Q&A: Grace Campion and Andrew Jakabovics, Enterprise Community Partners

This month, Enterprise Community Partners, Inc. published a comprehensive look at the current state of rent reporting in the U.S. This resource, **Mapping Rent Reporting for Credit Building**, is available on Enterprise's website. Below is an interview with two people who contributed to the report, Grace Campion and Andrew Jakabovics.

Grace is a Program Director with the Public Housing Revisioning team within Enterprise Advisors. She provides technical assistance to public housing authorities across the country to help them support their residents and work more effectively with their local partners.

Andrew is Vice President for Policy Development at Enterprise Community Partners, where he oversees the Policy Development & Research team. He most recently analyzed small multifamily properties' ownership patterns, preservation strategies for unsubsidized and subsidized affordable housing, LIHTC development and neighborhood dynamics, and the relationship between disasters and affordability. Andrew has testified before Congress and appears frequently in the media. He currently serves on the boards of both the National Community Stabilization Trust and the National Association of Affordable Housing Lenders.

What is rent reporting, and why is it important?

Grace: Rent reporting is a tool that allows landlords to send rental payment history to credit bureaus, and credit bureaus have a way of incorporating that information into people's credit scores.

If you are a homeowner, your mortgage payment history automatically gets sent to the credit bureaus by your bank. But for a variety of reasons, rent payments have not been treated the same as mortgage payments. And there has been a movement over the last ten or so years to understand why that difference is there.

The goal now is to see what we can do to change that paradigm because in many respects, those monthly payments, be it rent money to a landlord or a mortgage payment to a bank, really signifies similar trustworthiness about the person making those payments. And if that's the goal of what is being captured in a credit score, then there are many reasons why this would make sense to offer it to renters.

Andrew: You also become scoreable in a lot of cases. There are a lot of folks who have no other credit that's really extended to them. It's one of these chicken and egg problems: "I can't get credit until someone else shows that I'm credit worthy. Well, how do I show I'm credit-worthy? Because somebody's extended me credit." And you get into this cycle.

When you do not have a credit history, when you do not have a credit file, the fact that you are unscoreable automatically relegates you to the riskiest bucket, whether that's fair or not.

And the other piece of it is that derogatory information historically has always made its way into your credit history. When you haven't made the payment for whatever reason, and there may have been legitimate reasons, that's getting reported to the credit bureau because somebody's coming after you for that delinquency. But the fact that you have an otherwise stellar record of making your on-time payments, nobody ever accounts for that.

On some level, the lack of a rent reporting history in your credit file gives a negatively skewed perspective on your credit worthiness. This is about giving a more complete and fairer picture of an individual's history.

Who's responsible for incorporating rent payments into credit reporting?

Andrew: The bureaus historically could take in this information, but it was not routine. And it's a big question. Is there an obligation to report? Is there an opportunity to report? And also, what is getting reported? Are we only reporting positive payments? Are we reporting all payments?

Some of that is also shifting. There have been a number of startups, fintech, and proptech companies that are trying to create that balance and give power to the renter in making that happen. There have been a number of startups that are now working with the residents themselves to say, "Hey, we will track your payment history." And they're capturing those transactions as evidence of rent paid and reporting that on you're the person's behalf to the credit bureaus.

Grace: The landscape report we put together was really trying to wrap our arms around what's going on in this space. And there has been so much innovation and change.

I used to work at a housing authority, and we were asked to start a pilot program. This was in 2017, and there were not a lot of options. The major option was for the housing authority to become a data furnisher and have a direct relationship with the credit bureau. That's time-consuming, and there is a cost.

Since 2016 to now, there are a number of different organizations and companies that basically are that third-party intermediary that offers the service for a landlord who wants to share this information with a credit bureau but wants to do it in a safe and secure manner that protects the information of their tenants.

One of the groups we learned about is Esusu. The other is RentTrack, and there are a number of other organizations. The report has some quick blurbs on the Who's Who of these kinds of companies. The service these groups offer is stepping into that relationship as an intermediary so the landlord does not have to manually send information every month to the credit bureaus.

Importantly, these third party groups will make sure the information gets to the credit bureaus in the right format and at the right time and without disclosing anyone's private information unwittingly.

So, what's in it for landlords?

Grace: You're incentivizing people to pay their rent on time, and you're basically giving people credit for that rather than being in that negative space where you're just in charge of “slapping the wrist” when tenants are not doing something right. This way, you're offering a proactive benefit to your tenants.

And this was something we saw in the research as well. There is some correlation between on-time payments and rent reporting. It's not saying that you're going to solve all of your rental payment collections woes with this, but it is something that has consistently, across these different pilot programs, been an added bonus for the landlord.

What do you see as some of the benefits of the Mapping Rent Reporting for Credit Building report?

Andrew: In terms of housing providers, I think having a full picture of people who are walking in the door. Landlords will often pull a credit report as part of the application process, among other things. So to the extent that they're getting better information, they're also able to make fairer, more equitable decisions about who they're going to offer tenancy to.

Thinking about that leveling of the playing field. The information is there. I think it's part of a broader conversation about what property owners can do to ensure fairer outcomes for their residents, fairer processes for their residents, greater transparency for their residents.

But it also sets their residents up for longer-term success. If you think again about the fact that if you're unscorable, all these other costs are higher. Those are dollars taken out of a family's pocket that are not available to pay the rent or that are otherwise not available to handle life’s curveballs. Lowering the cost of being poor is very much linked to the scorability question.

It creates this positive feedback cycle where the better the information is, the more accurate the information is, the fairer the decision-making. And the more money that can be saved by the resident. Which can then be available when life inevitably happens, and there are bumps in the road.

The first thing that people think about in the context of having a credit score is, “well, now you can get a mortgage.” But I think that it's important to expand the conversation and the recognition that the benefits are not simply that we need to make sure you can check this particular box so you can move into home ownership. There's a lot of benefit for people who intend to remain renters for a long time, for a whole host of reasons, that they have a credit score that actively and accurately reflects their circumstances.

<u>Grace:</u> The Credit Builders Alliance had a conference this summer, and they highlighted the District of Columbia pilot program. One of the residents who participated in the program talked about how, to get a job, she was required to have her credit score pulled.

If you think about all the times in life when that number is following you around silently or otherwise, I think this is just a very basic option to offer those of us who are renters. It's just one of those funny little places, a corner that got overlooked.

There's been a lot of momentum by a lot of different actors in the industry. And it feels like we're at an exciting moment where some significant progress is being made because a lot of people in the industry are choosing to do this. Also, reflecting on the federal actors and agencies who have been thinking about this, in the last couple of years they've been taking some pretty exciting steps forward.

That's something we tried to pull into this landscape report because sometimes you don't know what's going on behind closed doors. And we're seeing that a lot of these agencies that touch on housing and the mortgage industry are really being serious about this and have found ways to support it and signal to the industry, private and otherwise, that this is a direction that makes sense to go in.