



Earning Credit For Paying Rent

By Michelle Singletary

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Michael G. Nathans has long thought that renters in this country are treated as second-class credit citizens.

Millions of folks pay their rent on time and yet, when it's time for them to get a mortgage, all those on-time payments aren't part of the all-important score that lenders use to determine whom to grant credit and at what interest rate.

So Nathans, whose Maryland-based company was already in the credit-reporting business, decided to create a new credit bureau for renters. It's called Pay Rent, Build Credit Inc. (PRBC for short). It's a free, Web-based service that allows consumers to submit information to verify they have paid their rent.

"There are 35 million renters in this country, and they are not getting credit for on-time rent payments," Nathans said in an interview. "Rent payments can be the size of mortgage payments. We've given 'equal credit opportunity' a whole new meaning."

But it's just not rent payments that are not considered in credit scoring. What about all those on-time cable, utility and day-care payments you make every month?

Shouldn't consumers get credited for paying those bills on time, too?

Nathans thinks so. And so do I.

Just think. If the almighty credit-scoring models took such payments into account, perhaps many people wouldn't get trapped into charging so much on their credit cards in the name of building a good credit history.

Nathans said the PRBC credit bureau would enable consumers to build a credit history using many payments (rent, utilities, auto insurance, even self-storage-unit payments) not typically reported to the major credit bureaus.

I think Nathans is right when he says that if his service becomes successful, it could be a significant development for first-time home buyers. This new credit bureau would especially benefit black and Hispanic consumers, who lag significantly behind whites in home ownership but often have good rent-paying histories that are not included in credit-scoring models.

CitiMortgage, the mortgage unit for financial giant Citigroup Inc., believes what Nathans is doing is so revolutionary that it has signed a three-year subscriber agreement to receive data from PRBC.

"We see this as very important in providing mortgages to customers with nontraditional credit," said Jeffery Polkinghorne, chief credit officer for CitiMortgage. "The whole reason to do this is to reach out to those in the community who are having difficulty qualifying for mortgages."

CitiMortgage does take into account a loan applicant's rental-payment history, but that can be a time-consuming process, Polkinghorne said.

"Eventually I hope we can build a credit-score model for rental payments," he said.

A rent-payment database would greatly help people with little or no credit history, agrees Craig Watts, the consumer affairs manager for Fair Isaac Corp., the company that developed the widely used FICO credit-scoring model.

"One big hurdle to creating such tools is the lack of centralized sources for such data on a national level. It's possible that PRBC will become that kind of centralized source," Watts said.

As with any other credit agency, PRBC is governed by the Fair Credit Reporting Act, which means only those with permissible purposes under federal law can access information in the company's database.

The PRBC service is offered electronically only. To register, go to www.payrentbuildcredit.com. PRBC offers the following three ways for consumers to enter bill payment information in its database:

- You can register online and list information for bills you want tracked, such as your rent, utility, insurance, day care, telephone and cable payments. You then have to take proof of payment and account information (a signed lease, utility bill, canceled check) to a PRBC third-party verifier, which might be a participating bank, credit union, licensed real estate agent, mortgage broker or accountant. You would need to input the information only once. Also, PRBC requires that verification partners certify that they have no conflicts of interest in the data they provide to PRBC on your behalf. In other words, they must certify that they are not helping you qualify for a loan or to buy a house for which they will earn a fee or commission. This service is so new there aren't many verification partners, Nathans said. But eventually consumers will be able to type in their Zip code and find a payment verifier near them, he said.
- If you pay your bills online, you may be able to have your bank or credit union send information about payments electronically to the PRBC database.
- If you rent from a PRBC landlord partner, you would register online and your landlord would automatically report your rent payments. If you have a roommate, you would have to produce a notarized statement signed by you and your roommate stipulating your respective shares of the rent and/or other bills. You would then have to take the statement to a PRBC partner.

Admittedly the PRBC service may be a time-consuming process, and you may have to ask your local bank to become a PRBC partner. If that doesn't work, you can still register with PRBC and when your bank, credit union or local financial professional signs on and can verify your payments, your information can be officially included in the PRBC database. But persistence will be worth your patience and effort if in the end your on-time rent payments help you get a home loan.

Michelle Singletary discusses personal finance Tuesdays on NPR's "Day to Day" program and online at www.npr.org. Readers can write to her in care of The Washington Post, 1150 15th St. NW, Washington, D.C. 20071, or send e-mail to singletarym@washpost.com.