# rent reporting for credit pilot program

Updated June 5, 2024



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June 5, 2024

Dear Members of the Colorado General Assembly,

The enclosed summary highlights CHFA's administration of the Rent Reporting for Credit Pilot Program between October 1, 2021, and April 1, 2024. This report is intended to fulfill the reporting requirements as detailed in C.R.S. 29-4-1005.

CHFA was honored to oversee the Program with the aim of assisting renters in establishing and building credit. Credit scores are a key tool in financing life's milestones and allow many households to obtain loans for critical assets such as a car or a home. Building and improving credit can empower a household and enhance opportunities for housing stability and economic prosperity. However, barriers to building credit leave vulnerable households without a conventional credit score, meaning there is no or not enough information in their credit file to generate a credit score. Lack of credit disproportionately affects Black, African American, and Latino households, as well as those living in low-income neighborhoods, in turn contributing to Colorado's homeownership gap.

To address credit invisibility for Coloradans, the goals of the Program included gathering data to evaluate rent reporting, in which a landlord reports on-time rent payments to the three largest credit reporting companies nationwide. The Program enrolled six landlords and 443 diverse tenants across 33 properties located in Colorado Springs, Grand Junction, Fort Collins, and the greater Denver area and gathered survey data on key indicators including program administration, successes, and satisfaction. To accomplish this, CHFA contracted with Self Financial who provided a credit reporting program and a method for collecting payment data from participating landlords.

CHFA is pleased to report that the Program goals as established by the statute were met, and participating tenants saw an average credit score increase of 62 points during the pilot period. Over the course of the pilot period, CHFA engaged in conversations with housing industry professionals and local governments from across the country, acting as a technical resource for those interested in establishing similar programs. We are proud that Colorado acts as a nationwide leader in innovative housing solutions that can help pave the way for similar efforts in other states.

CHFA is thankful for the assistance from Self Financial who contributed to this report. We are also grateful for the opportunity to administer this Program, and for the ongoing partnership with the Colorado General Assembly as we work to strengthen Colorado through affordable housing investment and community development.

Sincerely,

Cris A. White

Cris A. White
*Executive Director and CEO*

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## introduction

Pursuant to the Rent Reporting for Credit Pilot Program Act, Part 10 of Article 4 of Title 29, Colorado Revised Statutes (the "Act"), CHFA was named to oversee the Rent Reporting for Credit Pilot Program (the "Program") in 2021. This report is intended to fulfill the full reporting requirements detailed in the Act.

In summary, the Program enrolled six landlords and 443 tenants to take part in reporting rent payments to credit bureaus to combat credit invisibility and assist underserved households in establishing and building credit. The Program met the requirements established by the statute, recruiting a diverse group of tenants and coming in under the allocated budget. Tenants participating in the Program saw an average credit score increase of 62 points.

## background

Due to traditional credit scoring models, many communities of color are credit invisible or do not have a credit profile. Credit invisibility is a barrier to financial opportunity that has adverse effects that can persist for generations. Reporting rental payments is a way to promote equity and enable communities of color, lower-income households, and residents of rural communities to generate and build credit without taking on additional debt.

The Rent Reporting for Credit Pilot Program Act was passed in May 2021 by the Colorado General Assembly, and CHFA was named to oversee the Rent Reporting for Credit Pilot Program. The Program was intended to be a catalyst for Colorado renters to responsibly build credit by having their rental payments reported to the major credit bureaus, similar to homeowner mortgage payments.

Concluding April 1, 2024, the Program's goal was to gather important data to help evaluate tenants' and landlords' experiences with rent reporting, and if rent reporting proved successful, paving a path to help renters build credit and pursue endeavors where credit plays a critical role including obtaining a credit card, buying a car, and securing a home loan.

The Act and the resulting Program came to fruition through the work of Habitat for Humanity of Colorado and many of the Colorado Habitat for Humanity affiliates, as well as bill sponsors State Representative Naquetta Ricks, Representative Mary Bradfield, and Senator Jeff Bridges of the Colorado General Assembly.

## contractor, landlord, and tenant participation

### Contractor

Through CHFA's Request for Proposal process, CHFA selected RentTrack by Self Financial Incorporated (Self) to assist with administration of the Program. Self was under contract with CHFA beginning October 1, 2021, and was responsible for providing a credit reporting platform and a method for collecting payment data from participating landlords. In addition, Self helped recruit, educate, and train landlords, while collecting programmatic information.

### Landlords

The Act required that CHFA have no more than 10 landlords participate with at least 100 tenants enrolled. CHFA and Self collaborated to craft a strategic plan for landlord recruitment. The objective was to enlist 10 landlords offering a variety of property types (urban, rural, affordable, and market rate) for participation in the Program.

With a keen eye towards the ethos of the Act, CHFA and Self curated a list of landlords using census data. The focus was to identify properties in Colorado municipalities where racial and ethnic diversity accounted for at least 25 percent of the population, ensuring alignment with the bill's direction. CHFA and Self then developed a survey to solicit landlord interest from the curated list. The survey captured:

- level of interest;
- portfolio type (affordable, market rate, senior, assisted, or modular);
- number of properties;
- units under management;
- property location (urban, suburban, or rural);
- housing type (single family or multifamily);
- accounting software used by landlord; and
- tenant demographics including race, ethnicity, and income.

CHFA and Self examined the survey findings to ascertain landlords' alignment with the Act's goal of fostering credit-building opportunities for historically under-represented communities lacking access to homeownership and the lending economy. Every landlord who completed the survey received notification regarding their inclusion or exclusion from the Program.

Fifty-one Colorado landlords were asked to submit the application of interest by responding to the survey. Among these, 45 engaged by visiting the application landing page. Ultimately, 12 landlords applied for inclusion in the Program, and six were selected.

Each selected landlord fully met all the Program's prerequisites and expressed interest in participating in the Program during discussions, acknowledging the potential benefits the Program could bring to their respective communities.

In addition to those selected, six more landlords expressed interest in participating but ultimately encountered obstacles. One lacked sufficient staffing resources to implement the Program at the time. Another already had an existing rent reporting product in place, and transitioning was deemed potentially confusing for tenants. Two other landlords failed to respond to communications from Self staff despite repeated attempts. The remaining two landlords owned only a single property, rendering them ineligible for the Program.

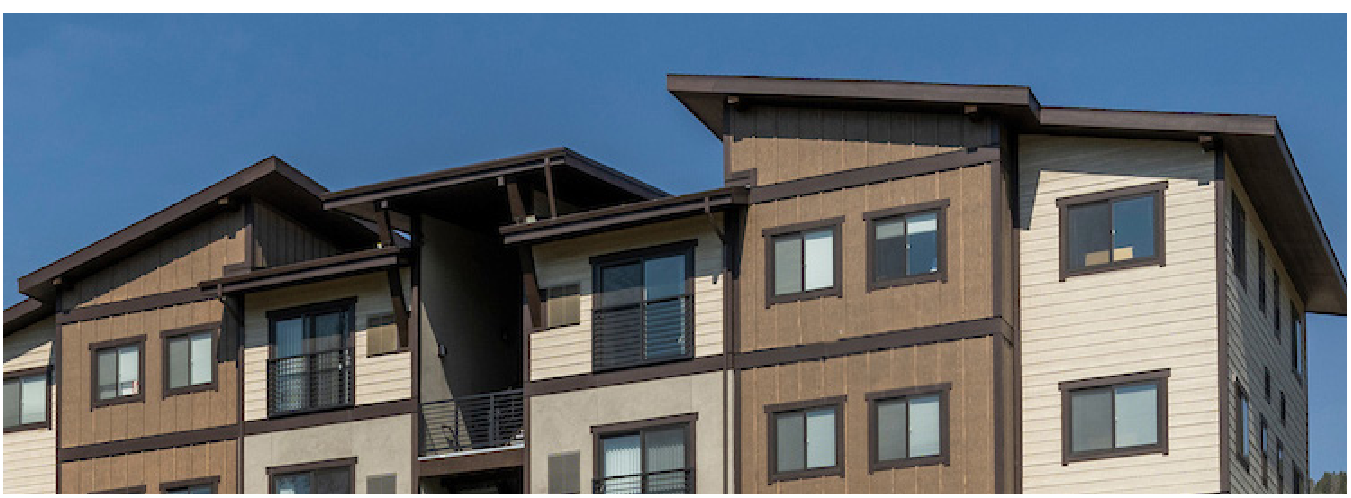
In summary, six landlords with more than 30 properties across the state were successfully recruited to the program. Their properties were located in various communities across the state including Colorado Springs, Grand Junction, Fort Collins, and the greater Denver area. Details regarding the Program's participating landlords are listed below.

| Management Company Name | Number of Properties | Number of Units | City | County | Market -rate | Affordable | Both |
|---|---|---|---|---|---|---|---|
| ComCap Management | 1 | 504 | Arvada | Jefferson | | | X |
| Foothills Regional Housing | 1 | 108 | Wheat Ridge | Jefferson | | X | |
| Housing Catalyst | 23 | 1,351 | Fort Collins | Larimer | | X | |
| Metro West Housing Solutions | 1 | 202 | Lakewood | Jefferson | | | X |
| Neighbor to Neighbor | 7 | 118 | Loveland and Fort Collins | Larimer | | X | |
| Ross – A Division of Envolve Communities | 1 | 180 | Denver | Denver | | | X |

Once the landlords signed the Self contracts, agreeing to the terms and conditions of the Program, Self provided each landlord with a marketing kit that included an introduction email to tenants, print marketing templates (flyers and door hangers), links to a cobranded information landing webpage, and an automated email campaign.

Tenant recruitment was a collaborative endeavor between Self and the landlords. Challenges and successes were shared throughout the process of acquiring tenants, and both parties acknowledged various adoption barriers. Trust plays a pivotal role, particularly when offering a program for free, as it may be perceived as "too good to be true." This perception is especially prevalent among the financially underserved who may have been disappointed in the past by promises that were not fulfilled. Rent reporting to underserved communities also remains relatively obscure within the consumer market, as indicated by TransUnion, who reports that only approximately 10 percent of the rental population in the United States actively reports their rent to credit bureaus.

Collaboration with landlords was crucial given their existing relationship to tenants and knowledge of their communities. To address trust in the product and enhance knowledge about rent reporting, Self, CHFA, and the landlords outlined three key goals in messaging to residents: fostering trust, providing education, and demonstrating product performance.



## Tenants

CHFA was successful in enrolling 443 tenants, with 381 remaining active throughout the Program.

In accordance with the Act, tenants were required to complete a financial education course prior to participation in the Program. "How to Build and Maintain Credit," an on-demand webinar, was developed to support the Program. This course included the following topics:

- What is HB21-1134 – Colorado's Rent Reporting for Credit Pilot Program?
- Defining Credit
- The Importance of Credit
- Credit as a Buying Power
- How to Build Credit
- How is a Credit Score Calculated?
- Understanding Your Credit Report
- How to Re-Establish Credit
- How to Manage Your Newly-Established Credit

Upon completion of the course, tenants' rent payments began to be reported to all three major credit bureaus: Experian, Equifax, and TransUnion. Only positive payments were reported. Late or missing payments were not reported. However, should a tenant miss three payments, the tenant was automatically prohibited from further participation in the Program. Additionally, tenants could opt out of the service at any time. However, if they did, they could not reenroll in the Program.

Throughout the Program, tenants had access to a personal dashboard where they could chart their payments and credit progress. In addition, Self notified residents of rent payments being reported or if a new tradeline was open without their knowledge. A credit tool called Credit Insights was provided to the tenants at no cost. Tenants received email alerts regarding any new, unauthorized, or fraudulent tradelines opened in their name.

During the pilot period, approximately 1 percent (4 tenants) of the total participant pool canceled or terminated their rent reporting. Additionally, 4 percent (18 tenants) relocated out of their rental units during this phase.

## mechanism to report rental payments

Self offers two distinct rent reporting products: 1) RentTrack and 2) Self's Rent and Bill Reporting. RentTrack by Self operates by validating rent payments through integration with property management systems (PMS) such as Yardi, Rent Manager, and Real Page, among others. On a monthly basis, RentTrack processes and reports validated rent payments to all three major credit bureaus: Equifax, TransUnion, and Experian.

Self's Rent and Bill Reporting product verifies rent payments through a connection to users' bank accounts. By analyzing bank account transactions, this product identifies and reports rent payments to the same three major credit bureaus. Additionally, users have the option to report utility and telecom payments to TransUnion.

The Program necessitated landlord involvement, prompting CHFA and Self to determine that RentTrack was the optimal product choice. All six landlords who took part in the Program possessed property management system (PMS) integration capabilities, further affirming RentTrack's suitability for the initiative.

Through property management system integration, once a tenant opts into the rent reporting program, the software integration facilitates the provision of essential tenant details including name, address, unit number, and rent payment ledger data. Additionally, to ensure security and accuracy, tenants are required to verify their identity using Experian Precise ID, which involves providing their social security number and date of birth, as well as responding to a series of credit profile questions.

Every month, on the 16th, Self submitted reports to the credit bureaus for all tenants who had successfully verified their identity and had qualifying rent payments. Self exclusively reported timely positive rent payments to the credit bureaus. In instances where a rent payment was not recorded in the ledger for a given month, no information was reported to the credit bureaus for that period. To transmit the necessary data, Self utilized Metro2 files, accessing each credit bureau's Secure File Transfer Protocol (SFTP) platform to upload the files accordingly.

Furthermore, the Program provided qualified participants with the opportunity to receive credit for rent payments made up to 24 months prior, a feature referred to by Self as "LookBack."

## demographics

Given the intent of the Act, CHFA worked to ensure tenant demographic makeup was diverse and represented the target population described in the bill. The 33 properties within the six landlord portfolios were also part of CHFA's financed multifamily portfolio, allowing CHFA further insight into demographic data.

Demographic information for participating tenants is included below. Overall, 20 percent identified as part of the BIPOC community (Black, Indigenous, People of Color). In addition, more than 80 percent of tenants had incomes at or below $50,000, with 50 percent below $25,000.

| Household Income | Percent |
|---|---|
| Below $25,000 | 50.00% |
| $25,000 to $34,999 | 15.38% |
| $35,000 to $49,999 | 15.38% |
| $50,000 to $74,999 | 11.54% |
| $75,000 and above | 0.00% |
| Prefer Not To Answer | 2.00% |

| Gender | Percent |
|---|---|
| Female Residents | 65.38% |
| Male Residents | 30.77% |
| Prefer Not To Answer | 3.85% |

| Ethnicity | Percent |
|---|---|
| Hispanic or Latino | 7.69% |
| Not Hispanic or Latino | 84.62% |
| Prefer Not To Answer | 7.69% |

| Race | Percent |
|---|---|
| American Indian, Alaska Native, Native Hawaiian, Pacific Islander | 0.00% |
| Asian | 0.00% |
| Black or African American | 15.00% |
| Native Hawaiian or Pacific Islander | 0.00% |
| White | 76.92% |
| Not Listed | 3.85% |
| Prefer Not To Answer | 3.85% |

| Age | Percent |
|---|---|
| 19 years or below | 0.00% |
| 20-29 | 3.85% |
| 30-39 | 19.23% |
| 40-49 | 34.62% |
| 50-59 | 26.92% |
| 60-69 | 3.85% |
| 70+ | 7.69% |
| Prefer Not To Answer | 3.85% |

| Household Type | Percent |
|---|---|
| 1 person | 46.15% |
| 2 people | 30.77% |
| 3 people | 15.38% |
| 4 people | 0.00% |
| 5+ people | 3.85% |
| Prefer Not To Answer | 3.85% |

## challenges faced

To ensure the Program ran smoothly, CHFA conducted monthly calls with Self and received periodic reports regarding the Program's effectiveness through surveys completed by the landlords. In addition, CHFA had access to a dashboard that tracked landlord and tenant participation. Feedback and milestones were regularly reported to key stakeholders who helped steward the legislation, including bill sponsors and members of Habitat for Humanity affiliates.

At the six-month mark, landlords were asked to complete a survey that covered topics including:

- onboarding difficulty;
- time allocation for monthly rent reporting administration;
- perceived benefits of the Program for tenants;
- likelihood of recommending the Program to other landlords;
- areas of success within the Program;
- opportunities for improvement within the Program; and
- satisfaction levels with shared rent reporting Program analytics.

Notes and observations from survey results are included below.

### Onboarding Difficulty

Five out of six landlords indicated onboarding into the program was easy or very easy and spent very little time setting up the Program.

### Time Allocation for Monthly Rent Reporting Administration

The majority of landlords reported they spent very little time monthly supporting the Program. Zero landlords indicated that they spent a moderate or significant amount of time supporting the Program.

### Perceived Benefits of the Rent Reporting Program for Residents

100 percent of landlords found the Program beneficial to their tenants.

### Likelihood of Recommending the Rent Reporting Program to Other Landlords

100 percent of landlords would recommend the Program to other landlords.

### Areas of Success within the Rent Reporting Program

Landlords reported success with the Program including tenants reporting great credit score results, easy enrollment, and tenants' ability to build credit without having to get a credit card or incur additional debt. "Lookback" reporting was cited as being especially beneficial to tenants with no credit to establish a credit history.

### Opportunities for Improvement within the Rent Reporting Program

Some landlords experienced issues setting up the integration permissions or being shorthanded which limited landlords' ability to promote the program. Other issues cited included tenants' discomfort with technology, and difficulty with email marketing coordination.

### Satisfaction Levels with Shared Rent Reporting Program Analytics:

100 percent of landlords confirmed Program analytics had been shared and found the analytics insightful.

## assessment

For sake of ongoing monitoring and analysis, Self utilized the Transunion VantageScore, given it has always incorporated rent payments. More than 3,400 banks, financial technology, and other companies also use VantageScore credit scores to assess consumer creditworthiness. Additionally, starting in 2024, the Federal Housing Finance Agency (FHFA) has required VantageScore credit scores to be used for all mortgages sold to or guaranteed by Fannie Mae and Freddie Mac.

Self obtained a starting VantageScore for all tenants before the first rent payment was reported. This provided a baseline against which to measure the impact of reported rent payments. Self then obtained a new credit score for each participating tenant once per month for the duration of the Program. Self shared a dashboard with CHFA that provided updates on credit score metrics such as average score increase, maximum score increase, average starting score, and average current score to track the success of the Program. Such analytics were also available on demand for each landlord and tenant via personalized dashboards.

The final credit score results for tenants were overwhelmingly positive. The average score change for all tenants was a 62-point score increase. When analyzing scores for tenants that had positive-only score changes, the average score was 104 points.

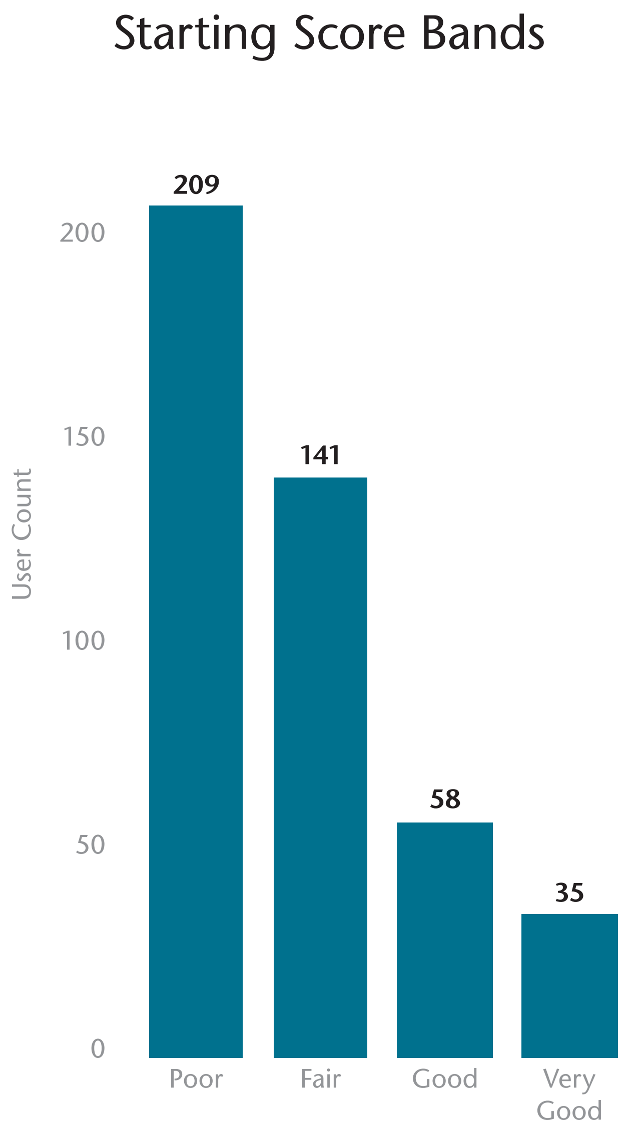
Sixty-seven percent of tenants saw a positive score change, while 6 percent saw no score change. Twenty-seven percent experienced a negative change. However, the negative change was not due to participation in the Program as late or non-payments were not reported. A negative change can be attributed to factors outside of rent reporting such as excessive credit applications, missing or late payments, high credit card utilization, collections, etc. All participating tenants who were able to report previous rent payments through the "Lookback" feature saw a credit score increase, and 36 percent of those saw a credit score increase of 55 to 100 points.

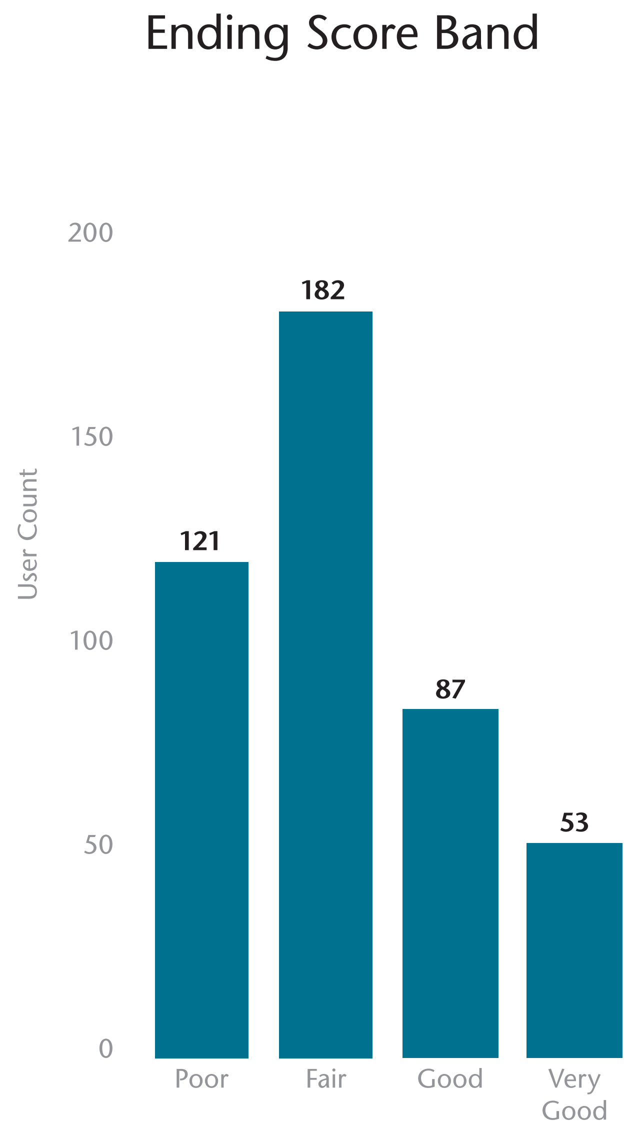
Credit score band movement for tenants was also monitored. Moving to a higher score band has a significant effect on credit product eligibility and terms including insurance premiums, interest rates, loan duration, and monthly payments. Score band movement is a great indicator for the impact of rent reporting as it translates to dollars saved on financial and credit products.

Credit score bands were defined as follows:

- Poor (300-579)
- Fair (580-669)
- Good (670-739)
- Very Good (740-799)

At the conclusion of the Program, 55 percent of participating tenants had a positive score band change. Listed below is a view of starting score bands and final score bands. The table shows significant movement from Poor to Fair. The table also shows a significant increase in the Good and Very Good score bands.




Score Band Definitions: Poor: 300-579, Fair: 580-669, Good: 670-739, Very Good: 740 and above

## Summary

- Six landlords across 33 properties participated in the Program
- A total of 381 tenant participants were enrolled at end of Program.
- Overall credit score impact:
    - Max credit score increase = **455**
    - Average credit score change = **62**
    - Average starting credit score = **570**
    - Average current credit score = **632**

## cost

The Act allocated CHFA $205,000 to administer the Program. The funding was earmarked to pay a contractor to oversee the Program, provide financial education for tenants, and to cover costs incurred by landlords to participate and administer the Program. Funds were budgeted as follows:

- $50,000 for a contractor to oversee the Program, conduct outreach, recruit landlords and tenants, train landlords on reporting, collect program data, and produce the final report;
- $5,000 for financial education classes for program participants; and
- $150,000 for landlords to cover costs associated with the reporting requirements, including time and technology purchases. This figure also included incentives for landlords to participate in the Program and recruit tenants.

*CHFA and Self were fiscally responsible in utilizing this allocation, having spent under $90,000, leaving a balance of approximately $118,000* that can be returned to the State.*

*Cost savings were primarily due to the fact that landlords incurred little to no administrative costs as originally anticipated. Funds were awarded to landlords for onboarding, survey submissions, and program close-out per the Program Rules. In addition, rather than contracting out and/or paying an educational provider, CHFA and Self created a financial education course in -house, further reducing costs.*

**Exact balance is yet to be determined as CHFA awaits final invoice from Self.*

## recommendations

While CHFA does not have any formal recommendations concerning the continuation or repeal of this Program, CHFA is pleased to report that the Program was executed in accordance with the requirements established by the act, and the program positively impacted the majority of participating tenants' credit scores.

## miscellaneous

CHFA was approached by housing professionals, housing finance agencies, and local governments from several other states during administration of the Program. CHFA welcomed these conversations as they explored ways in which their respective states could offer a similar program. In addition, CHFA was asked to speak on several panels providing guidance and success stories to landlords and affordable housing developers during the Program.

The Program was also included in a research report, *Local and State Policies to Improve Access to Affordable Housing*, published by the Urban Institute highlighting the potential effectiveness of reporting rental payments for the credit invisible.

Because of the outstanding results highlighted above, CHFA was nominated and received a Housing Colorado Eagle Award. The Eagle Award represents one of the highest achievements for the Colorado housing community. This prestigious award celebrates extraordinary accomplishments and outstanding leadership in housing and support services. The award honors individuals, agencies, projects, and programs that soar to new heights in their work to ensure safe, fair, affordable housing for all Coloradans.

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