



Testimony to the Joint Standing Committee on Committee on Labor and Housing
in support

LD 1107, Resolve, to Establish a Pilot Project to Improve Access to Credit for Low-income Individuals

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Dear Representative Zager, Representative Arata, and Distinguished Members of the Committee:

My name is Amy Winston. I live in Edgecomb and am the Senior Policy Director at Coastal Enterprises, Inc. (CEI). I am submitting this testimony in support of [LD 1107](#), *Resolve, to Establish a Pilot Project to Improve Access to Credit for Low-income Individuals*, including our concerns about the potential adverse effects of rent reporting on financially insecure renters.

As a non-profit, mission-driven Community Development Financial Institution (CDFI) based in Brunswick, CEI works to build a just, vibrant and climate resilient future for people and communities in Maine and other rural regions. We do this by *integrating finance, business expertise, and policy solutions* to make the economy more *equitable*. Our [Financial Development Services](#) team provides [housing](#), [consumer credit](#) and [budget/debt reduction](#), including [student loan](#), [counseling services](#) to CEI clients.

Low credit scores are often a barrier for renters in search of housing, as many landlords use credit scores to screen rental applicants. Helping individuals increase their credit scores by providing rent payment histories to credit reporting agencies can be a benefit to individuals who are able to make regular and timely payments. However, the [National Consumer Law Center \(2022\)](#) warns: “Rent reporting risks helping some better-off credit invisible consumers at the cost of literally making other renters homeless.” Specifically, reporting programs that use “full file” reports, which include negative reporting on apparent missed or late payments as well as on time payments, can harm prospective renters and their credit – especially people of color¹.

Even reporting only positive payment history could carry some risks; for example, if timely payments aren’t recorded or aren’t shown as paid in full because a tenant paid by cash, money order or app. For this reason, critics of rent reporting advocate that using bank account cashflow information is preferable to including the data in credit bureau files – rent that is missing from bank account transactions could be attributable to a cash or money order payment. Further, consumers should have a choice as to whether their rent payments are submitted to the credit bureaus. Not only is it the right thing to do from a consumer privacy and rights standpoint but requiring consumers’ *active permission* avoids inclusion of harmful negative information that will hurt their rental housing prospects. For these reasons, CEI strongly encourages that this program limit rental payment reporting to positive rent payment information only.

Additionally, although the document does say that the program is “voluntary,” CEI would like to clarify that this program would be an “opt-in” program, as even when credit reporting only allows for the distribution of positive payment information, gaps in payment history can lead landlords to make negative

¹ A [September, 2020, study](#) by the Center on Budget and Policy Priorities showed that renters of color were more likely to report that their household was behind on rent: about 1 in 4 Black and Asian renters and 1 in 5 Latinx renters, compared to 1 in 9 white households.



inferences regarding an individual's payment history. Structuring this program as mandatory or an opt out program could lead to the unintended consequence of harming a renter's ability to secure housing. Finally, in accordance with the intent of the bill, it is important to develop a pilot that is at no cost to the tenant or landlord. CEI supports the development of a pilot that anticipates and accounts for the concerns we have raised above regarding the potential unintended consequences of rent reporting.