

Renting and credit

Give your residents “credit” for paying rent on time



Answers to common questions about rental payments on your residents' credit report

Why is rent now showing up on credit reports?

On June 24, 2010, Experian® acquired RentBureau®; the most widely used credit bureau for the multifamily industry. RentBureau has the most comprehensive rental payment database, receiving rental payment histories every 24 hours from its national network of apartment owners and managers.

As of Dec. 15, 2010, Experian began loading rental payment histories into consumers' credit reports, creating an opportunity for underbanked consumers — which can include everyone from college students and recent graduates to immigrants — to establish a positive credit history with continuous on-time rental payments.

What's in it for my residents?

By incorporating only positive rent payment data within the Experian credit report, Experian is providing a unique opportunity to consumers to establish or rebuild credit through timely rent payment. This includes homeowners now renting after a foreclosure or a short sale, as well as non-credit-active and cash-based consumers. Better credit means qualifying for credit products that your residents deserve.

What should my residents do if they find an error or encounter a problem with their credit report?

All disputes are processed by Experian's National Consumer Assistance Center. If your residents have a dispute or a concern, he or she can call Experian toll-free at 1 888 EXPERIAN (1 888 397 3742), or you can access a dispute form online at

www.experian.com/disputes/main.html

Your residents should request a copy of their personal report directly from Experian and have them review it carefully. If they find an error, ask them to simply dispute the information immediately online, or call or write Experian following the instructions provided on his/her report.

Upon receiving the dispute, Experian's National Consumer Assistance Center will investigate, either resolve or affirm the dispute, and send your resident the results of the reinvestigation.

This dispute process can take up to 30 days from the date the dispute is received.

Why do rental payments only show up on Experian credit reports?

Experian is the first and only major credit reporting company to incorporate positive rental payment into consumers' credit reports.

What type of rent information is on the Experian credit report?

Only positive rental history has been added to the Experian credit report. If available, Experian will display the 25 most recent months of rental payment history information. Experian RentBureau will not add derogatory information because any negative rental information, such as a collection account, is already reported to credit reporting companies through collection agencies.

Do we need to notify residents in the lease agreement that their rental payments will be reported to the credit bureaus?

The Fair Credit Reporting Act (FCRA) regulates the Experian consumer credit database. The FCRA requires 'financial institutions' that furnish 'negative information' to a credit reporting agency provide written notification to the consumers. Not all data furnishers to credit bureaus are a 'financial institution'ⁱ. Property Management companies do not fit this definition and therefore are not affected by FCRA's mandateⁱⁱ

While a resident disclosure is not required by the FCRA, it is considered a best practice to give express and conspicuous notice to your applicants and residents. Experian currently makes available resources to educate residents of how their credit score can be impacted through the addition of positive rental payment data to their credit reports.

How will lenders use the rent information?

Lenders may use your residents' rental obligation as an input in determining their ability to pay any new debt. Because rental tradeline is now part of the standard credit report, rental payment history may also be incorporated into credit scores used by lenders to make credit-granting decisions.

There are many kinds of credit scores and many different underwriting practices that are used by lenders for various types of lending, such as auto loans, mortgages, credit cards, etc. Each credit grantor decides what standards must be met to grant your resident credit.

Will rent payments affect my residents' credit score?

Rental payment information will be included in the Experian credit report as a standard credit tradeline. A “tradeline” is specific information about an account, such as the date opened, credit limit or loan amount, balance, etc. Because rental tradeline is now part of the standard credit report, rental payment history may be incorporated into certain credit scores, such as VantageScore^{®1} and Experian’s PLUS Score[®].

A consumer’s VantageScore credit score is derived from a mathematical formula that evaluates a multitude of credit-related characteristics. Among these characteristics are payment history, depth of credit history, recent credit, available credit, balances, and utilization.

Experian has conducted extensive analysis into the impact of rental data on VantageScore and have found that a majority of individuals will show an improvement in their credit score from the addition of this positive data. Many others will become scoreable for the first time and will begin building and rebuilding credit through the responsible payment of rent.

For more information on VantageScore, please visit: www.experian.com/getyourvantagescore

Can my residents self-report rental payments?

No, your resident cannot report his or her own rental payment history to Experian RentBureau. Only property management companies can report rental payment data to Experian at this time.

Why is rent appearing as an installment loan?

The rental tradeline is intended to be similar to an auto lease, which is considered installment credit. Installment credit consists of paying regular installments of a fixed amount over a set period of time, usually measured in months or years. An installment loan does not imply that loan proceeds were received by the consumer as part of the transaction.

Why does the Experian credit report show a credit limit for the apartment lease when it is not a line of credit?

Experian calculates an “original loan amount” which represents the sum of the total payments over the entire period of the lease agreement. For example, a 12-month lease with a \$1,000 monthly rent payment would add up to \$12,000 (12 months x \$1,000). We are aware that some credit report systems display this amount as credit limit. Note: This does not imply that the

¹ VantageScore[®] is owned by VantageScore Solutions, LLC.

consumer received loan proceeds in the amount of \$12,000 or have revolving debt of that amount.

Why does the Experian credit report show an outstanding balance for the apartment lease when my resident does not owe any money?

An outstanding balance or “current balance” amount on the rental tradeline represents the sum of all rental payments left on the lease. The balance denotes the total amount for which the consumer will be responsible over the remainder of the lease. As your resident pays rent each month, the outstanding balance will continue to decrease.

Do I still need to ask my resident screener for rental payment data if the rent payment is on the applicant's credit report?

In order to meet the credit industry’s data standards, only a subset of the rich data available through RentBureau will be available on an Experian credit report. The rental payment report you receive from your screener will contain more granular lease data than on the credit report, such as lease begin and end dates, NSF’s, and rental-specific collection data.

Furthermore, the rental payment data you currently receive through your screener will continue to provide you with the freshest data through daily updates to its database, whereas the Experian credit report will be refreshed on a monthly basis. In short, rental payment data from RentBureau will continue to provide the most comprehensive and the freshest rent payment data in the industry.

Will my residents' name get on a marketing list?

Under legally specified conditions, credit-reporting companies (including Experian) provide lists of creditworthy consumers to lenders who extend firm offers of credit. These are called prescreened lists and are governed by the Fair Credit Reporting Act. If your resident receives a preselected credit offer, they will be instructed in the offer on how they can contact the lender to accept the firm offer of credit.

How can you remove a consumer's name from prescreened offers and marketing lists?

If your resident would like to be removed from receiving these types of offers, they can remove their name for prescreened credit offers by calling 1 888 5 OPT OUT (1 888 567 8688).

Credit report and credit score basics

For additional information about your credit report, including how to obtain a copy of your credit report and how to manage your credit scores, please visit Experian's credit education page at www.experian.com/crediteducation.

lease. In the example above, this amount is expected to be paid in monthly installments of \$1,115.

11 Recent payment — Dollar amount represents the monthly rent amount the consumer paid during the scheduled period.

12 Responsibility — Describe consumer's association to the account per the Equal Credit Opportunity Act.

13 Status — Comments reflect the payment history of the account as of the balance date.

i Definition of financial institution:

§ 603. Definitions; rules of construction [15 U.S.C. § 1681a]

(t) The term "financial institution" means a State or National bank, a State or Federal savings and loan association, a mutual savings bank, a State or Federal credit union, or any other person that, directly or indirectly, holds a transaction account (as defined in Section 19(b) of the Federal Reserve Act) belonging to a consumer.

ii Responsibilities of furnishers of information to consumer reporting agencies:

§ 623. Responsibilities of furnishers of information to consumer reporting agencies [15 U.S.C. § 1681s-2]

(a) Duty of Furnishers of Information to Provide Accurate Information

(7) Negative Information

(A) Notice to Consumer Required

(i) In general. If any financial institution that extends credit and regularly and in the course of business furnishes information to a consumer reporting agency described in section 603(p) furnishes negative information to such agency regarding credit extended to a customer, the financial institution shall provide a notice of such furnishing of negative information, in writing, to the customer.