U. S . DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | OFFICE OF MULTIFAMILY HOUSING

Multifamily Rent Reporting Owner's Guide



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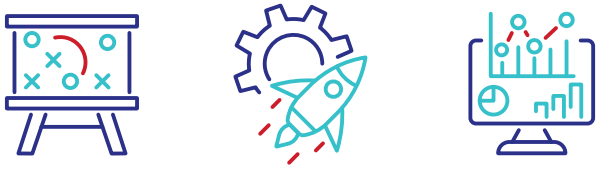
Introduction

Rent reporting is the monthly reporting of residents' rent payments to the three major credit reporting agencies (Equifax, Experian, and TransUnion). It is an **evidence-based** strategy that started in 2010 to help those with low or no credit scores establish or increase their scores without adding debt.

In addition to residents, HUD Project Based Rental Assistance Owners/Agents ("HUD Multifamily Owners") and property management companies also benefit from rent reporting by:

- **Encouraging on-time payments**, reducing time spent collecting payments
- Improving resident relations, potentially resulting in less resident turnover
- Adding a low-cost renter benefit that can be used to recruit new tenants
- Increasing resident participation in programs
- Helping residents achieve financial stability
- Connecting residents with local resources



PLAN LAUNCH MONITOR

HUD Multifamily Owners who are interested in offering rent reporting for their residents should read this guide from start to finish and use it as a playbook to **plan**, **launch**, and **monitor** successful rent reporting programs. Throughout this guide, HUD Multifamily Owners will see best practices highlighted from successful programs throughout the country.

> "Rent reporting gives renters the credit that they deserve for being responsible and paying their rent on time, just as homeowners can build credit with their mortgage."

- Quote from an owner

Source: **CBA Rent Reporting Case Studies 2022**

Plan

Interested HUD Multifamily Owners can plan and launch a program in three to six months if they spend time upfront designing their program and leveraging available **resources**. Planning involves getting the right staff involved, initial work with residents, making key program decisions, choosing the appropriate method to report rental data, and developing a resident engagement plan.

Staff Roles

HUD Multifamily Owners must determine which staff members should be involved in the rent reporting program. Often these roles are filled by existing staff, so hiring is not usually necessary. The following are recommended roles (multiple roles can be filled by one staff member depending on the organization's size and structure):

1. **Rent reporting champion.** The rent reporting champion is the primary contact who dedicates time to managing the initial setup process, provides cross-departmental coordination, and gets organizational buy-in. This person helps others understand rent reporting, gets the staff excited about rent reporting, coordinates among different teams within the organization, shepherds the resident onboarding process, and keeps rent reporting an active program once launched.

   BEST PRACTICE: It is important to develop program buy-in and understanding of rent reporting at all levels of an organization.

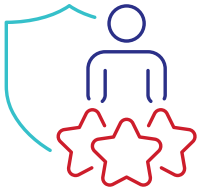
2. **Resident point person.** This staff member is trusted by residents and has the ongoing capacity to enroll residents in rent reporting. In properties with Family Self-Sufficiency (FSS) programs, this may be the FSS coordinator.

3. **Property management point person.** If applicable, this is an informed property management site staff member with an understanding of rent reporting.

   BEST PRACTICE: Cross-departmental communication between resident services and property management is critical for program success.

4. **Internal IT or software expert.** This is someone possessing technical expertise with the Property Management Software (PMS) who can extract the required resident rental data and share through the chosen reporting mechanism.

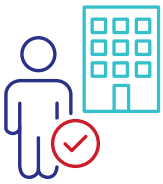
Recommended Roles for the Rent Reporting Program



RENT REPORTING CHAMPION



RESIDENT POINT PERSON



PROPERTY MANAGEMENT POINT PERSON



INTERNAL IT OR SOFTWARE EXPERT

Key Program Decisions

After engaging the right staff early in the planning process to ensure there is understanding and buy-in across all departments, HUD Multifamily Owners must next make two key decisions about their program structure: 1) the type of rental data to report and 2) the enrollment framework.

1. **Data type: Full-file vs. Positive-only reporting**
   Rent reporting programs can either choose to report full-file or positive-only data. Full-file reporting includes both on-time and late rental payments. Positive-only reporting includes on-time rental payments only. **HUD recommends positive-only reporting.**

   BEST PRACTICE: HUD recommends positive-only as it lowers the risk of harm to struggling residents. Negative information is already incorporated into credit reports and scores through collections and evictions, so positive-only reporting balances out the available information.

2. **Enrollment framework: Opt-in vs. Opt-out.**
   Implementing an opt-in program means a HUD Multifamily Owner offers residents the option of having their rent reported and they can enroll if interested. An opt-out program automatically enrolls all residents in rent reporting and they disenroll if they are not interested in having their payments reported.*

   BEST PRACTICE: Owners may not disclose any information (including name, address, and Social Security number) that is collected for the purpose of verifying income and eligibility for HUD programs in any way that is inconsistent with this purpose. If legally permitted, owners may share data collected with tenant consent. HUD recommends that owners consult with an attorney to determine if disclosure of any personally identifiable information would violate federal, state, or local laws or contract terms.

OPT-IN

- Gives renters more control of participation and data sharing
- Is less costly because it is based on the number of residents reporting

OPT-OUT

- Reduces staff time marketing the program and enrolling renters
- Allows for higher enrollment (~95% for opt-out vs. ~10% for opt-in)

Regardless of the enrollment framework, owners must explain the benefits and conditions of having residents' rental payments reported and detail the residents' right to end their participation in the program at any time.

HUD recommends that housing providers obtain tenant consent for rent reporting using either an opt-in or opt-out model.



A third-party provider may offer opt-in, out-out, and a third option that requires rent reporting. HUD strongly discourages owners from offering a rent reporting program that is required, as residents have less control over whether they can disenroll at any given point.

* ***Caution:*** *Some third-party providers also have mandatory reporting where residents cannot go through the third party to disenroll and must make a case to the housing provider if they do not wish to participate. HUD does not recommend mandatory reporting.*

Reporting Options

Once the key program decisions are made, HUD Multifamily Owners must choose one of three options to report residents' monthly rental payments to the credit bureaus:

1. **Contracting with a third-party service provider**
2. **Using their property management software's (PMS) rent reporting add-on**
3. **Reporting directly to the bureaus**

Before making the choice, owners should understand how data furnishing and credit reporting compliance factor into this decision.

A data furnisher reports consumer data to the credit bureau(s) and must become credentialed with the credit bureau(s) to do so. Data furnishers are responsible for Fair Credit Reporting Act (FCRA) compliance which includes 1) submitting data with accuracy and integrity, 2) managing disputes in an ongoing and timely manner, and 3) maintaining up-to-date furnishing policies and procedures.



For either Option 1 or Option 2, owners should make sure they ask the following additional questions:

- Is the company credentialed as a data furnisher to report rental payment data to the credit bureau(s)?
- Do they report to one, two, or all three of the major credit reporting agencies?
- What is the cost per resident or unit?
- Does this cost automatically get passed on to the resident?
- Do they report full-file or positive-only data?
- Do they offer both opt-in and opt-out options?

Option 1: Contract with a third-party service provider.

With this option, HUD Multifamily Owners can hire a third-party service provider that is credentialed as a data furnisher by one or more of the credit bureaus. These third-party providers specialize in handling and transmitting rental payment data and managing compliance. Some third-party providers can be found on the Credit Builders Alliance Rent Reporting Center website here.

When the owner takes on the cost to report for residents, the per-resident or per-unit price can vary depending on the third-party service provider. In addition, some may charge set-up fees and/or annual fees. Below are some ranges for these costs:

- Cost per resident or per unit per month: $1 - $6.95
- Set up fees: $0 - $3,500
- Annual fee: $0-$3,500

This option is for HUD Multifamily Owners who want professionally managed compliance and data transmission.

BEST PRACTICE: SHOP! Owners should meet with two to three third-party service providers before deciding on whom to work with. They should pay attention to how responsive the provider is and whether they answer all the owner's questions.



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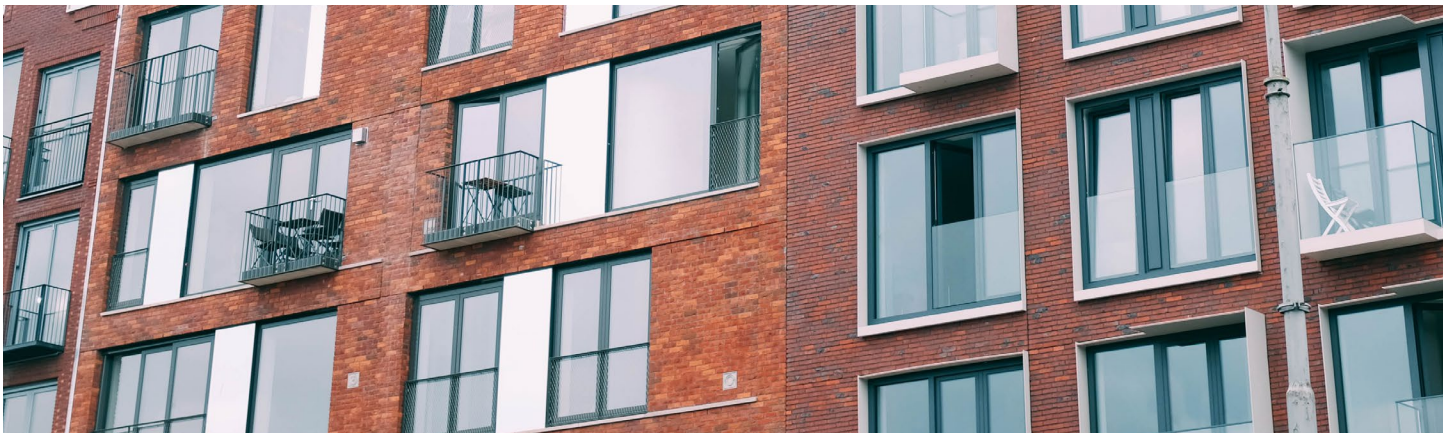

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Some questions to consider when meeting with third party providers for the first time are:

- Do they require a minimum number of units?
- Do they work with the owner's PMS? If not, or if the owner does not have a PMS, do they offer a manual setup?
- Do they charge for historical rental payment data reporting? (up to the previous 24 months of rental payment data)
- What level of support do they provide owners?
- What level of customer support do they provide to residents?
- Are residents required to have an email address to participate in rent reporting with this provider?
- What marketing materials does the third-party provider offer and are they willing to include the owner's logo on the materials?
- What does the roll-out of the program look like?
- Will the third-party provider email residents directly or does communication come from the owner?
- What aggregate data does the third-party provide in terms of credit impact, and is there a minimum number of residents that owners must enroll to receive it?

Option 2: Use a Property Management Software (PMS) or payment processor rent reporting add-on.

With this option, HUD Multifamily Owners should contact their PMS or payment processor representative to inquire if they offer a rent reporting function. The cost structure varies for this option, including an option to charge the renter directly.

This option is good for owners with PMS that offer this add-on to report rental payments to one or more of the credit bureaus.

Option 3: Direct to the credit bureaus.

With this option, owners would become credentialed to furnish data directly to one or more of the bureaus. The data must be formatted in a way the credit bureaus can accept (Metro 2®). It can be furnished through software integration or a manual process. In the past, reporting directly to Equifax, Experian, and TransUnion was the only option for owners. This option is no longer common practice and is strongly discouraged by HUD.

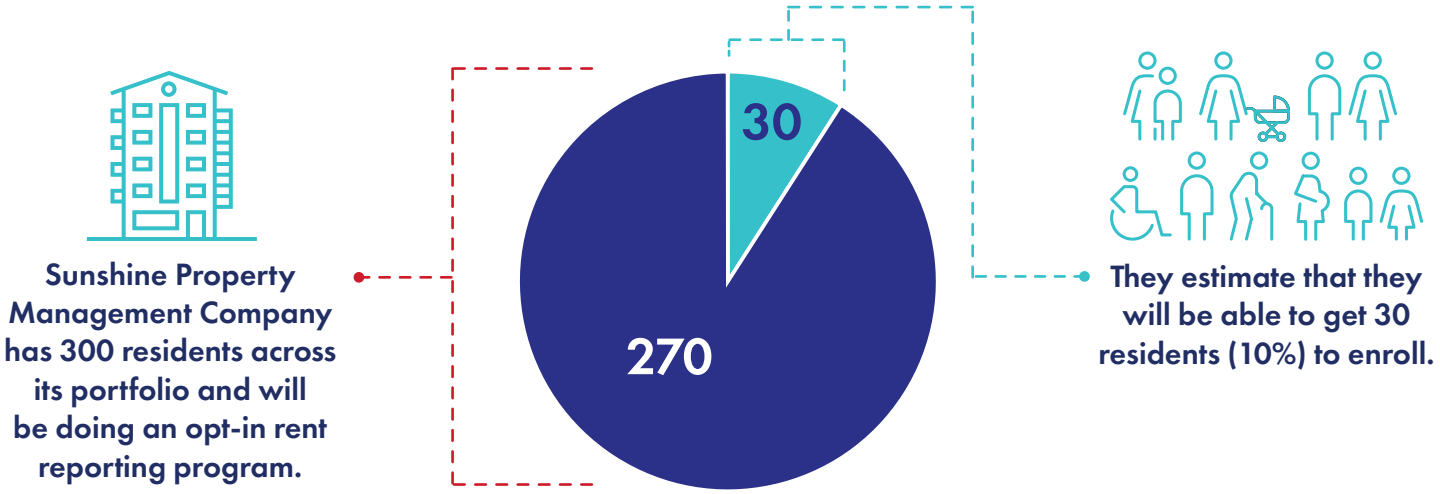
BEST PRACTICE: Regardless of the reporting option chosen, having rental payment data reported to all three of the major credit reporting agencies is the most effective.

Covering Costs

No matter which reporting option owners choose, there is a cost. To develop a sustainable program, HUD Multifamily Owners need to identify funds to pay for the rent reporting program. Some sources of funding are grants, corporate philanthropy, and government contracts. Owners could also consider using current programming funding. There are upfront costs that include staff time needed to plan, train, and launch the program. Once the program is off the ground, the primary cost is paying for the rental payment data to be reported to the credit bureaus. Owners should incorporate this cost into their ongoing budgets. Some costs may be covered by increases in on-time rent payments.

To estimate cost, owners should take the per-renter cost per month and multiply it by the number of renters they anticipate signing up. For opt-out programs, owners can estimate that they will be paying for 95% of their residents. For opt-in programs, owners can estimate that 10% will enroll. Below is an example.

EXAMPLE



Sunshine Property Management Company has 300 residents across its portfolio and will be doing an opt-in rent reporting program.

They estimate that they will be able to get 30 residents (10%) to enroll.

They have chosen to work with a third-party service provider.

That service provider charges $2 per resident per month.

Therefore, Sunshine Property Management Company will pay

$60 per month, or $720 per year, for those 30 residents.

Resident Engagement Strategy

All HUD Multifamily Owners should create a resident engagement strategy focusing on those who will benefit most, determining ways to generate interest, and identifying points of engagement. Owners should consider getting resident input while planning their engagement strategy. By working in partnership with resident organizations and leaders when designing their programs, they can understand what will work best for their residents. In the past, some HUD Multifamily Owners have compensated residents who assist in engagement efforts.

- **Target Audience**
  The tenants who benefit from having their monthly rent reported are those who pay their rent on time and have no credit score or a low score. Conversely, residents who do not pay on time will not likely benefit from participating in rent reporting. (Note: 'Late' is payments that are over 30 days past due.) Renters who have scores above the mid-600s are less likely to benefit from rent reporting.

DISCLAIMER: HUD Multifamily Owners must share with residents that participating in rent reporting is not guaranteed to result in an improvement in any individual's credit history or an increase in their credit score.

Family Self Sufficiency programs in HUD Multifamily housing can be a great fit for rent reporting. FSS participants are often working toward specific financial goals through their contract of participation, and improved credit can help them reach these goals.

- **Generate Interest**
  While rent reporting is not a benefit everyone wants to participate in, if messaged correctly rent reporting can spark interest among residents who would stand to benefit the most from it. To generate interest, HUD Multifamily Owners must design specific messaging to focus on the target audience of those who pay rent on time but have no or low credit scores.

Messaging guidelines:

- Keep it simple
- Be clear about who benefits and how easy it is to enroll
- Highlight that making timely payment of rent is something residents are already doing
- Share that it does not require them to take on additional debt
- Explain that there is no guarantee, but many residents experience an increase of 25 to 30 points after several months of rent reporting
- Focus on financial goals that good credit can help residents achieve:
  - Lowering car insurance premiums
  - Avoiding deposits when starting a cell phone plan
  - Starting or growing a small business
  - Having more rental housing options and lower deposits
  - Eliminating utility deposits
  - Improving job opportunities: employers in some states can access credit reports in the hiring process or in making advancement decisions
  - Buying a home





Photo by Designed by Magnific courtesy of Magnific

Points of Engagement

After identifying the target audience and creating messaging that generates interest, HUD Multifamily Owners should plan to incorporate enrollment within existing processes. Some examples of potential engagement points are leasing and recertification, resident welcome packets, reminders attached to rent statements, and enrollment pages. In addition, it is important to engage in messaging early (before the program launches) and often (during every resident engagement).

Some additional examples of how to get the word out to residents are listed below.

- This video can help explain rent reporting to renters (watch the video with Spanish subtitles here).
- Flyers
- Door-to-door engagement
- Kick-off parties and information sessions
- Social media
- Mailings
- Texts and emails
- Resident meetings
- Workshops
- Activity groups
- Sharing information with resident leaders

There are potential barriers to reaching residents who can participate in rent reporting. Face-to-face or paper versions of outreach tools should be used to support residents who have limited digital proficiency. When holding information sessions, owners should consider meeting with residents at times that are convenient for them (such as after work hours or on weekends), and should also consider offering support around transportation, childcare, and food.

> HUD Multifamily Owners should consider pre-implementation resident awareness – both to generate interest and prevent concerns that rent reporting is a scam. "...staff shared a variety of resources via text messages beforehand that included information on various social services and that rent reporting messages would be coming."

Source: Source: **CBA Rent Reporting Case Studies 2022**



Photo byDrazen Zigic on Freepik

Launch

After planning, it is time for owners to prepare for and set a date to launch their programs. This period requires daily and weekly follow-through on contract signing, data connection, data transfer testing, and early messaging to residents. Delays in these steps can cause programs to falter or fail. Regular communication with internal and external data contacts should be maintained to ensure owners are ready to launch their programs and start enrollment at their desired date.

Once HUD Multifamily Owners have set up the data connection with the credit bureaus, the last step to complete before launching the programs and enrolling residents is to ensure enrollment forms and documents are completed and ready to use. Examples of some enrollment documents owners can use are:

- **Consent forms and/or rental lease addendums.** Property owners should use a consent form for opt-in programs so there is documentation that residents have received information on the program and are agreeing to participate. Staff can also use a lease addendum to inform residents about rent reporting and provide notification that they will be automatically enrolled in rent reporting (opt-out programs) or that they are being given the option to enroll (opt-in programs).
- **Enrollment letters.** Property owners can send enrollment letters once residents are enrolled to confirm their participation.
- **Consent forms to obtain credit information.** Owners who plan to track credit score changes for residents on an individual level should get consent from residents to track and save this information.
- **Credit score tracking forms.** To record individual resident baseline credit scores and scores at predetermined, subsequent checks (for example: three (3) months after enrollment, six (6) months after enrollment, and/or twelve (12) months after enrollment). See sample table below.
- **Clear instructions.** Owners should include clear instructions for residents to follow if they decide to disenroll from rent reporting, for both opt-out and opt-in programs.

Note that if an owner has contracted with a third-party service provider to report rental payment data, they should check with the provider to see if they provide any of the above documents.

Example of the header rows of a table-based score tracking form:

Client ID	Type of Score	Baseline Date	Baseline Score	Follow Up Date	Follow Up Score	Change in Score	Notes



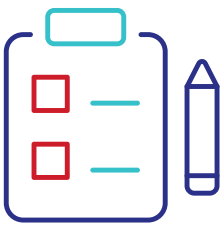
Photo by freepik on Freepik

Monitor

Once launched, HUD Multifamily Owners should monitor their rent reporting program through program management, impact tracking, and ongoing resident engagement. A total program review once a year will help them determine if any changes need to be made to the reporting mechanism, staffing, or resident engagement practices.

Program Management

To ensure that rent reporting programs are successful, HUD Multifamily Owners should create a program manual that can help staff involved with rent reporting understand their program.





The following are suggested program manual sections:

- Rent Reporting Overview
- Guide to Choosing a Reporting Mechanism
- Key Staff Contact Information
- Technology Integration
- Resident Engagement
- Resident Participation
- Outcome Tracking Procedures
- Sustainability Plan

Tracking Impact

When possible, HUD Multifamily Owners should track impact to ensure they are improving outcomes for residents. Capturing residents' credit scores at enrollment enables owners to track the impact that rent reporting has had.

BEST PRACTICE: Though it should not be required, owners should strongly consider offering a credit coaching/counseling/education component to their rent reporting program, whether internally or through an external partner.

Some benefits of tracking rent reporting impact are:

- Demonstrate credit score changes over time
- Identify additional resident services needed
- Better advertise rent reporting to other residents
- Improve program design and delivery
- Build resident trust
- Demonstrate the rationale for funding the program
- Empower residents that experience credit score improvements
- Find resident ambassadors to help promote the program

The following are some outcomes that HUD Multifamily Owners can track:

- Number of residents enrolled in rent reporting
- Number of residents that disenrolled from rent reporting
- Percentage of residents with an improved credit score
- Number of residents who established a credit score
- Number of points the average credit score increased
- Summary of success stories
- Additional outcomes for residents:
  - Achieved a financial goal
  - Paid rent on time more often
  - Accessed an affordable car loan, personal loan, credit card, or mortgage
  - Increased housing mobility and options

Below are some tools and resources providers can use to track impact:

- Credit reports
- Credit scores tracking form (discussed in 'Launch' on page 11)
- Administrative data to assess changes in on-time payment history
- Resident surveys – pre- and post-enrollment
- Resident check-ins
- Resident stories



Rental payment data will appear on all credit reports but are only factored into newer credit scoring models including FICO® Score 9, FICO® Score 10/10T, VantageScore® 3.0 and VantageScore® 4.0.

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By planning, launching, and monitoring a rent reporting program, HUD Multifamily Owners can benefit themselves, their residents, and their community.

For additional resources, visit the Rent Reporting Center website.



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