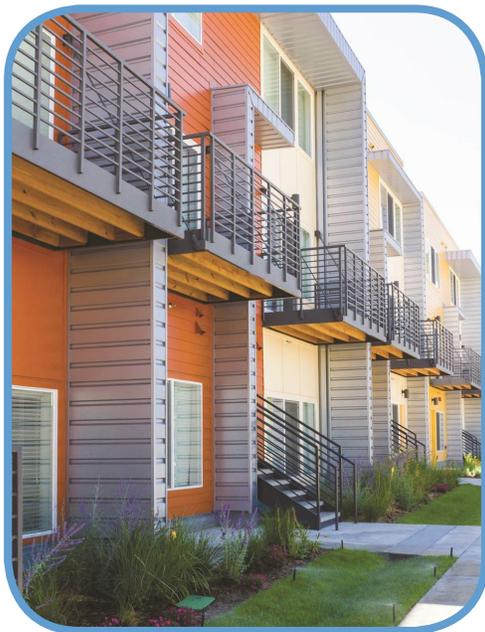




Messaging Guide For Housing Providers

Why Rent Reporting for Credit Building?



Problem:

Unlike homeowners, renters do not build credit by making their monthly housing payments.

Solution:

Reporting rental payments offers low-income renters an opportunity to build credit as a financial asset. Mission-driven affordable housing organizations are poised to help them do so.

The Importance of Credit

- A good credit history is crucial in today's economy. Far more than just a number, a good credit score is a prerequisite for every day financial services like a low-cost credit card, a bank account or a car loan.
- A good credit history can make the difference in accessing the affordable lending products necessary to go to college, buy a home, or start and grow a small business.
- Renting an apartment, paying for car insurance, signing up for utilities and even landing a job can also be affected by a person's credit history – or the absence of one.

How Rent Reporting Helps Tenants Get Ahead

- For many low-income individuals with no or thin credit files, the ability to establish a good credit history is hampered by lack of access to affordable mainstream credit building financial products.
- Many people rely on predatory loans to meet their credit needs. The high-cost of these loans, combined with the fact that on-time payments are not reported to the credit bureaus, prevent people from building credit and other assets, often across generations.

DEFINITIONS:

■ **Rent Reporting:**

The establishment of a rental trade line and regular monthly reporting of tenant rental payments to at least one of the major consumer credit bureaus (Experian, TransUnion and Equifax) for inclusion on consumer credit reports.

■ **Credit Building**

A powerful financial capability strategy to help individuals and small businesses take control of their financial lives, save money and also build assets. CBA defines credit building as the act of making on-time monthly payments on a financial product such as an installment loan or a credit card (or rent) that is reported by the creditor to the major credit bureaus.

■ **Rent Reporting for Credit Building**

The pairing of rent reporting with financial/credit coaching or other financial capability programming with the aim of supporting residents to recognize and leverage rent reporting as a credit building opportunity.



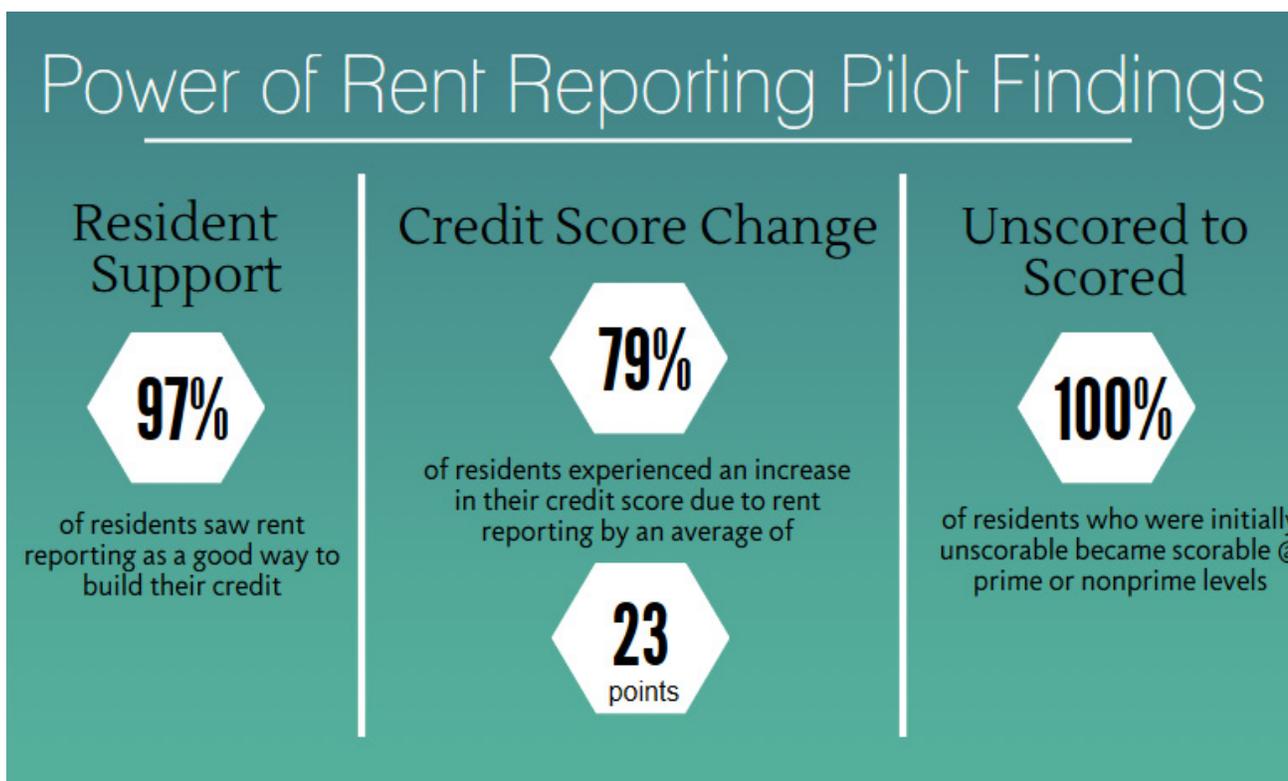
Messaging Guide

Key Facts and CBA Pilot Findings



Approximately 45.4 million Americans (almost 20 percent of the population) have unscorable credit histories or are "credit invisible".¹

How to get the message across: "4 out of 5 Americans have a credit history, and you can too! Building a strong credit history can help you achieve your financial goals!"



How to get the message across: "If you have poor credit or none at all, you can establish or build your credit score without taking on any new debt. Enrolling in rent reporting allows you to build credit simply by paying your rent on time every month!"

¹Brevoort, Kenneth P., Grimm, Phipp, & Kambara, Michelle. Data Point: Credit Invisibles. From the CFPB Office of Research. (CFPB, May, 2015).



Messaging Guide

Credit Building Messaging Basics

- ✓ When you want to communicate the opportunity to establish and/or improve credit history/score, use “build” rather than “improve” or “increase.” No one can guarantee that a product or practice is going to result in an improvement of an individual’s credit history or an increase in their credit score.
- ✓ Communicate that good credit is a financial asset. Position credit building as a strategy for achieving financial goals. Keep the message positive. Focus on opportunity for future improvement and goal attainment rather than past problems and debt.
- ✓ Connect credit building to specific financial goals that are relevant and will resonate with your target population, such as buying a car, purchasing a home, saving money, or starting a small business. Linking it to real life and relevant goals can help keep people focused and motivated!
- ✓ In addition to connecting long-term financial goals, also communicate the more immediate short-term benefits of building credit, such as reducing car insurance premiums or eliminating a deposit required to set up cable services or cell phone.
- ✓ Emphasize the importance of sustaining good credit over time by adopting responsible credit practices. Credit building is a marathon not a sprint! Learning how to manage credit over a lifetime involves understanding that there will be successes.



Rent Reporting Messaging Basics

- ✓ When possible, specify which credit bureau rental payments are being reported. This is important because an individual’s trade line and payment status will only show up on his/her credit report from the bureau to which they are being reported.
- ✓ Specify that rental payments are being reported and will be included on a resident’s traditional consumer credit report (as opposed to an alternative credit report. Note that the payments may also show up on a tenant screening report but that Rent Reporting or Credit Building is about building the traditional consumer credit report).
- ✓ Surveys have found that many renters have the misconception that their monthly rental payments are automatically being reported to the credit bureaus and reported on their traditional consumer credit report. Consider this in your messaging. You may need to inform renters that monthly rental payment reporting is not the norm and is a special new opportunity they can take advantage of.



Messaging Guide

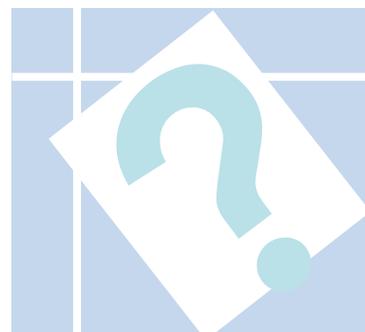
Rent Reporting Messaging Strategy

- ✓ Use a variety of channels to get the message out to residents including natural touchpoints like :
 - Lease Signings and Recertifications
 - Receiving payments
 - Resident orientations and meetings
 - Financial education and other Resident Services touch points
 - Maintain an interest list in the Property Manager’s office
 - Add information about rent reporting in new resident welcome packets
- ✓ Make sure that key frontline staff are trained to answer questions about Rent Reporting.
- ✓ Leverage resident events and programs you already have planned.
- ✓ Use a variety of messages and hooks targeting individuals with different experiences with credit and different levels of understanding of the credit system.
- ✓ Whenever possible, provide contact information for an on-site staff person whom resident may contact in order to learn more and get questions answered.
- ✓ Whenever possible and appropriate, provide simple and direct instructions on the next step the resident should take in order to enroll in the initiative.



Frequently Asked Questions

- Q** Does rental information show up on the credit report as an installment or revolving account?
 - A** Neither actually. 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.
- Q** Is it possible for rent reporting to have a negative impact on an individual’s credit score?
 - A** Yes. The addition of any new trade line on a credit report, even one with only positive payment history, can potentially result in a decrease in credit score in the short-term. This is because a new trade line can affect the average length of credit history, and/or by impacting a consumer’s debt to credit ratio.
- Q** Are rental trades factored into all credit scores?
 - A** Newer scores including VantageScore 3.0 and 4.0 and FICO 9 are optimized for rental data. Older and more commonly used scores were designed before the reporting of monthly rental data was commonplace.





Messaging Guide

Sample Messaging Sequence

Step 1: Make sure definitions are clear

What is a credit history? What is a credit report? What is a credit score?

- A credit history is a record of an individual's activities involving the use of credit – and other products and services.
- A credit report is a documented summary of a consumer's credit history. Credit reports are used by lenders and other businesses, including landlords, in order to decide whether to do business with an individual and on what terms.
- A credit score is a three digit number summarizing an individual's credit risk based on the information on their credit report at a particular point in time. There is no "one" credit score out there and any credit score is also only a snapshot in time.

Step 2: Emphasize the importance of a strong credit history and good credit scores

Why does my credit history and my credit score matter to me?

- An individual's credit history and score impacts their access to, options for, and affordability of:
 - ✓ Financial Products – Access to everything from credit cards to car loans to a mortgage depends on a credit score, which also impacts the interest and fees for those products. A credit history can also impact an individual's ability to open a bank account.
 - ✓ Housing – many landlords review an applicant's credit report and/or score as part of the tenant screening process.
 - ✓ Employment – a large number of employers review applicants' credit reports when considering them for employment.
 - ✓ Car Insurance – in most states, credit history is used in determining car insurance premiums. Better credit history = lower car insurance bills.
 - ✓ Utilities – many utility companies check credit history in order to determine whether to require a deposit upfront and the amount of a deposit.
 - ✓ Cell Phone Plan – many cell phone providers check credit history in order to determine whether to require a deposit upfront and the amount of a deposit.
- Make it clear to your client that they alone are in charge and responsible for protecting and managing their own credit.

Check the Report!

The best way to impart messaging around credit building is to pair it with real and relevant information.

- CBA members can pull credit reports through the [CBA Access Service](#).
- Any consumer can access his or her free credit report one time per year from each of the three major credit bureaus by visiting www.annualcreditreport.com.



Messaging Guide

Step 3: Describe how Credit Building works

How can I improve my credit history and scores?

- How do you build credit? Establish and maintain open and active trade lines. A trade line is an account that shows up on your credit report such as a loan or a credit card. Making on-time payments every month on a trade line that is being reported to the big three credit bureaus (Experian, TransUnion and Equifax), is the most important action anyone can take to build and improve a credit history and score.
- How do you increase your credit scores? Consider the 5 key factors that make up a credit score:
 - ✓ Payment History: Your history of paying loans, credit cards and other bills as agreed
 - ✓ Outstanding Debt: The total amount of outstanding debt owed as compared to available credit limits.
 - ✓ Length of Credit History: How long you have been using credit accounts (oldest account), and the average age of all accounts.
 - ✓ Applications for New Credit: How often you have applied for new credit accounts recently.
 - ✓ Type of Credit Accounts: Ideally, a mixture of revolving and installment credit.

Credit Building Best Practices



Keep it Active! Establish and maintain a mix of at least 3 active installment and revolving credit trade lines – ALWAYS PAY ON TIME!



Keep it Low! Lower debt balances on revolving lines of credit.



Keep it Up! You want at least 6 months of credit history – and activity! – on your credit report at any time.

Step 4: Encourage clients to take action!

Where do I start?

- To establish a new active trade line and build credit – enroll in rent reporting!
- Create an action plan made up of SMART (Specific, Measurable, Actionable, Realistic, Time-Based) goals that can be started immediately.
- Keep the focus on concrete action items, and near-term goals at first, and then shift the focus to long-term goals as you begin to see progress.
- Celebrate small victories, and encourage patience and dedication. Time is a key ingredient to effective credit building!