tenant outreach strategy. These rent reporting tools are operational costs of the program and HUD should ensure that Public Housing Authorities (PHA) have sufficient funding. To accomplish this, the FSS program should add administrative dollars to the program, in addition to salaries and fringe benefits.



We, the undersigned organizations whose missions include helping underserved consumers and small businesses achieve economic prosperity, in addition to the CRAs who make credit reporting possible urge you to task HUD with implementing measures to support rent reporting among affordable housing providers who receive HUD funding.

We believe that enabling their tenants to have their rent payments reported to consumer reporting agencies offers a high impact, simple, and scalable solution to helping Americans, who need it most, build credit where credit is due.

Accompany Capital
African Development Center
Amos House
Ariva, Inc
Baltimore Regional Housing Partnership
Blue Mountain Action Council
BOC Capital Corp.
Branches
Brightpoint
Britepaths
CAMEO
Capital Area Asset Builders (CAAB)
Capital Good Fund
CAPIUSA
CASA of Oregon
Catalyst Miami
CCCS of Buffalo
Chinese Community Center, Houston
Cincinnati Works
Citizen Potawatomi Community Development Corporation
CommonBond Communities
Community Credit Lab
Community Loan Fund of the Capital Region, Inc.
Compass Working Capital
Credit Builders Alliance
Equifax
Esusu Financial
Experian
Family Pathfinders



Financial Services Innovation Coalition
Foundation Communities
Greater Atlanta Builds Credit
Habitat for Humanity Buffalo
HFLA of Northeast Ohio
Hispanic Interest Coalition of Alabama
Homes Are Possible, Inc.
Housing Options & Planning Enterprises, Inc.
IBA-Inquilinos Boricuas en Accion
Instituto del Progreso Latino
Irving Cares
Jackson County Civic Action Committee, Inc.
Job Opportunities Task Force
Legal Advocates For Consumers In Debt
LifeWise StL (formerly Kingdom House)
LiftFund
Lighthouse MI
Local Initiatives Support Corporation (LISC)
Louisville Metro Government
Love Columbia
Mainstream Finance
Mercy Housing Lakefront
Metrocrest Services
Metropolitan Consortium of Community Developers
Metropolitan Family Service
Mobility Capital Finance
National Association for Latino Community Asset Builders
National Disability Finance Coalition
Neighborhood Allies
Neighborhood Progress Fund
Neighborhood Resource Center
Neighborhood Trust Financial Partners
New Jersey Citizen Action Education fund
Northwest Access Fund
NYS CDFI Coalition
On The Road Lending
One Roof Community Housing
Opportunity Finance Network



Peaceful Paths Domestic Abuse Network
Peninsula Family Service
PERC
Piedmont Housing Alliance
Prepare and Prosper
Redeemer FCU
Revolution Workshop
River City Capital Investment Corp
Riverworks Development Corporation
Rocky Mountain MicroFinance Institute
Rubicon Programs
Santa Maria Community Services
The Fountain Fund
The Resurrection Project
Tigua Community Development Corporation
Urban Strategies, Inc.
Washington Area Community Investment Fund
Women's Economic Self-Sufficiency Team, Corp
Working Credit
YWCA Southeast Wisconsin