

Date of Hearing: August 12, 2020

ASSEMBLY COMMITTEE ON JUDICIARY

Mark Stone, Chair

SB 1157 (Bradford) – As Amended July 28, 2020

SENATE VOTE: 29-4

SUBJECT: TENANCY: CREDIT REPORTING: SUBSIDIZED HOUSING

KEY ISSUE: SHOULD LANDLORDS OF ASSISTED HOUSING DEVELOPMENTS BE REQUIRED TO OFFER TENANTS THE OPTION OF HAVING THEIR RENTAL PAYMENT INFORMATION REPORTED TO A CONSUMER CREDIT BUREAU, IN ORDER TO ASSIST THESE TENANTS WITH BUILDING THEIR CREDIT HISTORIES?

SYNOPSIS

This worthwhile bill requires any landlord of an assisted housing development, as defined, beginning on July 1, 2021, to offer each tenant obligated on a lease the option of having the tenant's rental payment information reported to at least one nationwide consumer reporting agency. The intent of the bill is to address the lack of credit history common amongst low-income individuals, which is a self-perpetuating barrier to many financial opportunities. By allowing tenants of assisted housing developments the opportunity to build their credit history in this manner, this bill seeks to aid these individuals in accessing lines of credit and increasing economic mobility.

The bill has been carefully crafted to address several areas of concern. Rental payment reporting has the potential to negatively impact the credit scores of tenants who have missing or late payments, making it imperative that tenants elect to participate in rent reporting with full, knowing consent. Further, tenants must be safeguarded from the potential negative impacts of lack of payment of the service fee associated with rent reporting. Finally, due to the administrative and cost burden this bill places on landlords of assisted housing developments, small-scale, non-corporate landlords are exempted from the requirements in this bill.

The bill is co-sponsored by Credit Builders Alliance, Mission Asset Fund, and Prosperity Now, and supported by many other nonprofit organizations. The bill is opposed by several rental housing associations and one affordable housing management organization.

SUMMARY: Requires any landlord of an assisted housing development, as defined, to offer each tenant obligated on a lease the option of having the tenant's rental payment information reported to at least one nationwide consumer reporting agency. Specifically, **this bill:**

- 1) Requires, beginning July 1, 2021, any landlord of an assisted housing development to offer the tenant obligated on the lease of each unit in that housing development the option of having the tenant's rental payment information reported to at least one consumer reporting agency that meets one of the following criteria:
 - a) Regularly engages in the practice of assembling and maintaining public record and credit account information for the purpose of furnishing consumer reports to third parties bearing on a consumer's credit worthiness, credit standing, or credit capacity, public

record information, and specified credit account information regarding consumers residing nationwide; or

- b) Regularly engages in the practice of assembling or evaluating consumer credit information or other consumer information for the purpose of furnishing consumer reports to third parties *and* resells or otherwise furnishes rental payment to a nationwide consumer reporting agency, as described in a).
- 2) Requires that a tenant's election to have rent reported to a consumer credit agency be in writing.
 - 3) Requires that the offer of rent reporting include a written election of rent reporting that contains specified elements, including information about the terms of the reporting agreement, the rights of the tenant to opt in or out of reporting, and instructions for participation.
 - 4) Requires the landlord, when the offer of rent reporting is made, to provide the tenant with a self-addressed, stamped envelope with which to return the written election of rent reporting.
 - 5) Prohibits the landlord from accepting the written election to begin rent reporting from the tenant at the time of the offer. Allows a tenant to submit their completed written election of rent reporting at any time after they receive the offer of rent reporting from the landlord. Requires that the landlord provide additional copies of the written election of rent reporting form at any time, if requested by the tenant.
 - 6) Requires that, for leases entered into on and after July 1, 2021, the offer of rent reporting be made at the time of the lease agreement and at least once annually thereafter. Requires, for leases outstanding as of July 1, 2021, the offer of rent reporting be made no later than October 1, 2021, and at least once annually thereafter.
 - 7) Authorizes, if a tenant elects to have rental payments reported to a consumer reporting agency, the landlord to require the tenant to pay a fee not to exceed the lesser of the actual cost to the landlord to provide the service or \$10 per month. Prohibits the landlord from reporting the payment or nonpayment of this fee by the tenant to a consumer reporting agency.
 - 8) Prohibits the landlord from using a tenant's failure to pay the fee described in 7) as cause for termination of the tenancy. Prohibits the landlord from deducting any unpaid fee from the tenant's security deposit. Authorizes the landlord to stop reporting the tenant's rental payments if the fee remains unpaid for 30 days or more. Prohibits a tenant who fails to pay the fee for a period of longer than 30 days from being allowed to elect rent reporting again for a period of at least six months from the date on which the fee first became due.
 - 9) Authorizes a tenant who elects to have rent reported to subsequently file a written request with their landlord to stop that reporting and requires the landlord to comply with this request. Prohibits a tenant who elects to stop reporting from being allowed to elect rent reporting again for a period of at least six months from the date of the tenant's written request to stop reporting.

- 10) Requires that if a tenant lawfully makes deductions from rent or otherwise withholds rent to address an unresolved repair or habitability issue, as provided, that this deduction or withholding of rent does not constitute a late rental payment.
- 11) Exempts any landlord of an assisted housing development that contains 15 or fewer dwelling units from the requirements of this bill, unless that landlord owns more than one assisted housing development and is either a real estate investment trust, a corporation, or a limited liability company with at least one member corporation.
- 12) Defines “landlord” as the owner of a residential real property containing five or more dwelling units.
- 13) Sunsets the bill as of July 1, 2025.

EXISTING LAW:

- 1) Defines “assisted housing development” as a multifamily, rental housing development that receives government assistance under specified federal, state, and/or local programs, including rental assistance, mortgage insurance, interest reductions, and/or direct loan programs. Includes in the definition of “assisted housing development” project-based Section 8 housing, but not individual units rented as part of the Housing Choice Voucher program. (Government Code Section 65863.10.)
- 2) Regulates how a consumer's credit information is obtained, how long it is kept, and how it is shared by credit reporting agencies. States a goal of promoting accuracy and fairness of credit reporting. (Fair Credit Reporting Act, 15 U.S.C. Section 1681.)
- 3) Defines “consumer reporting agency” as any person (defined broadly to include any individual, partnership, corporation, trust, estate, cooperative, association, government or governmental subdivision or agency, or other entity) who regularly engages in the practice of assembling or evaluating consumer credit information or other consumer information for the purpose of furnishing consumer reports to third parties. (15 U.S.C. Section 1681a (b), (f).)
- 4) Defines “consumer reporting agency that compiles and maintains files on consumers on a nationwide basis” as a consumer reporting agency that regularly engages in the practice of assembling or evaluating, and maintaining, public record and credit account information for the purpose of furnishing consumer reports to third parties bearing on a consumer’s credit worthiness, credit standing, or credit capacity, public record information, and specified credit account information regarding consumers residing nationwide. (15 U.S.C. Section 1681a (p).)
- 5) Requires the lessor of a building intended for the occupation of human beings to, in the absence of an agreement to the contrary, put the building into a condition fit for such occupation, and repair all subsequent dilapidations thereof, which render it untenable, with several exceptions. Authorizes the tenant, if the landlord neglects to make these repairs, to make the repair themselves and deduct the expenses of such repair from the rent when due. (Civil Code Sections 1941-1942.)
- 6) Describes the circumstances under which a tenant of real property is guilty of unlawful detainer, including when they continue in possession, without permission of their landlord,

after default in payment of rent pursuant to the lease or agreement under which the property is held. (Code of Civil Procedure Section 1161.)

FISCAL EFFECT: As currently in print this bill is keyed non-fiscal.

COMMENTS: The lack of a credit history limits financial opportunities. To help alleviate this problem, SB 1157 would provide low-income tenants of assisted housing developments the opportunity to have their rental payment information reported to consumer reporting agencies, adding to their credit history. To do so, this bill requires landlords of these developments, with the exception of some landlords of developments with 15 or fewer units, to offer tenants the option of having their rental payment information provided to consumer reporting agencies.

In support of the bill, the author writes:

Low-income individuals and people of color are more likely than others to be credit invisible or have damaged credit scores. As a result, they often pay more to borrow money and to obtain certain basic services whose cost is based on creditworthiness. However, many of these same individuals regularly pay their rent on time and in full. Housing costs are the single biggest component of most Californians' monthly budgets; responsibly paying those costs should reflect positively on a person's credit score, regardless of whether they rent or own. SB 1157 gives renters credit for paying their rent on time.

Lack of credit history as a barrier to financial opportunity. Having an established credit history is critical to accessing lines of credit and fully participating in mainstream financial services. Credit checks are frequently required for participating in common transactions like renting an apartment, buying a house, obtaining basic utility services or a cell phone, getting a credit card, and borrowing money from a bank. Some employers even check an applicant's consumer credit record as part of the hiring process. When obtaining loans or a line of credit, a lack of credit history also affects the amount of the required monthly payment and interest rate, which can result in individuals paying much more in the long term. Further, limited credit history can seriously impact the ability of consumers to withstand financial shocks and achieve financial stability after emergency situations require them to borrow money using higher-cost alternatives to traditional credit products.

Those with limited credit histories are considered either "credit invisible," meaning they have no National Credit Reporting Agency (NCRA) credit records, or "unscorable," meaning they have insufficient credit histories to generate a credit score (either because their credit record contains insufficient information or has no recent reported activity). Unfortunately, establishing a credit history by enrolling in services or obtaining loans can be very difficult, and often requires having some credit history to begin with. Some are able to begin establishing a credit history early in their lives through access to a co-signor with good credit or by being authorized as a user on someone else's credit card account. For those who do not have these options, establishing a credit history can be enormously challenging, forcing them to make inflated deposits to obtain things like housing or utility services, steering them away from keeping money in interest-bearing accounts and driving them into the hands of financial services with hefty fees and high interest rates, like payday lenders and check-cashing companies.

A report by the Consumer Financial Protection Bureau (CFPB) reported that a lack of credit history disproportionately impacts low-income communities and people of color. Key points from this report include:

- As of 2010, 26 million consumers in the United States were credit invisible, representing about 11 percent of the adult population. An additional 19 million consumers, or 8.3 percent of the adult population, had credit records that were treated as unscorable by a commercially-available credit scoring model. . . .
- There is a strong relationship between income and having a scored credit record. Almost 30 percent of consumers in low-income neighborhoods are credit invisible and an additional 15 percent have unscored records. . . .
- Blacks and Hispanics are more likely than Whites or Asians to be credit invisible or to have unscored credit records. About 15 percent of Blacks and Hispanics are credit invisible (compared to 9 percent of Whites and Asians) and an additional 13 percent of Blacks and 12 percent of Hispanics have unscored records (compared to 7 percent of Whites). These differences are observed across all age groups, suggesting that these differences materialize early in the adult lives of these consumers and persist thereafter.

(Brevoort, Grimm, and Kambara, U.S. Consumer Financial Protection Bureau, *Data Point: Credit Invisibles* (May 2015), available at

https://files.consumerfinance.gov/f/201505_cfpb_data-point-credit-invisibles.pdf (as of August 2, 2020).)

The CFPB also reports that the Los Angeles-Long Beach-Anaheim metropolitan area alone had over 1.7 million individuals who were either credit invisible or had unscorable credit histories.

(U.S. Consumer Financial Protection Bureau, *Who are the credit invisibles? How to help people with limited credit histories* (Dec. 2016), available at

https://files.consumerfinance.gov/f/documents/201612_cfpb_credit_invisible_policy_report.pdf

(as of August 2, 2020).) In the same report, the CFPB suggested several methods for building credit history, including secured credit cards, credit builder loans, retail store credit cards, and, of particular relevance for this bill, new programs to report tenant rental payments.

Reporting rental payments of assisted housing development tenants: pilot programs. As suggested by the CFPB in their December 2016 report, one way to build credit history is by reporting tenant's rental payments to one of the major consumer reporting agencies (Equifax, Experian, or TransUnion; also referred to as credit bureaus). Though many landlords may report late or missed rental payments to credit bureaus, most landlords are not submitting their tenants' "full-file" (positive and negative) rental payment history. With over 45 percent of Californians renting their housing, many Californians are missing the opportunity to have their on-time rent payments positively affect their credit score. Several organizations have done studies or pilot programs that look at the effect of reporting the full rental history of low-income tenants to the major consumer reporting agencies, and several have found that this has a positive impact on most of those tenants' credit scorability and credit scores.

The Credit Builders Alliance (CBA), one of the sponsors of this bill, and Citi Foundation conducted a pilot program in collaboration with eight affordable housing providers nationwide, including the East Bay Asian Local Development Corporation in California. A total of 1,255 tenants opted to participate in the pilot and have their rental payments reported to Experian. After two years, CBA analyzed the resulting impact on tenant credit and reached the following conclusions:

- All residents participating in the pilot who initially had no credit score had either a high nonprime or prime score with the inclusion of their rental payment history.
- A large majority (79 percent) of participants experienced an increase in credit score, with an average increase of 23 points.
- A small number of pilot participants (14 percent) experienced no change in their credit score after including the rental trade line, and an even smaller number (7 percent) experienced a decrease in credit score.

(Chenven and Schulte, Credit Builders Alliance and Citi Foundation, *The Power of Rent Reporting Pilot: A Credit Building Strategy* (2015), page 5, available at <https://creditbuildersalliance.org/wp-content/uploads/2019/06/CBA-Power-of-Rent-Reporting-Pilot-White-Paper.pdf> (as of August 2, 2020).)

General studies of the impact of rent payment reporting on credit conducted by the credit reporting agencies Experian, TransUnion, and RentTrack showed similarly positive results, though these companies have a financial incentive to encourage greater use of their services.

A study commissioned by the U.S. Department of Housing and Urban Development (HUD) conducted a series of simulations using rental payment data from three public housing authorities (PHAs) in Seattle, Washington; Louisville, Kentucky; and Cook County, Illinois to assess the impact of reporting full rental history of residents in the PHAs on their credit scores. The study did not actually report rent payments to credit agencies but simulated the reporting of rent payments. The result of full rental payment reporting varied with the model used. Key findings of that study included:

- The addition of the full-file PHA rental payment data both raised and lowered credit scores, with more score increases than decreases. In one scoring model the score changes were nearly symmetric with 23 percent of tenants having score increases and 20 percent having score decreases. For the second model, 61 percent had credit score increases while only 22 percent had score decreases.
- The addition of the full-file PHA rental payment data tended to dramatically reduce unscorability. With the 2014 credit scores, the rate of unscorability fell from 49 percent to 7 percent in one model and fell from 11 percent to 0 percent in the other model with the addition of full-file rental payment data. . . .
- The share of consumers who were scorable and had credit scores above 620 noticeably increased with the addition of the full-file rental payment data.

(U.S. Department of Housing and Urban Development Office of Policy Development and Research, *Potential Impacts of Credit Reporting Public Housing Rental Payment Data* (Oct. 2019), available at <https://www.huduser.gov/portal/sites/default/files/pdf/Potential-Impacts-of-Credit-Reporting.pdf> (as of August 2, 2020).)

In light of the above described studies and pilot programs, this bill seeks to make California the first state in the nation to require landlords of assisted housing developments to offer tenants the option of having their rental payments reported to at least one of the major credit reporting agencies.

Practical considerations to rental payment reporting: credit agencies, third-party servicers, and fee for participation. To provide payment history to consumer reporting agencies directly, a landlord would need to become a data furnisher. However, the resources and economic costs associated with adding a furnisher are such that NCRAAs generally require prospective furnishers to report a minimum of 100 to 200 active accounts per month. This would preclude many assisted housing development landlords from directly reporting rental payment information. However, many options exist that would allow landlords of smaller developments to report rental payment information through a third-party servicer or via a subscription with a consumer reporting agency. Currently, there are several third-party servicers that will report a tenant's rental payments to one or more of the major consumer reporting agencies for a fee. Many services charge an enrollment fee of between \$25 and \$145 plus monthly fees of less than \$10. Many of these servicers already work with landlords for verification of payments.

Some opponents of the bill raised concerns that the administrative cost of reporting was being placed solely on the landlord. In order to address these concerns, this bill would authorize a landlord to charge a fee to a tenant who elects to have the tenant's rental payments reported. Because of the low income of tenants in assisted housing developments, the fee was limited in amount to the actual cost to the landlord to provide the service or \$10 per month, whichever is less. It is anticipated that landlords will be able to recoup all or nearly all the fees they may be charged by third-party servicers through the fee that they are authorized to charge the tenant for participating in the rental payment reporting program. Should there be any minimal shortfall, it is important to note that landlords of assisted housing developments have received subsidies from the public in the form of loans, grants, funds, and below market-rate sales and leases. This bill would require the landlords of larger-scale developments to serve the public interest by allowing tenants to build their credit history and gain greater access to mainstream financial services and, ultimately, greater financial security.

Concerns about impacts on small-scale landlords. Because this bill would impose certain administrative and cost burdens on landlords of assisted housing developments, the author consented to amend the bill to exclude landlords of developments that contain 15 or fewer units, with exceptions. This exclusion does not hold if that landlord owns more than one assisted housing development *and* the landlord is a real estate investment trust, a corporation, or a limited liability company in which at least one member is a corporation. The author further sought to clarify that this bill applies only to landlords of developments with five or more units (i.e., multi-family residential properties). This would exempt landlords of single-family residential properties, variously defined in the California Code as containing up to four dwelling units (*see, e.g., Civil Code Section 2079.13 (l)(1)*), from the requirement to provide the option of rental payment reporting to their tenants. The goal of this exemption is to avoid placing an onerous burden on small-scale, non-corporate landlords who are likely to own these smaller properties.

In order to clarify that all corporate landlords owning multiple assisted housing developments should be required to meet the obligations listed in this bill, the author amended the bill to clarify that these landlords are required to offer the reporting described in this bill *regardless of whether the development has more or fewer than 5 units*.

Potential for negative impact on tenants' credit scores. The full-file (positive and negative) rental payment reporting described in this bill will result in the reporting of on-time as well as late and missed rental payments, meaning that opting in to this program could result in the lowering of a tenant's credit score. It is not uncommon for low-income individuals living in

assisted housing developments to struggle with inconsistent income, putting them at higher risk for late or missing rental payments. Combined with the increased financial and housing insecurity that will inevitably result from the COVID-19 pandemic, there is an increased likelihood that low-income renters will be missing rental payments.

However, only payments more than 30-days late would be reported as missing to the credit bureaus. This is explained in the study done by HUD: “The rental data, like other credit-reported data, were reported in or transformed to 30-day buckets. For example, consumers who paid their rent within 30 days of the due date were considered on time, those who paid between days 30 and 59 were counted as 30 days past due, and so on.” (U.S. Department of Housing and Urban Development Office of Policy Development and Research, *Potential Impacts of Credit Reporting Public Housing Rental Payment Data* (Oct. 2019), available at <https://www.huduser.gov/portal/sites/default/files/pdf/Potential-Impacts-of-Credit-Reporting.pdf> (as of August 2, 2020).)

Ensuring that tenants provide full, knowing consent to rental payment reporting. Due to the risk of tenants harming their credit by opting into rental payment reporting, it is imperative that tenants understand the risks and give full, knowing consent to participating in the bill’s rental payment reporting program. To this end, the author has made several amendments to SB 1157 that ensure that tenants fully understand the terms of the reporting agreement (including fees, how to opt-in or opt-out, and the reporting of missed or late payments), provide clear written consent to opt-in to reporting, and do not feel any pressure to opt in. Under these amendments, a landlord must provide their tenants with specific content for the written notice of the offer to report rental payment information that includes:

- A statement that reporting of the tenant’s rental payment information is optional.
- Identification of each consumer reporting agency to which rental payment information will be reported.
- A statement that all of the tenant’s rental payments will be reported, regardless of whether the payments are timely, late, or missed.
- The amount of any fee to be charged.
- Instructions on how to submit the written election of rent reporting to the landlord by mail.
- A statement that the tenant may opt into rent reporting at any time following the initial offer by the landlord.
- A statement that the tenant may elect to stop rent reporting at any time, but that they will not be able to resume rent reporting for at least six months after their election to opt out.
- Instructions on how to opt out of reporting rental payment information.
- A signature block that the tenant must date and sign in order to accept the offer of rent reporting.

The intention of including these requirements is to inform the tenant about their rights and responsibilities in opting in or out of the program and the potential to gain negative credit history from opting into the program, and to make the election to take part in reporting as clear as possible. These requirements will also protect the landlord if a litigious tenant seeks recourse in the event that the reporting negatively impacts their credit score.

Another series of amendments avoid the possibility of tenants feeling pressure to opt-in to the program at the time of lease signing when they are also signing many other documents that are

required for them to access their housing. The intention of these amendments is to separate the reporting opt-in process from the process of securing housing by delaying acceptance of the written election of reporting while also providing flexibility and a low-effort mail-in option for tenants to opt in. In particular, the landlord, when making the offer of rent reporting, must provide the tenant with a self-addressed, stamped envelope to return the written election of rent reporting. The bill specifically provides that the landlord cannot accept the tenant's written opt-in at the time the offer is made. Instead, the tenant may submit their completed written election of rent reporting at any time *after* they receive the offer of rent reporting from the landlord.

While these restrictions may contribute to fewer initial opt-ins for the program, this process helps ensure that tenants will be giving knowing consent to the program and that landlords will be protected from accusations that tenants did not understand what they were signing.

Avoiding potential negative impacts of the new fee on the housing security or financial well-being of tenants. While the tenant may view the fee associated with electing rent reporting as an investment in their financial future, it is important that the fee not impose additional burdens on tenants living in poverty. To this end, the author has amended the bill to clarify that the payment or non-payment of the fee is not to be reported as part of the rental payment reporting program and to ensure that non-payment of the fee associated with the program is not grounds for eviction or deduction from the security deposit. These amendments also make clear that failure to pay the fee is equivalent to opting out of the program and frees the landlord of the obligation to continue reporting the tenant's rental payments.

Protecting the right of tenants to withhold rent under warranty of habitability. This bill also addresses concerns about the rights of tenants to withhold or deduct repair costs from rental payments when the landlord fails to make necessary repairs to maintain the habitability of the building. Under California law, a tenant that tires of waiting for a landlord to make certain repairs may, by following specified procedures, pay for or make the repair directly and lawfully deduct the cost of the repair from the following month's rental payment. (Civil Code Section 1942.) While it can be difficult and risky for tenants to exercise these rights in practice, it is still imperative that this bill not interfere with the ability of tenants to do so by allowing landlords to report a tenant exercising these rights as late on the rent payment, ultimately forcing the tenant to choose between their legal rights and their credit history.

For this reason, the bill specifies that a tenant who elects to have rent reported does not forfeit their rights to repair and deduct under Sections 1941-1942 of the Civil Code. The bill also specifies that a tenant who makes deductions from rent or otherwise withholds rent as authorized by those sections is not making a late rental payment, and the landlord cannot report their payment as late or missing to a consumer reporting agency. In order to remove any possible ambiguity, this bill also specifically provides that it is not intended to alter the landlord's obligation to maintain habitable premises in any way.

Uncertainty of ultimate impact of this bill on credit of low-income tenants warrants sunset. Because of the uncertainties around the guarantee of tenant protections, including free and knowing consent to participation in rent reporting, and the total impact of this program on the credit histories of tenants, be it positive or negative, the bill rightly includes a sunset date of July 1, 2025. This will allow the Legislature to evaluate the impacts of this policy and determine if further changes need to be made and if the program should be continued.

The National Housing Law Project raises concerns about, but does not oppose, the bill. The National Housing Law Project, while neither in support or opposition of the bill, states several concerns with SB 1157 that recent amendments discussed above have sought to address:

While the bill seeks to make the program optional for tenants, any opt-in to the program is likely to be part of the many documents that tenants sign when they are leasing a rental. If the opt-in is just part of that stack of paperwork, many tenants will enroll in the program without understanding it or even knowing what they signed. In addition, while the program is technically optional, the refusal to enroll in the program may appear as a tacit admission that the tenant expects to pay rent late. . . .

Many lower income people struggle with inconsistent income and cash flow issues, and that results in late rent payments. While some tenants may be able to take advantage of this program, other may have their credit harmed as part of the process. . . . The proliferation of tenant screening companies has resulted in many tenants being categorically excluded from sections of the rental market for some combination of credit score, criminal record and eviction record. If past landlord debt is more frequently reported to CRAs, the most vulnerable renters will be marginalized even more. . . .

There have only been a handful of pilot projects to connect rent payments to credit reporting and many of those have only reported on-time rent payments and have not reported any adverse information about a tenant. The National Housing Law Project has significant concerns about instituting this program in California without adequate understanding of its implications and without addressing the real world ways in which this kind of reporting may hurt the most vulnerable renters in the state.

ARGUMENTS IN SUPPORT: Credit Builders Alliance, co-sponsor of SB 1157, writes in support of the bill:

Renters are more likely to have lower-income and lower-wealth than homeowners. In addition, renters are seven times more likely to have a minimal credit history that is deemed unscorable by the credit bureaus compared to homeowners. Many have limited opportunities to build credit history, which directly affects their ability to get and stay ahead in today's economy. Reporting rental payments to the major credit bureaus offers low-income renters an opportunity to build credit as a financial asset without taking on additional debt. . . .

Rent reporting has high impact because it is place-based, simple, and scalable through housing providers. As a first-in-the nation bill that requires landlords who own or manage subsidized multi-family residential properties to offer their tenants the option of having their rent payments reported to a major credit bureau, SB 1157 could move the needle on helping Californians in an estimated 500,000 households establish or improve their credit scores.

ARGUMENTS IN OPPOSITION: In opposition to the bill, the Apartment Association of Orange County, East Bay Rental Housing Association, the Apartment Association, California Southern Cities, and the Affordable Housing Management Association-PSW write:

SB 1157 as it currently reads puts all options for reporting in the hands of the tenant, all liability for administrative costs associated with reporting are born by the landlord while he/she is left with no option to determine what that reporting entails, or to contribute to that process. This is offensive, not only to the notion and concept of fair dealings, but

traditionally such an agreement does not comport with the concept of equal bargaining power. . . .

What SB 1157 proposes is also offensive to public policy, as the one required to provide remedy for an ill in this case assisted housing development landlords, generally receive no net benefit from the remedy they are required to provide. Most “assisted housing development” landlords provide an essential and in this climate, an invaluable function. To place any burden or constraint on their ability to provide such a service, by enacting a proposal that would require greater economic resources on their part would not be prove to be prudent.

Prior Related Legislation: SB 619 (Hueso, 2019) would have created a pilot program in which tenants living in some large, state-subsidized housing developments could choose to have their rent payments reported to the major credit reporting agencies. SB 619 passed the Senate on a 38-0 vote but was not heard in the Assembly at the request of the author.

REGISTERED SUPPORT / OPPOSITION:

Support

Credit Builders Alliance (co-sponsor)
 Mission Asset Fund (co-sponsor)
 Prosperity Now (co-sponsor)
 Able Works
 All Home
 Barrio Action Youth and Family Center
 Bay Area LISC (Local Initiatives Support Corporation)
 California Coalition for Rural Housing
 CAMEO - California Association for Micro Enterprise Opportunity
 CCCSMD - Consumer Credit Counseling Services of Maryland
 Citizen Potawatomi Community Development Corporation
 Community Financial Resources
 East Bay Asian Local Development Corporation
 Haven Neighborhood Services
 Highland Realty
 Housing and Economic Rights Advocates (HERA)
 Justine Petersen Housing and Reinvestment Corporation
 Mission Economic Development Agency (MEDA)
 MyPath
 National CAPACD (Coalition for Asian Pacific American Community Development)
 New Economics for Women
 North County Lifeline
 One Treasure Island
 Opportunity Fund
 Peninsula Family Service
 Rubicon Programs
 Soboba Tribal Credit Union
 The Financial Clinic
 Western Center on Law & Poverty

Working Solutions
World Institute on Disability

Opposition

Affordable Housing Management Association, Pacific Southwest
Affordable Housing Management Association, Northern CA Hawaii
Apartment Association of Orange County
Apartment Association, California Southern Cities
East Bay Rental Housing Association

Analysis Prepared by: Emily Wonder & Jith Meganathan / JUD. / (916) 319-2334