

3/3/2021

Committee on Labor and Housing
100 State House Station
Augusta, ME 04333

Dear Chairman Rafferty, Chairman Sylvester and members of the Committee on Labor and Housing:

I write on behalf of the Consumer Data Industry Association (CDIA) concerning LD 473/HP 347 "An Act To Create the Maine Rental Assistance and Voucher Guarantee Program". We would like to offer some comments based on our industry research and the work our members perform.

CDIA is an international trade association, founded in 1906, of more than 130 corporate members. Our mission is to enable consumers, media, legislators and regulators to understand the benefits of the responsible use of consumer data which creates opportunities for consumers and the economy. CDIA members provide businesses with the data and analytical tools necessary to manage risk. Our members help ensure fair and safe transactions for consumers, facilitate competition and expand consumers' access to a market which is innovative and focused on their needs. CDIA member products are used in more than nine billion transactions each year.

LD 473/HP 347 would create the Maine Rental Assistance and Voucher Guarantee Program and prohibit landlords receiving funds from this rental assistance program to use a tenant's credit score, rental history, and last month's rent from the rental application.

Our members conduct residential screening pursuant to the terms of the Fair Credit Reporting Act (FCRA), 15 U.S.C. § 1681 et seq. Consumer reporting agencies ("CRAs") provide consumer reports to assist owners, landlords, and managers of residential properties (including nursing homes and apartment communities) in evaluating prospective tenants and assessing the risks associated with those applicants. Property managers have a financial responsibility to evaluate the applicant's ability to satisfy their leasing obligations, but also to assure the safety and wellbeing of its employees, residents, and guests.

Property owners and management companies typically receive financial information about prospective tenants, including a credit score, credit report, income verification and rent payment history.

A credit score is derived from statistical tools and/or modeling systems used to predict the likelihood of certain credit behaviors, including default or repayment. A credit score is sometimes called a risk predictor or risk score. Payment history and how/if one pays bills on time over time is the single most influential factor in a credit score calculation.

The Equal Credit Opportunity Act legally mandates that credit scores do not discriminate towards any race, religion, gender, ethnicity, or other established suspect classes and there are studies that show the lack of illegal discrimination. A myth of illegal discrimination pervades many media accounts and public policy debates. However, all of the aforementioned characteristics,

specifically in this instance race, are not included in an individual's credit report or used in calculating any of the different forms of credit scores the industry offers. It is impossible for CRAs to discriminate against people based on information they do not contain or have any business-related use for.

There have been several attempts to estimate the incidence and significance of reporting errors, their findings are inconsistent.¹ For example, one industry-funded study estimated that about 19% of all credit reports contained some kind of error, but less than one percent of all reports had "serious" errors that would change an individual's credit score by more than twenty-five points.² A 2012 study by the FTC found a similar overall error rate (twenty-one percent) but concluded that the incidence of "serious errors" was about five percent. This study showed that 98.7% of all credit reports are materially accurate and that just 2.2% of participants had errors in their reports that lowered their score tier by one or more tiers, like moving from nonprime to subprime.³

CDIA members have been working to bring more consumers into the credit market by using alternative data such as utility and telecom payments. Some CRAs already access and use rental payment history along with generating specific scores through their different tools and model systems for housing rental transactions.

In conclusion, we believe there are many important benefits for the uses of financial information in the residential screening process. The reports our members provide to landlords and property managers protect applicants, residents, the general public and housing providers. For these reasons above, we would encourage your reconsideration against legislation that would negatively impact the structure that is currently in place. Thank you for the consideration of our comments and I would be happy to answer any questions you may have.

Sincerely,

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1 For a thorough review of these and other related studies, see Durkin, et. al., pp. 273-286.

2 Michael A. Turner, Robin Varghese, and Patrick D. Walker, "US Consumer Credit Reports: Measuring Accuracy and Dispute Impacts", Policy and Economic Research Council, May 2011.

https://www.transunion.com/docs/rev/aboutTransunion/credit-studies/Efficacy_DQreport.pdf

3 Federal Trade Commission, "Report to Congress Under Section 319 of the Fair and Accurate Credit Transactions Act of 2003", December 2012. <https://www.ftc.gov/reports/section-319-fair-accurate-credit-transactions-act-2003-fifth-interim-federal-trade>