July 12, 2018

The Honorable Mike Crapo, Chairman
Banking, Housing & Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20515

The Honorable Sherrod Brown, Ranking Member
Banking, Housing & Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20515

Dear Chairman Crapo and Ranking Member Brown:

The National Multifamily Housing Council (NMHC) and National Apartment Association (NAA) applaud the Committee for calling a hearing entitled "An Overview of the Credit Bureaus and the Fair Credit Reporting Act." As an industry that relies heavily on accurate consumer and credit reporting, we appreciate the Committee exploring these issues.

For more than 20 years, the National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA) have partnered on behalf of America's apartment industry. Drawing on the knowledge and policy expertise of staff in Washington, D.C., as well as the advocacy power of more than 160 NAA state and local affiliated associations, NAA and NMHC provide a single voice for developers, owners and operators of multifamily rental housing. One-third of all Americans rent their housing, and 39 million of them live in an apartment home.

There has been a fundamental change in our nation's housing dynamics as changing demographics and lifestyle preferences have driven more people away from the typical suburban house and towards the convenience of renting. Fueled by a growing population, demand for rental housing by younger Americans, immigration trends, and Baby Boomers and other empty nesters trading in single-family houses for apartments, apartment renter demand keeps growing: 2017 saw the biggest pickup in apartment renting since 2000.

Apartment owners and operators have long called for policymakers and the consumer reporting industry, together, to better enable our nation's renters the ability to build a financial profile that allows them to attain the many benefits that come with it. Historically, credit reporting agencies have not captured a complete picture of the financial performance of renters. Existing credit scoring models that drive approvals, interest rates and other terms of apartment leases, car loans, insurance products, home mortgages and other financial products often do not accurately reflect the creditworthiness of renters. Apartment living now attracts a wide variety of Americans and will continue to do so making it all the more important that credit reports and scoring models are modernized and adopted so as not to prevent our nations renters from being put at a financial disadvantage.

In fact, in a study released in 2015 by the Consumer Financial Protection Bureau, over 45 million consumers were either credit invisible or were unscorable by existing credit models.[1] This disparity has drawn the attention of the financial industry and regulators who began to seek ways

[1] Data Point: Credit Invisibles, The CFPB Office of Research, May 2015, page 6

to incorporate more financial data into credit decisions. As an example, as part of the 2015 and 2016 Enterprise Scorecards the Federal Housing Finance Administration (FHFA) has directed Fannie Mae and Freddie Mac to begin looking for ways to evaluate and underwrite a mortgage when a borrower does not have a credit score. In another example from 2013, Experian created Rent Bureau, a credit reporting system targeted to the multifamily industry whereby apartment owners can voluntarily report rental payment information for its residents and allow a more complete financial profile to be built.

Today more credit reporting agencies and central data aggregators are collecting alternative data such as rental payments, medical payments, utility payments and other payment records. The credit reporting industry has migrated towards collecting the required information to create a deeper financial picture of the broader population. The limitation that remains today is that the most widely used credit scoring model- FICO Classic - does not incorporate this additionally reported data. Credit scoring models are evolving to include this new data as well as to update their existing algorithms for evaluating credit decisions. NMHC/NAA applaud this movement as it will improve and inform credit decisions regarding renters who may have been credit invisible, unscorable or whose payments may not have been recognized previously in existing credit scoring models.

NMHC/NAA urge policymakers to recognize the many benefits of alternative credit scoring models that incorporate a broader and more complete financial picture of renters. Again, we thank you for holding this important hearing and for the opportunity to present the views of the multifamily industry.

Sincerely,

Douglas M. Bibby
President
National Multifamily Housing Council

Robert Pinnegar, CAE
President & CEO
National Apartment Association