NALCAB

AUGUST 2020

Expanding Credit Building Opportunities for Latino & Immigrant Renters

MADE POSSIBLE WITH GENEROUS SUPPORT FROM THE PRUDENTIAL FOUNDATION

About NALCAB

NALCAB - The National Association for Latino Community Asset Builders is the hub of a national network of more than 120 mission-driven organizations that are anchor institutions in geographically and ethnically diverse Latino communities in 40 states, Washington DC and Puerto Rico. Members of the NALCAB Network invest in their communities by building affordable housing, addressing gentrification, supporting small business growth, and providing financial counseling and coaching on issues such as credit building and homeownership. A majority of the people served by the NALCAB Network are immigrants, or the children of immigrants.

In the area of Financial Capability, NALCAB works with members to create and strengthen programs that build knowledge and access to resources that allow consumers to build credit, reduce debt, increase savings, access financial services and products, and avoid predatory practices. NALCAB supports these programs with grants, capacity building technical assistance, training, and peer connections.

As a grantmaker and US Treasury certified CDFI lender, NALCAB supports nonprofit organizations that promote economic mobility in Latino communities. With NALCAB's support, member organizations have secured more than $400 million for affordable housing, small business and financial capability programs. NALCAB has also influenced how local and federal government agencies are deploying hundreds of millions of dollars for community development and disaster recovery. NALCAB's mission is to strengthen the economy by advancing economic mobility for Latino communities.

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Expanding Credit Building for Latino & Immigrant Renters

As a result of a legacy of redlining in the United States, Latino households and small businesses along with other communities of people of color have faced a history of limited, highly priced credit options on unfair terms. According to a 2016 CFPB report on credit invisibility in the United States, an estimated 15% of Hispanic and Black consumers were credit invisible (without a credit history) compared to 9% of non-Hispanic White consumers. When considering income, almost a third of consumers living in low-income neighborhoods were reported to be credit invisible. An additional 12% of Hispanic consumers did not have credit records that could be scored due to a thin or stale credit history.[i] Latino and new immigrant individuals' paths to building strong credit can be impacted by a variety of factors including: lack of information on credit building and its importance, increased levels of being unbanked or underbanked, preferences for operating on a cash basis, lower access to affordable credit building products, apprehension in sharing personal information, unfamiliarity with the US financial system, and concerns in accumulating debt as a means to build credit. These conditions underscore the ongoing need to challenge barriers and expand opportunities for communities that have been intentionally excluded from accessing credit and building wealth.

Starting in 2012, rental housing owners and operators have the option to report consenting residents' monthly rental payments to consumer reporting agencies, which allows tenants to build positive credit histories.[1] Unlike homeowners, the housing bill that renters pay each month was not previously taken into account in credit scoring, despite being perhaps their most important regular payment. The 2017 FDIC *National Survey of Unbanked and Underbanked Households* found that 76.3% of households with no mainstream credit were current on their bills, therefore rental and other bill payment data hold tremendous potential for expanding the creditworthiness of individuals.[ii] Reporting positive rental payments is one credit building tool landlords can offer to tenants wherever they are in their credit journeys. It can be particularly impactful for those who are credit invisible or have thin credit files.

The potential of rent reporting as a credit building tool is gaining recognition across sectors. Rent reporting for credit building is slowly being offered by more landlords in the private market. The strategy was also recently examined by the US Department of Housing and Urban Development (HUD) as a tool to help build the credit profile in order to expand housing choice and economic self-sufficiency of HUD tenants. In the 2019 study, HUD simulated the effects of rent reporting on consumer credit scores of over 10,000 tenants and found that incorporating rental payment data would almost eliminate credit invisibility. Depending upon simulation variables, HUD estimated that between 54% to 65% of tenants could potentially raise their credit score to 620 or higher with the inclusion of rental payment data as a tradeline.[iii]

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[1] *Consumer reporting agencies, also known as credit bureaus, are independent firms that collect and evaluate consumer credit information and furnish this data via consumer reports to third parties. There are many CRAs, however this report refers to the three major, nationwide CRAs: Equifax, Experian, and TransUnion. For a complete list of CRAs and how to obtain consumer reports, please refer to the Consumer Financial Protection Bureau's "List of Consumer Reporting Companies" (2020) https://files.consumerfinance.gov/f/documents/cfpb_consumer-reporting-companies-list.pdf.*

[i] *"Who are the credit invisibles? : How to help people with limited credit histories" December 2016. Consumer Financial Protection Bureau. https://files.consumerfinance.gov/f/documents/201612_cfpb_credit_invisible_policy_report.pdf.*

[ii] *"2017 FDIC National Survey of Unbanked and Underbanked Housholds" October 2018. Federal Deposit Insurance Corporation. https://www.fdic.gov/householdsurvey/2017/2017report.pdf.*

[iii] *Turner and Walker. 2019. "Potential Impacts of Credit Reporting Public Housing Rental Payment Data." Policy and Economic Research Council. https://www.huduser.gov/portal/sites/default/files/pdf/Potential-Impacts-of-Credit-Reporting.pdf.*

Expanding Credit Building for Latino & Immigrant Renters (continued)

In 2017, The National Association for Latino Community Asset Builders - NALCAB launched a pilot project to build the financial capability of tenants in 4 affordable rental housing communities that are owned or operated by Latino-serving nonprofit organizations. The pilot design built on previous work on rent reporting for credit building by the Credit Builders Alliance (CBA). Through 2020, NALCAB provided grants and, in conjunction with CBA, technical assistance and training to 8 owner and operators of multifamily rental housing to implement rent reporting with supportive financial capability services. To date, 328 tenants have enrolled in rent reporting. Of those, 104 residents achieved a credit score of 650 or higher which placed their credit profile in a near prime to prime tier. The model implemented with the NALCAB cohort is based on the principle that rent reporting is most effective when tenants both use the tool and develop the financial knowledge to take steps towards their financial goals. Therefore, a key component to implementation was that organizations also offered enrolled residents the option to engage in a financial knowledge building opportunity through financial coaching or workshops. Over 86% of enrolled residents participated in one-on-one financial coaching and/or group financial classes that covered a variety of financial health topics in addition to credit building.

Based on these results, NALCAB continues to believe that rent reporting is a powerful tool to build credit for Latinos, immigrants and others who have low or no credit. We know from the aftermath of the 2008 financial crisis that credit building will be an essential activity for economic recovery as we move forward. The following document provides learnings from 8 nonprofit affordable rental housing owners in the NALCAB cohort who integrated rent reporting as a credit building strategy with financial capability services for Latino and immigrant communities.

NALCAB Rent Reporting Pilot

The NALCAB rent reporting cohort includes 8 nonprofit affordable housing owners/operators, spanning 7 local housing markets with rental housing portfolios that range in size from 338 to 3,361 units. NALCAB launched its first cohort of 4 organizations in 2017. This original cohort began reporting rents in the summer of 2018 and each organization has continued operating the program in varying degrees of activity through July 2020. Building upon the promising results from the experiences of the first cohort, NALCAB supported a second cohort of 4 rent reporting organizations in 2019. Three of the 4 organizations in the second cohort began rent reporting in August or September 2019 and have continued to operate the program through July 2020. The fourth organization in the second cohort increased their capacity to provide financial capability services, but experienced technical and staff capacity issues and plans to enroll residents in September 2020.

Six of the 8 affordable housing owners will continue offering rent reporting coupled with financial capability services. The remaining 2 organizations decided to offer rent reporting as a service through their property management office but will not intentionally combine the tool with financial capability services. As this was a pilot project, each organization set enrollment goals between 40 to 100 individuals. A key feature of the project was to couple rent reporting with financial capability services; therefore, cohort members also estimated their enrollment goals based on their capacity to provide financial capability services to residents enrolled in rent reporting. By the end of the project, the smallest enrollment group consisted of 23 residents while the largest one included 84 enrolled residents.

As of July 2020, the NALCAB cohort had begun to report the monthly rental payments of 328 tenants. Due to challenges in increasing capacity to track outcomes, credit change outcomes could be evaluated for 249 of the 328 enrolled tenants.

Rent Reporting Results

80%
or 198 residents

achieved an increase in their credit score. The range of aggregate increase in credit score varied by 42% to 100% for cohort organizations.

34%
or 84 residents

achieved at least a 25-point increase in credit score. The remaining 20.5% comprise score decreases, recently enrolled and not showing credit score changes, or unrecorded credit changes by organization.

42%
or 104 residents

achieved a credit score of 650 or higher placing their score in the near prime or prime credit tier which is often necessary to be considered for better interest rates.

10%
or 24 residents

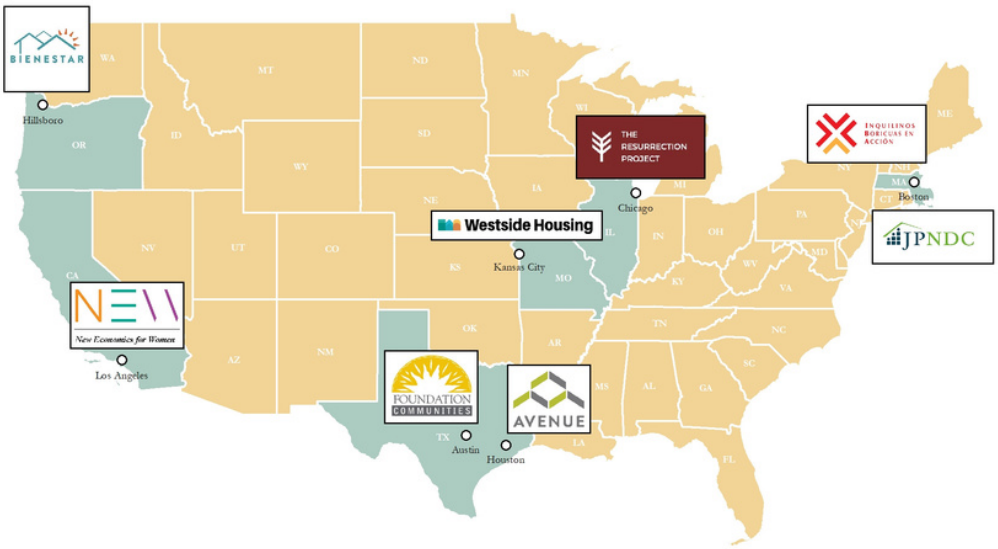
established credit for the first time, meaning that they are no longer credit invisible.

36
points

was the average credit score increase; the range of average credit score changes for reporting organizations was from 19 to 57 points.

**Results calculated from 249 residents for whom credit score data was obtained.*

Pilot Organizations By Location



First NALCAB Rent Reporting Cohort

Average Rent Reporting Period: Summer 2018 - Summer 2020

Avenue CDC (Houston, TX)

Avenue is a builder of homes and a builder of communities in Houston, Texas. Avenue make smart investments in people and places that promote vibrant, inclusive neighborhoods and strengthen our city. Specifically, the organization builds affordable homes for purchase and for rent, provide education and coaching that help families build assets for the long term, and support robust community engagement programs that promote resident leadership and improved quality of life for all Houstonians.

Inquilinos Boricuas en Acción (Boston, MA)

IBA – Inquilinos Boricuas en Acción empowers and engages individuals and families to improve their lives through high-quality affordable housing, education, and arts programs. Started in the South End neighborhood of Boston, to address displacement of low-income families due to urban development, IBA offers affordable housing and supportive programming to improve the knowledge, life skills and health of participants of all ages.

NEW Economics for Women (Los Angeles, CA)

NEW's mission is to improve generational economic mobility for families through wealth creation, entrepreneurship and housing. NEW supports Latinas and their families by creating permanent solutions to property, more housing opportunities and knowledge platforms that generate economic mobility, stabilize households and powerfully demonstrate the promise and economic influence of women and their families.

The Resurrection Project (Chicago, IL)

The mission of the Resurrection Project is to build relationships and challenge people to act on their faith and values to create healthy communities through organizing, education, and community development. The Resurrection Project focuses on helping families build financial security, providing access to affordable housing, defending immigrant rights, and inspiring collective power by mobilizing families to advocate for long-lasting positive change.

Second NALCAB Rent Reporting Cohort

Average Rent Reporting Period: Summer 2019 - Summer 2020

Bienestar, Inc. (Hillsboro, OR)

Bienestar builds housing, hope, and community for the wellbeing of Latinxs, immigrants, and all families in need. Bienestar believes that all work is honorable and champions those who provide essential labor to the community. They envision and develop neighborhoods where residents find dignity, hope, confidence, skills, and courage to pursue their dreams.

Foundation Communities (Austin, TX)

Foundation Communities is a local, homegrown nonprofit. The organization provides affordable, attractive homes and free on-site support services for thousands of families with kids, as well as veterans, seniors, and individuals with disabilities. They offer an innovative, proven model that empowers our residents and neighbors to achieve educational success, financial stability, and healthier lifestyles.

Jamaica Plain Neighborhood Development Corporation (Boston, MA)

The mission of Jamaica Plain NDC is to transform the lives and amplify the voices of Boston residents who have been excluded from prosperity by an inequitable economic system. The organization develops affordable housing that allows people to thrive, provides services that help people build on their strengths, and organizes people to pursue the changes they desire.

Westside Housing Organization (Kansas City, MO)

Westside Housing Organization's mission is to build robust sustainable communities. They engage residents, local businesses and key stakeholders to rebuild neighborhoods, so that they are safe, affordable and healthy places where diverse people want to live, work and play. Westside Housing believes that neighborhoods deserve to be restored with equity and justice. Homes that are not only healthy and safe, but also green and energy efficient create the foundation for truly affordable and resilient communities.

NALCAB Technical Assistance Partner

The Credit Builder's Alliance (CBA) is nationwide nonprofit organization with over 500 members that supports organizations in moving people from poverty to prosperity through credit building. CBA's philosophy is that good credit is essential to achieving and maintaining financial stability, and that mission driven nonprofits are uniquely positioned to help struggling households build credit as an asset. NALCAB's rent reporting work builds upon the pilot and field building initiatives around rent reporting that CBA has pursued in recent years. The Credit Builders Alliance implemented a pilot rent reporting program from 2012 to 2015 in which nearly 80% of residents with an already established credit history experienced an increase in credit score by an average of 23 points, and 100% of those who had no score increased their score to upper non-prime or prime tiers.

As the project's key technical assistance partner, CBA provided NALCAB cohort members with group trainings and one-on-one assistance on planning and implementing rent reporting systems, program management, resident outreach, and outcome tracking. In addition, CBA shared a suite of comprehensive tools and templates through its CBA Rent Reporting for Credit Building Toolkit.

Rent Reporting Basics for Landlords

There are four main steps housing owners/operators must take to start rent reporting to consumer reporting agencies (CRAs).

1. **Select and integrate a credit reporting system.** In order to report rental payments to the CRAs, landlords have two options: become credentialed to directly report to a CRA or use an intermediary rental payment processing company. Landlords will incur various costs to report resident payments depending upon the reporting option chosen. Given the shorter lead time compared to becoming credentialed to directly report to the CRAs, all NALCAB cohort organizations opted to use a third-party rental payment processing company.

2. **Enroll eligible residents.** Once the technical process is set up and policies are created for the program, a landlord would engage in tenant outreach for the program. Landlords may target outreach to tenants who have previous positive rental histories and would benefit from building credit on an account they already keep current. Landlords can offer rent reporting as either an opt-in or an opt-out service.

3. **Report monthly rental payments.** Each month, the property management company reports the payment data to the rental payment processing company or directly to the CRAs. Rental payment processing companies have different policies on reporting late or missed payments. Some will only report on-time payments while other companies will only report payments as late if no payment has been made within 30 days of the official monthly rental payment due date. In addition, the landlord should establish policies to help reduce missed or late payments by ensuring open communication channels for renters to alert their property managers and seek payment arrangements.

4. **Provide supportive financial capability services.** The NALCAB pilot focused on working with nonprofit affordable housing owners and operators. When including rent reporting as a strategy to build credit, financial capability services such as credit building workshops and financial coaching/counseling are offered alongside rent reporting enrollment.

Consumer Credit Scores

Although people commonly refer to having a singular credit score, in reality each person has many credit scores that vary according to the credit score model (i.e. FICO, Vantage, LexisNexis), the consumer reporting agency (i.e. TransUnion, Equifax, Experian), the date the credit score was pulled, and specific industry uses (i.e. scores for mortgages vs. auto loans). For example, the most common score used by lenders, FICO, has multiple versions and generations where algorithms give varying degrees of predictive importance to credit utilization, mix, amounts owed, payment history, and length of credit history.

Rental payments are one of the highest, if not the highest, monthly financial obligation held by a renter that has not traditionally been considered in credit scoring. Recent innovations in credit score generations such as FICO Score 9 and Vantage 3.0 include weighing payment history of on-time bill and rental payments as factors that can predict creditworthiness. This has opened the doors to individuals who face greater challenges in building credit in building strong credit within prime score ranges.

Credit Scores for Vantage 3.0

Vantage 3.0	Range
Super Prime	*781-850*
Prime	*661-780*
Near Prime	*601-660*
Subprime	*500-600*
Deep Subprime	*300-499*

"VantageScore 3.0: Improved predictive power raises the standard of performance" 2015. Experian. https://www.experian.com/assets/consumer-information/product-sheets/vantagescore-3.pdf.

Is Your Organization Ready to Support Renters with Rent Reporting + Financial Capability?

Below is a basic checklist from CBA to help affordable housing owners/operators determine whether rent reporting is a strategy that makes sense for their organization and tenants.

What it takes...

- ❑ **Does your agency own and/or operate housing units?**
- ❑ **Are necessary stakeholders on-board? This includes organizational leaders, property management staff, and other staff that provide direct assistance to residents.**
- ❑ **Do you have staff capacity? Including:**
  - ❑ **a champion who can dedicate time to manage the initial set up process and provide cross departmental coordination**
  - ❑ **someone with technical expertise in your property management software**
  - ❑ **an organizational leader who can review and sign legal agreements**
  - ❑ **staff trusted by residents with ongoing capacity to outreach to and enroll residents**
- ❑ **Do you have financial resources to offer rent reporting on an ongoing basis? Associated costs include a one-time set up fee and an ongoing annual fee.**

Courtesy of the Credit Builders Alliance

Additional important questions in determining eligibility criteria for the NALCAB project included the following:

1. Does your organization have the capacity to extend financial capability programming, including credit coaching and counseling, to your residents enrolled in rent reporting if it does not already do so?
2. If not, do you have the capacity to provide warm referrals to other partner organizations that provide financial capability services, including credit coaching?
3. Does your organization have the ability to track financial capability outcomes related to credit, budgeting, debt, savings, accessing financial products, and building assets?

Six of the 8 NALCAB cohort members already had well-established financial capability services offered to their target neighborhood or city before the rent reporting program. These were primarily delivered by very small teams of financial coaches, sometimes just 1 or 2. For this reason, cross-training and leveraging support from programs outside of financial coaching (such as homebuyer counseling, tax preparation, college readiness, etc.) was important. Another approach taken by the 2 organizations with less experienced financial capability services was to use local partnerships to deliver services. For example, Westside Housing Organization had recently begun to invest in staff training to provide financial capability coaching in English and Spanish to multi-family housing and community members. While internal capacity continues to be built, the organization has a partnership agreement with another local nonprofit CHES (Credit & Homebuyer Empowerment Services) to refer clients that need more extensive credit counseling, including legal services.

Benefits of Rent Reporting + Financial Capability

The NALCAB cohort reported the following benefits from implementing rent reporting. Some align with the experiences of other pilot programs, and a few were unexpected lessons for the financial capability staff leading the rent reporting implementation.

- Provides tenants with a tool to build or establish credit without incurring debt. Conversely, tenants who wish to access other credit products in the future could be able to do so on better terms and rates.
- Gives tenants a path to access financial knowledge and coaching that will help them on their financial life journey.
- Allows tenants to make an essential living expense also work towards strengthening their credit through a simple sign-up process.
- If using a payment processor that can include previous positive rental payment history, the impact to a person's credit score can be seen in as little as 2 months which is much faster than other credit-building methods.
- Strengthens channels for collaboration between financial capability program staff and property management and resident services staff. From this project, cohort members have begun collaborating between these departments on other issues such as eviction prevention and increasing service referrals.
- Can increase the incentive to make on-time rental payments to the landlord.

Resident Success Story

Jamaica Plain NDC

When Lisa first approached JPNDC's Family Prosperity Services, she was unemployed and living on the savings she had accumulated in hopes of one day buying a home. She was struggling to keep up with the rent for the apartment she shared with her son. This led to multiple late payments on other accounts like her credit cards. In addition, she had been ignoring her student loans for years, believing that she did not have the income to get on a better payment plan.

When she met with her financial coach for the first time, she was skeptical she would be able to resolve the student loans in collections. She was sure her tax return was going to be withheld even though she needed the money for living expenses.

In her first 2 coaching sessions she worked on bringing her credit card payments up-to-date, created a short-term budget, made a plan to get back on her employment search and called the student loan administrators. Six months later, she had begun working, created a payment plan for her student loans, maintained on-time credit card payments and has begun saving for retirement, college for her child and a down payment on a home. In moving towards these goals, Lisa enrolled in the rent reporting program in August 2019. Over the course of 10 months, she has seen her credit score increase by more than 30 points and nearing a prime credit score.

An unexpected outcome from Lisa's experience was her also becoming a resident leader in her apartment building and joining one of the resident committees at JPNDC.

Seven Factors for Success From the NALCAB Cohort Experience

The NALCAB rent reporting cohort learned a number of lessons that would be helpful for nonprofit affordable housing providers who work with Latino and immigrant communities to consider when pairing this credit building tool with financial capability services.

1. Assess tenant readiness for successful outreach and enrollment. Assessing tenant readiness is an important step to ensure rent reporting will be an effective credit building tool for that person. All cohort members targeted 1 to 3 properties at a time. These properties were assessed and selected based on strong payment histories, high levels of tenant engagement, for some, a high proportion of tenants with interests in future homeownership. In determining participant readiness, the NALCAB cohort found that:

- Ensuring that residents will have the ability to pay rent on-time in the future is key. Cohort members worked with their property management staff to identify candidates from the rent rolls in order to conduct more targeted outreach to residents with a positive rental history. Organizations could opt to report residents' prior rental history for up to 24 months which in some cases dramatically increased credit invisible histories to a prime credit score. In these cases, rent reporting was able to help build credit to a mid-600 score immediately, compared to other strategies such as a secured credit card which could take at least 6 months of use before seeing similar results. However, for residents with unstable rental histories, reporting rental payments could be deleterious, therefore staff focused on offering financial coaching prior to suggesting rent reporting as a credit building strategy.

- Residents without established credit or thin files stand to gain greatly from this tool, however rent reporting can also help residents who are already building credit to maintain an active tradeline and strengthen their credit profile.

- Multiple lease holders and residents of a unit can build credit through the rental payments made for their unit. It is important that every member of household who is rent reporting understands the benefits and risks.

- Similar to other credit building strategies, rent reporting can be used to help build the credit of persons without a Social Security Number (SSN). In general, a person's credit history is compiled through unique identifying information such as name, address, date of birth, job history, and SSN. Consumer reporting agencies do not compile credit history based on a person's Individual Taxpayer Identification Number (ITIN). Tenants are not required to share their ITIN numbers in order to report their rent to the consumer reporting agencies. Landlords should consider tenants without an SSN under the same criteria those with a SSN by taking into account their life goals, rental payment history, and ability to continue paying rent on time. However, when conducting outreach landlords should always be sensitive to the privacy concerns of these residents and provide information that is clear and accessible on how their data is being shared.

2. Choose a rent reporting process that works for your organization. Reporting rents for credit building demands that staff collect and manage rental data to varying degrees of complexity depending on reporting method. Rental payments can be reported either directly to the three major CRAs or through a third-party rental payment processing company. None of the cohort members had the infrastructure in place to report through either method before the project. All cohort members opted to report credit scores through a third-party rental payment processor due to the more intensive data management required to report directly to the CRAs.

Many options for third-party rental payment processors now exist in the market. Based upon the best available platforms at the time evaluated by CBA, the first cohort of 4 organizations contracted with RentTrack to report enrolled residents' rental payments. RentTrack's system requires integration with the organization's property management system, which organizations found to be very time-consuming and sometimes costly, as organizations had to update their property management system for the integration to work. Based primarily on this experience, the second NALCAB cohort of 4 new organizations instead considered Esusu, a mission-oriented technology firm whose platform does not require integration with property management systems. Below is breakdown of key features for each system, detailing some of the major differences between these 2 types of processors that should be considered when evaluating third-party payment processing options.

1st NALCAB Cohort Payment Processor: *RentTrack*

RentTrack's payment processing system must be integrated with property management systems. NALCAB cohort members experienced in some cases up to 8 months of initial integration work with additional hiccups in subsequent months.

RentTrack pricing has a baseline set up fee and yearly fee based on the number of enrolled tenants.

RentTrack reports on-time payments only.

RentTrack provides tenants with the option of paying their rent online.

RentTrack does not provide aggregate reports for landlords to monitor their tenant's progress.

Reports to all 3 major credit reporting agencies.

2nd NALCAB Cohort Payment Processor: *Esusu*

Property management staff sends a CSV file report with pre-determined fields every month to Esusu. No system integration required.

Esusu has a baseline setup fee ($3,500) and a yearly fee based on the number of units the landlord plans to target (whether or not all targeted tenants actually enroll).

Esusu reports on-time & late or missing payments. A payment is considered late if it is paid 30 past its due date. Esusu also alerts landlords if a late payment will be reported. Esusu can report up to 24 months of historical rental payment data for a newly enrolled tenant.

Esusu does not offer online rental payments for tenants.

Esusu provides a dashboard with aggregated and anonymized credit score changes over time.

Reports to all 3 major credit reporting agencies.

Considerations When Selecting Third-Party Payment Processors

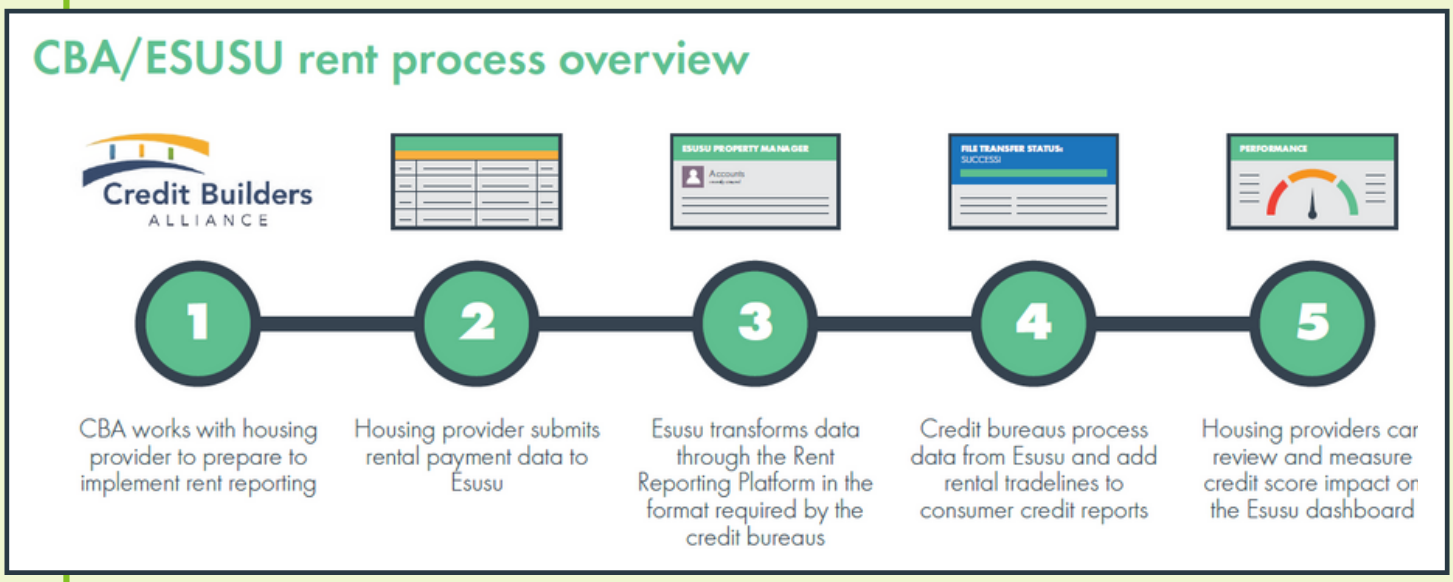
- **Does the rental payment processor report credit to all three major consumer reporting agencies and provide dispute management assistance?** Consumers may apply for credit with a lender that might favor scores from one CRA over another, therefore ensuring that the rental payment processor is able to report to a multiple CRAs is beneficial.

- **What are the rental payment processor's data security and sharing policies?** In order to report, tenants must be willing to share identifying information including date of birth and social security number. Therefore, organizations should have a good understanding of how the data they share to reporters is transmitted and stored.

- **What is required of your organization to transmit rental data to the rental payment processor's system?** Some platforms such as RentTrack will integrate with property management systems, while others might require the landlord to upload rental payment data to the reporter's system. The NALCAB pilot cohort found that systems that did not require integration with property management systems had a much shorter start-up period. However, this system may require more manual work when scaling the number of enrollments. As an example, one cohort member with one of the highest enrollment rates had to look up residents individually every month in their property management system in order to complete monthly rental payment reports submitted to Esusu. This organization is working with Esusu and their property management software firm to create a portal that connects the Esusu rent reporting platform with the property management platform, allowing for automated reports.

- **What is the rental payments processor's price structure?** How does it change as program enrollment increases? What flat annual or setup fees are charged? Does the company require a minimum portfolio size for its services? Some reporters offer pricing based on the number of enrolled tenants while others offer tiers based on portfolio size. Each structure provides different benefits. For example, a price structure based on portfolio size could create an incentive to enroll more residents since the cost per enrolled resident decreases as more residents participate in the program.

- **Does the rental payment processor's system offer any additional benefits such as online rental payments or access to free credit scores on its tenant-facing interface?** In some cases, NALCAB cohort members using RentTrack found that online rental payments made rent reporting enrollment even more attractive because it provided residents with a convenient option to ensure their rent was paid on time. For this reason, 3 of the 4 first cohort members decided to keep using RentTrack, as they did not have the capability to offer online payment options to their tenants previously.



Overview of the CBA/Esusu rent process for landlords. Courtesy of the Credit Builders Alliance.

Considerations When Selecting Third-Party Payment Processors (continued)

- **How does the rental payment processing company communicate with enrolled tenants?** Is their user interface accessible on a variety of platforms? Does it provide tenants with accurate, real-time information about their rental payments and credit score? Two NALCAB cohort members encountered issues where the reporter platform displayed tenant's unsubsidized rent amount. This caused concern for many tenants who did not know how subsidies were applied to their monthly rent and suddenly saw a much higher rent amount in their account on the payment processing platform. These situations can cause distrust from tenants who are being introduced to this new tool for the first time.

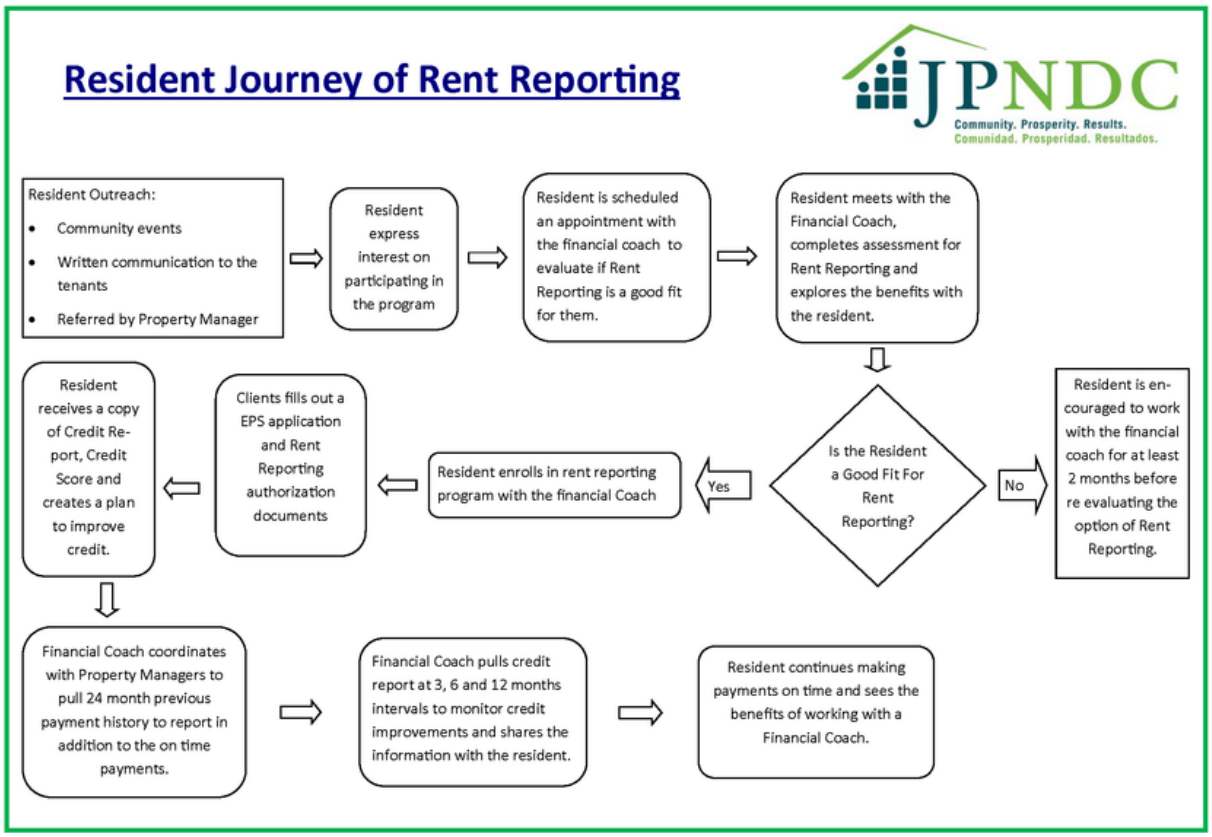
- **How are enrollments and unenrollments processed and controlled?** Residents who were enrolled via RentTrack had to still check a box to opt-in on the RentTrack platform after already giving written consent to the organization or rent reporting. Some residents forgot to complete this step or expressed concern about having to opt in again. Cohort members reported having lost some program enrollments due to this confusion. For this reason, it is important that organizations are aware of the options available to residents on the platform and create opportunities to ensure completion of all enrollment processes when meeting with the resident.

- **What channels are available for you to communicate concerns with the rental payment processor?** There will be instances where a tenant must be unenrolled, or their rent will change. For these reasons, partnering with a company that is responsive to an organization and provides multiple points of contact and tools to correct issues is essential. NALCAB cohort members who used Esusu expressed positive experiences in reporting issues about the platform or needing to modify resident data. To ensure smooth communication, it is advisable to select a partner who understands your goals as a mission-oriented landlord. One organization from the first cohort decided to change systems halfway through the engagement due to communication concerns.

3. Train staff across relevant departments on rent reporting implementation and internal policies.

- Property management and resident services staff benefit from financial capability cross-training. *Inquilinos Boricuas en Acción* (IBA) provided property management and resident services staff with a basic financial capability coaching training through their local United Way. Resident services staff are better equipped to identify candidates for rent reporting and serve as an extension to IBA's College and Financial Empowerment Program.

- Roles should be clearly defined for each team (programs, property management, resident services, marketing, community organizing) at every step of the process. The NALCAB cohort benefitted from creating visual journey maps of a participant's experience in the rent reporting enrollment process. The journey maps helped point to gaps, challenges, redundancies, or opportunities in the experience of a resident enrolling in the rent reporting program.



Resident journey map showing the internal and external process to successfully enroll a tenant for rent reporting and financial coaching. Courtesy of Jamaican Plain Neighborhood Development Corporation.
** EPS = Jamaica Plain NDC's Economic Prosperity Services.*

4. Intentionally involve property management in all planning, outreach, and enrollment efforts from the very beginning. Property management and resident services staff are indispensable stakeholders to successful implementation. Some NALCAB cohort members were both owners and property managers of units and others contracted with a third-party property management service. Organizations' financial capability programmatic staff had the following learnings in working to implement rent reporting with property management:

- Programmatic staff must work collaboratively with property management to collect and report rental payments. Depending upon the third-party rental payment processing system used, property management staff will have an additional duty in collecting tenant payment history for rent reporting. Recognizing that the recruitment and reporting process is an additional demand on their property management team, Foundation Communities added a cash bonus incentive for property managers who are able to recruit at least 20% of residents at a property to connect with program staff for rent reporting and financial capability services. It was also important to share property managers' enrollment progress along the way and recognize them as essential enrollment channels.

- Increased communication with property management allowed programmatic staff to learn about tenants' missed payments and put in place eviction prevention plans. Property management benefits from rent reporting because tenants are further incentivized to make on-time payments. However, sometimes tenants may not be able to make an on-time payment due an unforeseen emergency or other reason. Jamaica

Plain NDC found that in collaborating with property management, the financial capability program staff became aware of these situations earlier and were able to work with residents earlier to avoid eviction and get back on track with rental payments.

- Property managers and resident services communications are a natural entry point for tenants to learn about and enroll in rent reporting. Since residents will most likely come into contact with property management and resident services on a regular basis, they have a greater level of existing trust and are willing to hear about the program. Program staff have found it useful to have resident services staff in the room when presenting workshops on rent reporting. Several organizations reported that their residents prefer to operate on a cash basis and are most comfortable in paying their rent in-person. Westside Housing Organization has seen the monthly rent collection as an opportunity for property management staff to promote the program and even show tenants a short bilingual video on rent reporting benefits. Another natural entry point that the NALCAB cohort continues to explore is talking to tenants about building credit through rent reporting during the household's annual Rent Recertification process.

5. Support programmatic staff capacity to intentionally pair financial capability services with rent reporting. Cohort members focus on residents' life goals by pairing financial capability services with rent reporting. A key feature of the NALCAB cohort is that each organization is committed to not only offering rent reporting as a credit building tool, but also ensuring that residents who enroll have access to financial capability training, workshops, and/or one-on-one financial coaching and counseling. Emphasizing the achievement of life goals helps increase resident follow-through and participation in other financial capability services outside of rent reporting.

All cohort members encountered the challenge of transitioning participants who enroll into rent reporting to taking advantage of financial coaching and/or workshops. Cohort members found that aligning follow-up outreach materials and warm partner referrals that align with a resident's specific goals and interests is most effective. Two organizations decided to no longer actively offer financial capability services with rent reporting for different reasons, including limitations in outreach capacity for the program and the mounting demands on financial capability program staff time with COVID-19 pandemic relief efforts.

6. Effective outreach to tenants required building trust with high-touch strategies and cross-departmental support.

- Organizations used a variety of outreach tactics including dissemination of printed materials, presentations at community events, door-to-door conversations, and texting. The outreach process was more time and resource intensive than expected because almost all programmatic staff had to start from scratch in the trust-building process by engaging residents who many times were unfamiliar with the organization's services. Several financial coaches reported difficulties in even reaching residents through door knocking, therefore partnering with property management with whom residents were more familiar was critical.

- The opportunity for groups to leverage resident councils, ambassador programs, and community volunteers to conduct outreach is great. Three members reported that in the future they would increase collaboration with their community organizing teams and enlist their community leaders and *Promotoras* to help build more trust with tenants. These efforts would also be dependent upon the health and safety conditions during and after the COVID-19 pandemic.

- Several cohort members said that their outreach efforts were not as effective when they focused marketing on credit building, however introducing rent reporting in the context of the path to homeownership was approached with far more interest by residents. One organization remarked that when they held a workshop advertised with an emphasis on credit building, only 2 residents attended, however when they held a workshop advertised as giving information on how to buy a home, attendance was over 40 residents. Outreach should reflect messages around what residents can accomplish with strong credit.

- Although most organizations tended to leverage their relationship with property management, two cohort members reported that their property management has been seen to be very transactional with tenants in the past and not necessarily a source of trust. Tenants were afraid to participate in financial coaching sessions because they were worried that the income information they provided the financial coach could potentially be reported to property management which could lead to them being disqualified from living in their unit. In these cases, additional energy and time is needed to myth bust and alleviate concerns about data security and privacy.

Bilingual resident outreach materials used by Foundation Communities' financial coaches and property management staff to provide residents with the basics on rent reporting:

PREGUNTAS Y RESPUESTAS

¿Puede el puntaje de crédito ayudarme a construir mi crédito?
Sí. Los pagos de renta como líneas comerciales en los informes de crédito tradicionales ayudan a los inquilinos a construir o establecer un puntaje de crédito.

¿Cuántos puntos aumentarán mi puntaje de crédito?
No hay ninguna garantía, pero participantes del proyecto piloto de reportes de renta que se condujo del 2012-2015 experimentaron un promedio de 23 puntos de aumento.

¿El reporte de renta tiene en cuenta todas las puntuaciones de crédito?
Los puntajes más nuevos, incluidos Vantage Score 3.0 y FICO 9, usan datos de renta, pero los puntajes más antiguos y más comúnmente utilizados pueden no tener en cuenta los datos de reportes de renta.

¿Puedo reportar mis pagos pasados de renta que hice a tiempo?
Sí. Puede reportar hasta 24 meses de historial de pagos de renta.

¿Cuánto tiempo tardará en aparecer mi pago de renta en mi informe de crédito?
Por lo general, transcurren entre 46 y 60 días antes de que los pagos de renta informados aparezcan en un informe de crédito.

¿Qué sucede si tengo un pago de renta atrasado?
Siempre y cuando pague su renta dentro de los 30 días de su fecha de vencimiento, su puntaje de crédito no se verá afectado

¿Se requerirá que todos en mi propiedad reporten sus pagos de renta?
No. Solo los residentes que opten por dar un permiso por escrito recibirán un reporte de renta.

¿Qué pasa si quiero dejar de reportar mi renta?
Puede detener su reporte de renta en cualquier momento.

¿Cómo empiezo el proceso de reporte de renta?
Contacte a su administrador de propiedad para comenzar el proceso de inscripción.

- Early positive experiences of residents with financial capability services and rent reporting are integral to program success. Word of mouth was viewed as a key outreach tool. Therefore, early program successes or failures impacted future outreach efforts, depending on residents' experiences.

7. Develop the internal infrastructure to track individuals' outcomes and analyze program impact.

- The cohort had a range of capacities for data tracking. In order to measure program progress, organizations should at a minimum consider tracking the outcomes below related to credit.
    - Number of residents who had any positive or negative change in credit
    - Number of residents who achieved at least a 25-point increase
    - Number of residents with increased credit score above 650
    - Number of residents who established credit for the first time
    - Number of residents who made positive and negative changes in score by credit tier (prime, near prime, subprime)
    - Average change in score across residents
    - Length of enrollment for each resident whether there was any unenrollment

- Financial coaches pull enrolled residents' credit scores and reviewed credit reports typically at a 6-month interval to share with residents and track progress. Esusu users benefitted from being able to access aggregate data on their residents' progress via their Esusu dashboard. Data from the third party allowed a more complete picture. As resources were diverted due to the pandemic, follow-up with residents in the last few months of the grant engagement (March through July 2020) grew more challenging.

  In addition to credit related outcomes, NALCAB advises maintaining a robust system to track individuals' progress in financial coaching sessions and changes in financial behaviors and knowledge. As emphasized throughout this guide, rent reporting is one of many tools that can be used to help expand opportunities for tenants to strengthen their financial health and achieve their goals. Organizations should also be able to track asset building or preservation outcomes for enrolled residents such as increasing savings, decreasing debt, or accessing a home, auto, or small business loan.

Rent Reporting During the COVID-19 Pandemic

The last 5 months of NALCAB's engagement with the rent reporting cohort was marked by the health and employment crisis caused by the COVID-19 pandemic. As attention and energy demanded to be placed on their local COVID-19 response efforts, cohort members scaled back their rent reporting outreach and enrollment. Cohort members have put forth monumental assistance efforts by distributing government and privately funded rental relief, providing foreclosure assistance, delivering food and supplies to vulnerable community members, increasing sanitation and safety protocols for their properties, counseling clients through job loss, disseminating information on how to avoid scams, and finding ways to provide immigrant families who did not receive stimulus dollars with financial support. They are investing in training and resources to move programs and resources online via multiple weekly webinars and social media sessions.

Rent Reporting During the COVID-19 Pandemic (continued)

Cohort members were proactive in notifying residents enrolled in rent reporting of their options to pause or discontinue program participation. Only 26 residents have unenrolled across the 8 groups during the last 5 months. This is potentially due to the various forms of rental and benefits assistance each member is providing its residents. Staff are also cautiously using rental payment plans to help some residents meet their rent obligations. A handful of enrollments continued for 3 organizations in June 2020. Some of these enrollments at organizations using RentTrack were motivated by the preference or need to use an online rent payment option which this platform provides. In the course of signing up for RentTrack's rental payment option, resident services and property management also introduced the rent reporting option which led to some of the new enrollments during this period.

During these times financial coaches have shared the effects of economic uncertainty on residents. Many participants are using what little savings they have amassed to pay bills. They are halting any debt reduction payments and instead taking advantage of payment moratoriums or forbearance options. Many families are struggling to manage their budget as expenses for basic necessities rise. While certainly the delivery of stabilization services has increased in recent months, almost half of the NALCAB cohort has shared that the demand for their homebuyer education and counseling services continues, and in one case spiked to higher levels than before.

Looking forward, safe and accessible credit-building strategies like rent reporting will continue to be needed for individuals to rebuild their financial health at a time that makes the most sense for them. As with any other financial tool or product, residents should on be engaged in rent reporting when they are ready and well-positioned to succeed.

Resident Success Story

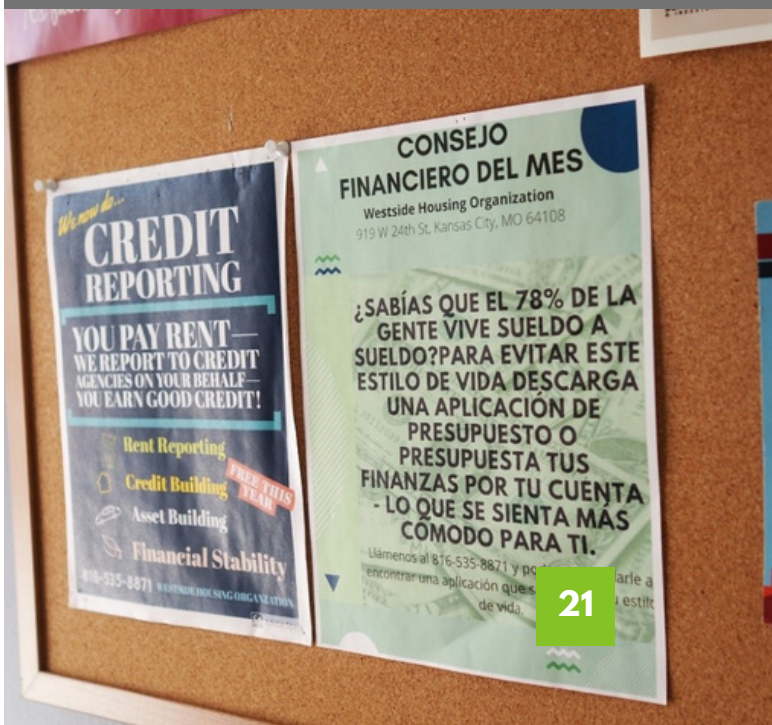
The Resurrection Project

At a *Cafecito*, or informal informational session, Ana learned about The Resurrection Project's financial coaching services and began meeting with a financial coach. Ana was diagnosed with cancer and fell behind on her bills. The stress of being uninsured and being the sole provider of her family took an even more drastic toll on her health.

After her coaching session, she was extremely happy and motivated. She now has an action plan to help guide her to take control of her personal finances. Ana stated, "I really want to thank you because I didn't know TRP offered this service. I was going to pay for debt consolidation with hefty fees but now I have access to a FREE community service." The financial coach provided Ana with information on how debt consolidation agencies work and how to communicate with her creditors to seek additional assistance.

In early 2020, Ana was delinquent on her rent for a few months and decided to opt out of rent reporting because she did not want to negatively impact her credit score.

In April 2020, she received monetary rental assistance from a family foundation in an amount over $2,000. This assistance encouraged Maria to opt back in to rent reporting. With the assistance of rent reporting and her financial coach, Ana has increased her credit score by an astounding 157 points to a FICO score of 651. Ana is on the path to strengthening her financial resiliency.



What's Next For Expanding Rent Reporting to Latino & Immigrant Communities?

Based on the cohort's experiences, NALCAB believes that rent reporting is a valuable tool for building credit and financial capability among low- to moderate-income Latino and immigrant tenants when paired with culturally relevant financial capability services.

Some areas of further exploration for this strategy include studying the effects of rent reporting on longer-term financial behavior changes and goal attainment by enrolled residents, and how tenants were able to use their strengthened credit to attain their financial goals, whether through accessing affordable lending opportunities, saving money through reduced rates, qualifying for job opportunities, etc.

In addition, the NALCAB cohort found that understanding the landscape of lenders who would consider credit score generations that include the rent reporting tradeline is necessary to ensure real impacts for residents, and advocacy for increased adoption of these more recent generations.

Further development of models that can bring rent reporting with financial capability services to scale for a low- and moderate-income residents should be pursued. NALCAB learned that the investment of staff time was greater than expected, therefore future funding in the field should consider making investments that support staff capacity. Funding to support the integration of this technology and increased outreach and delivery of financial capability services is needed to create opportunities for all. As others in the field have noted, the stability that mission-oriented affordable housing providers can offer residents presents an opportunity to support residents with stabilizing other areas of their financial health and pursuing financial goals.

We know from the 2008 financial crisis and recovery that credit building will be an essential activity for economic recovery as we move forward – and that nonprofits who work with Latino and immigrant communities to build assets will need every tool available to do so. NALCAB anticipates promoting the adoption and integration of rent reporting for credit building among NALCAB network members and beyond.

[iv] Ladha and Thompson. 2016. "Housing as a Platform for Improving Financial Capability." Stewards of Affordable Housing for the Future. https://www.sahfnet.org/sites/default/files/uploads/housing_as_a_platform_for_financial_capability_-_final_report_0.pdf.