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The Nation's Housing

Kenneth R. Harney



Renters Soon Get a Chance To Boost Credit Records

By *Kenneth R. Harney*

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Should millions of American renters' on-time payments to landlords be ignored as key elements of their credit files when they want to buy a first home? Should their credit scores routinely be depressed as a result?

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Aren't on-time payments of rent functionally the same as on-time mortgage payments? Isn't the same true for on-time utility, phone and insurance payments, none of which typically make it into credit files?

Whatever your answers, the cold reality is this: The big three national credit bureaus are not set up to track monthly rental payments or to factor them into credit scores. That, in turn, creates problems for large swaths of the population -- especially young consumers, minorities and recent immigrants -- when they apply for a mortgage to buy a house. Much of their credit performance goes untracked by the national credit system, and they score lower as a consequence.

The inevitable result: They are quoted higher interest rates for their loans, and they pay higher fees to their lenders.

But that's about to change dramatically. A new national credit bureau, based in Annapolis, is gearing up operations, and its sole mission is to track the payments that nobody else tracks. The new bureau -- PRBC (Pay Rent, Build Credit) -- plans to create electronic files on 10 million renters nationwide in the next 60 months.

Consumers of all types -- tenants, college students and homeowners -- who make payments that are never reflected in standard credit reports can now

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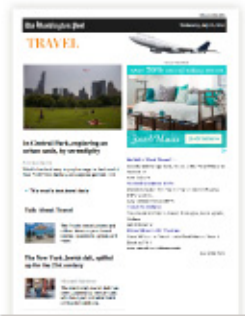
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register with the new bureau online (www.payrentbuildcredit.com). There is no charge. Consumers without access to the Internet will need to seek assistance from someone who does have it -- a realty agent, a credit counselor, a local nonprofit or church-related group, or a local branch of a cooperating organization such as the National Urban League.

There will "never be a charge to consumers" for using the service, according to PRBC's founder and chief executive, Michael G. Nathans. The bureau expects to earn revenue by selling hundreds of thousands of supplemental credit reports a year to lenders. One of the country's major home lenders, CitiMortgage, signed on as a charter subscriber in late December, and "many" of the largest players in the primary- and secondary-mortgage markets are exploring contractual arrangements with PRBC and are expected to subscribe in the coming months, according to Nathans.

Unlike with the existing credit bureaus, consumers will have 24/7 access to their online files whenever they wish to review them. Equally significant, Nathans said, is that PRBC will never provide consumers' payment histories to lenders without express permission.

"Our core idea is that to become a part of the financial mainstream, you need to pay your bills on time," he said. "But if your payments are not being tracked, you are not getting the benefits that you deserve. So we are providing a way to do so."

Although large landlords can sign up as data providers, Nathans expects the bulk of PRBC's information will come from banks. Millions of tenants already pay their rent, utilities, insurance and other monthly bills online via bank Web sites. Nathans has also reached an agreement with PayPal, an online payment service that consumers without formal banking relationships can use as an alternative. PRBC will also accept payment histories from other sources -- including phone, credit and debit cards -- as long as the source can send a date-stamped electronic "receipt" of payment to verify the transaction.

When the system is fully operational, Nathans said, the Web sites of many large banks will include icons directing the bank to report account payments, designated by the individual consumer, directly to PRBC's data network.

Renters and others who register on the bureau's site will be able to enter up to 36 months' worth of payments that they can document. Before the bureau accepts the information as accurate, however, it will need to be verified by independent sources -- such as accountants, tax services and nonprofit agencies -- prescreened by PRBC. The verifiers, and the consumers, will be subject to legal action should the information provided be fraudulent.

Ultimately, according to Nathans, the bureau would like to be seen as an optional "supplement" to standard credit reports -- "to fill in the blanks" -- and

the data factored into credit scoring models such as Fair Isaac Corp.'s popular FICO scores. For young and minority borrowers with little or no traditional credit histories on file, PRBC's files will "provide a better indicator of their true creditworthiness" than they receive today, Nathans said.

"We think we can help create equal credit opportunities for everybody who deserves a prime rate loan," he said. That could mean you -- especially if you're just starting out and don't have a wallet full of credit cards and loads of debt.

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