Committee on Housing and Neighborhood Revitalization Budget Hearing
Testifying to support full funding of the Public Housing Credit Building Pilot Program
Act of 2017

Introduction

Good morning, Councilmember Bonds and members of the committee. My name is Devin Edwards and this is William Ernst. We are graduate students in the McCourt School of Public Policy at Georgetown University and members of its Policy Innovation Lab.

The Lab teaches students about the urban policy challenges of Wards 7 and 8 through direct engagement with community leaders and residents. Too often policy is designed in isolation without community input — the Lab seeks to build a stronger connection between policy and the people policy is supposed to serve.

In addition, the Lab conducts innovative research and partners with community organizations seeking to advance racial equity and social justice. We take a systems-level approach to public policy, recognizing issues like poverty have a complex, interconnected series of causes. We focus on innovative policies and programs which address issues at a systems level.
Through our research last year, members of the Lab learned of the Public Housing Credit Building Pilot Program Act of 2017, introduced by Councilmember Bonds and passed unanimously in the last council period.

As you know, the pilot program is not yet funded. We are here to support full funding of this important initiative.

We’d like to thank Councilmember Bonds, her committee director Joseph Trimboli, and her staff for their tireless dedication and leadership on critical housing issues facing the city.

**Background**

In short, this 12-month pilot program designates 50 public housing residents to choose whether their rent payments are reported to a credit bureau. Residents today are punished for missed rent payments, but not rewarded for payments made on time. Knowledge of credit scores in general is slim — four in ten Americans admit to having no idea how their credit scores are calculated.

The research suggests reporting on-time rent payments is a powerful way to improve people’s credit worthiness, and by extension, their economic freedom and mobility.

The public housing residents this program is designed to help have subprime credit scores or no credit score at all — residents who are “credit invisible.”

Without a good credit score individuals and families are unable to access opportunities critical to economic mobility. Think of everything that depends on a good credit score: Borrowing private money for school. Purchasing a car or a home. Starting a business.
Renting a better apartment. Being able to afford your credit card interest payments, cell phone contracts, security deposits, and insurance premiums — all of these and more require good credit. And all it takes is a few early mistakes or unforeseen circumstances to decimate someone’s credit score, a burden that follows them for years and can affect future generations.

This is not what we want for people in our city who are striving to improve their well-being and that of their families.

[Beat]

This pilot program is no panacea for poverty. But it does address an important, often-unrecognized barrier to economic mobility, and based on the available evidence, we believe it will be effective in bringing people out of credit invisibility and into new opportunities.

This program would make the District a national leader on one of the most innovative and promising economic mobility policies in recent years. There are tangible performance measures built into the structure of this pilot project. If program proves successful, the Council should strongly consider permanent funding and expanding access to other low-income residents.

I’d like to turn now to William, who will share the promising evidence behind rent reporting.

Evidence

We believe this pilot program will succeed based on the precedent of other successful studies into rent reporting.
A pilot study conducted by the Citi Foundation and the Credit Builders Alliance assisted eight affordable housing providers in different states across the country in signing residents up to report rent payments to Experian. This pilot demonstrated promising results: First, after reporting rent payments, all renters in the pilot who were ‘credit invisible’ received either a high non-prime or prime score. Overall, 79% of renters saw an increase in their scores, with an average increase of 23 points. 14% of renters saw no change in their scores, and only 7% experienced a decrease in their scores when including rental payment history.

A different study by the New York City Comptroller examined what would happen to the credit scores of a generalized sample of New York City tenants if rent payments were reported to credit bureaus, and found similar results.

The Comptroller found that all ‘credit invisible’ renters in the sample would gain a credit score for the first time, with an average of 700, a prime score. The study found that including rental payments would increase scores for 76% of renters. 18% of renters would see no change, and only 6% of renters would see decreases in their scores. These results corroborate our conclusion that reporting rent payments to credit agencies could significantly benefit public housing residents, while presenting little risk of decreasing residents’ scores, especially given that the program is “opt-in.”

Additionally, we believe that this program advances racial equity. Because people of color are at the highest risk of having subprime scores or being ‘credit invisible,’ a program like this creates the potential to build wealth that people of color are often denied.

**Recommendations**
Since Councilmember Bonds’ work to champion the passage of this legislation, we’ve researched and identified three additional policy considerations that we would recommend be added to the law at this time that will ensure the success of this program:

**First, a Target Demographic.** Our research indicates the demographic that would stand to benefit the most from this bill would be a population in their mid-twenties to mid-forties, since a prime credit score would enable them to make significant purchases in the future. According to the FDIC, nearly 1 in 6 heads of household under age 24 has no bank account, which presents a significant barrier to obtaining a credit score through traditional means. Likewise, the average credit score rating for people age 22 to 28 in 2018 was only fair, and poor credit presents a particular burden on young adults: making it more difficult to rent an apartment, secure a loan, obtain a job, open a bank account, or purchase a home in the future. These actions all require a solid credit foundation and are integral to achieving financial stability for young adults.

**Second, Stopgap funding.** We are concerned about the credit scores of program participants after the pilot has ended. There is a possibility that the individuals in the pilot could see their credit scores decrease if rent payments suddenly stop being reported to the credit agencies. Rent payments are treated as a line of credit and closing a line of credit can cause credit scores to drop, for some more than others. A person with few lines of credit could be hurt more.

We believe in the viability of this bill and the benefits it can bring, and because of this we want to advocate for supplemental funding that can assist renters in reporting their scores once this pilot has ended. Benefits aren’t always immediately realized and we want to make sure that this intermittent period of evaluation doesn’t hurt those that have entered into the program.
Lastly, Outreach and Education. In addition to this stop-gap funding, we would like to stress the importance of outreach and educating participants on the financial implications of opting in to this program. While our evidence demonstrates that opting into rent reporting would increase scores for the significant majority of renters, there is still a possibility that scores will decrease for renters who do not always pay their rent on time. For this reason, it is imperative that the program seeks to educate individuals on whether or not they could stand to benefit from rent reporting. We believe that this program should be a tool in the toolbox for increasing financial security, rather than a one-size-fits-all program.

Conclusion

The Public Housing Credit Building Pilot Program Act of 2017 represents a cutting edge, deeply impactful, and cost effective policy solution for DC’s most economically marginalized residents. It will give people the chance to lift themselves out of credit invisibility and into opportunities many of us take for granted, from accessing higher education to opening a bank account; from starting a business to buying a car. The Council has already taken the critical steps to unanimously approve this legislation. If the Council can identify the small amount of funding it will take to implement this program, it will complete this process and confirm our place as a bold, national leader on economic mobility.

Thank you for the opportunity to testify and share the encouraging evidence behind rent reporting. My team and I are happy to answer any questions members of the Committee might have.