



CREDIT REPORTING: LOWER INCOME HOUSEHOLDS

(California Senate Bill 1157: For leases entered into on and after July 1, 2021, landlords of an assisted housing development shall offer a tenant to report tenant's rental payments to one or more consumer credit reporting agencies at the time the lease agreement is entered, and at least once each year thereafter. For existing leases as of July 1, 2021, the offer of rent reporting must be made by landlord to tenant no later than October 1, 2021, and at least once each year thereafter. Landlords of an assisted housing development with 15 or fewer dwelling units, unless specified conditions are met, are exempt. **When the offer of rent reporting is made, the landlord shall provide the tenant with a self-addressed, stamped envelope to return the written election of rent reporting.**)

Apt No.: _____

TENANT(S): _____

PREMISES: _____
(Street Address) (City) (Zip Code)

California Passes Legislation to Help Renters Establish Credit for Paying Rent

New Obligations Imposed on Landlords to Offer Reporting

By Sharon Wade Ellis, Rent Reporting Senior Specialist

Unlike homeowners, renters do not typically get credit for their largest bill: monthly rent. Additionally, an estimated 50 million Californians, who are disproportionately Black and Hispanic, do not have enough credit experience to have a credit score, and may be excluded from financial opportunities and products. To unlock the door for renters with poor or no credit history, during 2020 Governor Newsom signed into law Senate Bill 1157 requiring certain multifamily rental housing providers of "assisted housing developments" that receive any of Federal, state, or local subsidies to offer their residents the option of having their rent payments reported to nationwide credit bureaus.

This is likely new territory for many rental housing providers, and set forth below are some key points about what landlords need to know about Senate Bill 1157:

Who Must Comply With the Bill? Senate Bill 1157 requires California landlords who own and/or operate assisted housing developments to offer each tenant in a subsidized unit the option of having their rental payments reported to the credit bureaus.

- An assisted housing development is any multifamily rental housing development that receives governmental assistance through the programs listed in Section 65863.10 of California Government Code.
- Rental housing providers with 15 or fewer units are exempt, unless two or more assisted housing developments are owned and the ownership structure is a real estate investment trust (REIT), corporation, or limited liability corporation (LLC) (no matter the number of total units).

When Does Senate Bill 1157 Take Effect? The bill goes ***into effect on July 1, 2021***. At this time, residents new to an assisted housing development must be offered the opportunity to "opt-in" to rent reporting at the time of signing the lease, and at least once annually thereafter.

- By October 1, 2021, all residents of assisted housing developments must be offered the opportunity to opt-in to rent reporting, and at least once annually thereafter. (The legislation sunsets July 1, 2025.)

What Is Required of Landlords? Landlords of properties qualifying under Senate Bill 1157 must provide information to their tenants about rent reporting at the time of entering into a lease agreement and then at least once per year that includes:

- A statement that the tenant may “opt into” rent reporting at any time following the initial offer by the landlord, instructions on how to “opt-in,” and assurance that opting-in is optional.
- A statement that the tenant may elect to stop rent reporting at any time, but that they will not be able to resume rent reporting for at least six (6) months after their election to opt out, and instructions on how to opt out.
- Identification of each consumer reporting agency to which rental payment information will be reported.
- Information on how on-time and late rental payments will be reported, and the cost to the resident (if any) for reporting. Landlords may not charge more than \$10.00 per month for reporting.

What Rights Do Residents Have? Residents may opt in and opt out of rent reporting at any time. Once a resident “opts out,” however, there is a six-month “cooling off” period until they can re-enroll in rent reporting. Senate Bill 1157 protects tenants who may make deductions or withhold rent in accordance with their rights as these deductions or withholdings do not constitute a late payment.

Can I Charge My Residents for the Cost of Reporting? Acknowledging that there may be a cost to reporting, landlords can cover the costs or charge residents the lesser of \$10.00 or the actual cost of the service. The fee itself may not be reported. If the fee goes unpaid by the resident, the landlord can terminate reporting of their rental payments to the credit bureaus after thirty (30) days.

I Own / Operate an Assisted Housing Development and Must Comply with Senate Bill 1157. Where Do I Begin? The first step is choosing how you will report rental payments. There are many options out there. The Credit Builders Alliance also has a tremendous amount of resources to assist housing providers with reporting and compliance with Senate Bill 1157. The Credit Bureau Alliance offers many resources at its website at www.creditbureaualliance.org. Housing providers may also contact the Credit Builders Alliance via email at rentreporting@creditbuildersalliance.org. There are also several third-parties that housing providers can contract with to report for a fee their residents’ rental payments such as CredHub and ESUSU Financial.

Sharon Wade Ellis is a Rent Reporting Senior Specialist with the Credit Builders Alliance. Credit Builders Alliance is a national nonprofit network dedicated to building the capacity of a diverse and growing network of hundreds of nonprofits across the country. They provide resources, training, and technical assistance for those seeking support in implementing a rent reporting program.

Editor’s Note: The Apartment Association of Greater Los Angeles has created a new form for members’ compliance with Senate Bill 1157, “Credit Reporting – Lower Income Households.” (See Form A.9)

Credit Builders Alliance – Frequently Asked Questions About Senate Bill 1157

QUESTION: What is Rent Reporting?

- **ANSWER:** Rent reporting is the monthly reporting of tenant rental payments to at least one of the major consumer credit bureaus for inclusion on a traditional consumer credit report.

QUESTION: Can Rent Reporting help my residents build their credit scores?

- **ANSWER:** Yes, the addition of rental payments as trade lines on a traditional credit report can help renters build or establish a credit score. There are no guarantees, but participants in a rent reporting pilot study conducted by Credit Bureau Alliance from 2012 to 2015 showed an average credit score increase of 23 points among residents.

QUESTION: Does rental information show up on the credit report as an installment or revolving account?

- **ANSWER:** Neither. Rental information reported on the credit report functions as an open trade line. It has a recurring monthly set payment and does not calculate each monthly payment against any overall balance based on the lease.

QUESTION: What credit bureau(s) accept tenant rental data?

- **ANSWER:** All three credit bureaus—Experian, Equifax and TransUnion—accept rental data.

QUESTION: Are rental trades factored into all credit scores?

- **ANSWER:** Newer scores, including VantageScore 3.0, VantageScore 4.0, FICO 9, and FICO 10 are optimized for rental data. Older scores were designed before the reporting of monthly rental data was commonplace. While rental tradelines may appear as an item on reports using an older scoring model they are not typically incorporated into the score.

QUESTION: Which residents are the best candidates for rent reporting?

ANSWER: The bureaus stipulate that residents have to be paying at least \$10.00 per month in rent. Other than that, ultimately, the decision to enroll in rent

reporting should be in the resident's hands. Generally, rent reporting can be considered a low-risk strategy for establishing new credit history for any resident. Anyone who consistently pays their rent on time is a good candidate as well. The Credit Builders Alliance has tools that provide guidance on assessing resident readiness for rent reporting. As a responsible housing provider, you can equip the resident with information and considerations so that they can make an informed decision about their readiness for rent reporting.

QUESTION: How long will it take before my residents' payments appear on their credit reports?

- **ANSWER:** It typically takes 45 days to 60 days before reported rent payments appear on a credit report. For example, a resident's October 1 payment should appear on their credit report by December 1.

QUESTION: Can I enroll all my residents in Rent Reporting at once?

- **ANSWER:** If your properties receive(d) any Federal subsidy, or your tenants receive federal subsidies for rent, the landlord / property manager cannot automatically enroll residents in rent reporting or require that they enroll. Residents must elect to participate. You should collect their written permission, as necessary. Whether or not you are required to obtain this written permission depends ultimately on federal law and depending on the circumstances, Department of Housing and Urban Development (HUD) regulations. While the Credit Builders Alliance does not provide legal advice, it can offer information to help guide your understanding of your legal obligations.

QUESTION: How do residents "opt-in" to the program?

- **ANSWER:** Residents may "opt-in" by signing a consent form. The Apartment Association of Greater Los Angeles has a new form, "Credit Reporting – Low Income Households" available for that purpose as well as the Credit Builders Alliance has a sample consent form in its Rent Reporting Toolkit.

QUESTION: What if my residents want to “opt out” of the program?

- **ANSWER:** Residents may “opt out” at any time.

QUESTION: What are potential unintended consequences from opting in?

- **ANSWER:** For those residents that already have multiple positive lines of active, open credit, rent reporting may not boost their credit score. The addition of a new rent reporting tradeline may cause a temporary dip in “length of credit history”: one factor among many that make up a credit score. In addition, any payment over thirty (30) days late will be reported as such and may damage a person’s credit score. For this reason, it is important to make sure a resident is a good fit for rent reporting before enrollment, and, once a resident is enrolled, maintain an open line of communication so they have access to support and can disenroll if need be.

QUESTION: What happens if a resident pays his or her rent late or misses a payment?

- **ANSWER:** Most rent reporting data furnishers report on time and late rent. A rental payment is deemed late if it is thirty (30) days past due. For example, if a rent payment is more than 30 days late or is missed altogether, ESUSU Financial, a rent reporting service provider, for example, is required to report that information, and it could hurt the resident’s credit score. Ideally, the housing provider has programs or systems in place that encourage residents to reach out to you ahead of time if they think they may be late with or miss a payment.

QUESTION: If a resident enrolls, will the rental tradeline show up on everyone in their household’s credit report?

- **ANSWER:** No. Anyone on the lease can enroll, but each person must opt-in themselves for the rental tradeline to show up on their credit report. This means that an individual can enroll, and their spouse or co-tenant can come to their own decision about opting-in.