

A step in the right direction – Experian is now reporting rental payments

If you are a renter you might see some changes on your credit report. Experian acquired RentBureau in June 2010, which is a rental payment database credit bureau. RentBureau receives rental payment histories on a daily basis from a national network of apartment managers and owners. In December 2010, Experian began adding these histories to credit profiles.

Not everyone will see rental history on their credit reports. The property management company must be a data furnisher to Experian RentBureau in order for your rental history to show up on your report. They also must operate on property management software such as Yardi or MRI. Since this is not always cost effective, many private landlords and small management companies do not use this software. Experian is working on a solution for small management companies and individual landlords, but this may be a while. However, if you rent from a large management company or apartment complex it is very likely your rental history will begin to show up on your credit report.

One benefit of this is only positive rental history will appear on your report. Since rental history with late payments will probably be reported to a collection agency and they would report this information.

How will your rental history show on the credit report? It will be similar to an installment loan which “consists of paying regular installment payments for a fixed amount, over a set period of time, usually measured in months or years”. It will include a high credit which represents the total number of months in your lease times the amount of your monthly payment. For example, a 24 month lease with a \$1,000 monthly payment will show a high credit of \$24,000. The balance is based on the monthly rent times the remaining months left on the lease.

Will it be factored into your credit score? As of now it will not be factored into your FICO score. According to FICO spokesperson Craig Watts “whether the information will be incorporated into the widely used FICO score is yet to be determined. Once Experian shares this rental payment data, FICO scientists will evaluate whether the information can predict credit risk and should be added to the scoring model.” It will be factored into the Vantage Score and Experian’s Plus Score which is the score you receive when you order your personal credit report from Experian. Neither of these scores is used by lenders for mortgage purposes nor are they accepted by Fannie Mae and Freddie Mac. The Vantage score is used by some banks for certain products and auto dealerships, but it is not used for mortgage purposes. Experian’s Plus Score is not a mortgage score, but a personal score.

This is a step in the right direction since approximately 96 million individuals do not get credit for their rental history on their credit report. Hopefully other entities, such as utility companies, will follow suit and provide credit history to help individuals establish credit.

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