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Testimony of Rep. Sam Zager presenting

LD 733, An Act to Make Changes to the Law Based on a Pilot Project Conducted by the Maine State Housing Authority Regarding Efforts to Improve Access to Credit for Low-income Renters

Before the Joint Standing Committee on Housing and Economic Development

Senator Curry, Representative Gere and esteemed members of the Joint Committee on Housing and Economic Development, thank you for today's hearing. I'm Sam Zager, representing House District 116, which is part of Portland, and I'm pleased to introduce this *bipartisan* bill, **LD 733, An Act to Make Changes to the Law Based on a Pilot Project Conducted by the Maine State Housing Authority Regarding Efforts to Improve Access to Credit for Low-income Renters**.

In the 131st Legislative Session, I introduced LD 1107, Resolve to Establish a Pilot Project to Improve Access to Credit for Low-income Individuals before the Joint Standing Committee on Labor. As the title indicates, the legislation proposed creating a housing pilot project within MaineHousing to allow renters to voluntarily have their rental payments be reflected in their credit scores with all three major credit reporting agencies (Experian, TransUnion, Equifax) to help low-income Mainers in various regions of the state, and in various types of communities.

Problem to Address: Despite paying rent reliably, too many Mainers have difficulty establishing credit for major purchases, such as a home or post-secondary education. They either forego such lifetime investments, or suffer much higher interest rates. This contributes to growing income inequality and generational wealth disparities, and also keeps the market from operating efficiently. Democrats, Republicans, landlords and tenants alike agree that it is unfair for individuals and families who pay their rent on time to not see that reflected in their credit score. A few jurisdictions across the country are starting to address this and we can help Maine take a step forward.

Context: One-in-four Maine households rent their housing, and approximately one-in-four of renting households in our state – 39,000 households – are “extremely low income” households (housing costs take more than half of their income).^{1,2}

The foundation of the nation’s third largest bank, CitiGroup joined with the Credit Builders Alliance and Experian Credit Agency to explore the implications of this disconnect. Their nationwide research demonstrates that the lack of credit information works against low-income households [making] it difficult, if not impossible, for these struggling households to get and stay ahead in today’s economy.³ Many people are unfortunately credit invisible, which this resolve would begin to address.⁴

Evidence of effectiveness: It works! Renter credit reporting clearly builds credit for low-income residents. The Citi-CBA-Experian study of renter credit reporting had overwhelmingly favorable findings.⁵ All residents who were unscorable (“credit-invisible”) became scoreable at either the near-prime (average 646) or prime (average 688) credit tiers. Most renters in the analysis initially had a subprime credit score, but 90% of them saw a significant increase in credit score (average of 32 points) merely due to the inclusion of positive rental payment history.

Building credit is a powerful tool for lifetime financial security. Liz Weston at MSN Money has for years pointed out that a 100-point higher credit score is worth more than \$200,000 to a person over their lifetime (and potentially over \$2 million in accumulated wealth if the difference were invested).⁶ The Citi-CBA-Experian study showed that it’s possible for a person to make up one-third of that 100-point difference in just one year!

MaineHousing Pilot Project: LD 1107 was enacted by the Maine House and placed on the Special Appropriations Table, but ultimately did not have to receive funding from the table. With settlement money collected through the courts from credit scammers, the Attorney General’s Office had funds that were basically reserved for improving Mainers’ credit scores. The AG thus provided one-time funding for the MaineHousing pilot project by utilizing settlement funds intended for improving and restoring credit.

In 2023, MaineHousing issued a Request for Proposals for the pilot program to Improve Access to Credit for Low-Income Individuals and ultimately selected Circa, a Brunswick, Maine company, to assist them in conveying resident’s renter information to the three major credit bureaus, amongst other rental services, and to report on credit score changes.

¹ Approximately 39,000 of 152,000 *renting* households in Maine are “extremely low income.” There are approximately 570,000 total households in Maine. Greg Payne, Maine-based housing expert, 12/1/22. See also <https://www.census.gov/quickfacts/ME>

² Dan Bernier of the Central Maine Landlord Assn estimates 95% pay on time, 12/1/22.

³ Chenven and Shulte, “The Power of Rent Reporting,” Citi Foundation and Credit Builders Alliance (2015) <https://www.creditbuildersalliance.org/wp-content/uploads/2019/06/CBA-Power-of-Rent-Reporting-Pilot-White-Paper.pdf>

⁴ Maine could be a leader in helping renters improve credit. Washington DC (2018) requires that public housing must allow opt-in credit reporting. California (2019) allows low-income housing providers to charge an additional ten dollars per month in an opt-in program. Colorado (2021) established a small pilot to determine the value of statewide credit reporting.

⁵ Chenven and Shulte, The Power of Rent Reporting, Citi Foundation and Credit Builders Alliance (2015) <https://WWW.creditbuildersalliance.org/wp-content/uploads/2019/06/CBA-Power-of-Rent-Reporting-Pilot-White-Paper.pdf>

⁶ <https://docplayer.net/15496517-Lifetime-cost-of-bad-credit-201-712.html>

A report is due March 2026, but MaineHousing has indicated they expect to be able to report results next January.

Plan: MaineHousing anticipated the data from their pilot project to be available in late 2025 or early 2026. Recognizing this timing, I am requesting that the committee consider carrying over LD 773 for consideration in the 2nd Regular Session.

Thank you for your attention. I'd be happy to answer questions.