

JOSH GREEN, M.D.
GOVERNOR



DENISE ISERI-MATSUBARA
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
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Statement of
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HOUSING

January 31, 2023 at 1:00 p.m.
State Capitol, Room 225

In consideration of
S.B. 363
RELATING TO HOUSING.

HHFDC would like to **offer comments** on S.B. 363, which establishes the rent reporting for credit pilot program to allow participant tenants to have their rent payment information reported by participant landlords to consumer reporting agencies to help tenants build their credit.

While we share the desire to see more renters move up the housing ladder to become homeowners, there are other ways to help them build credit than imposing a new requirement on multi-family unit project operators. If renters want to improve their credit ratings, there are private sector firms that currently exists that can help them. That being the case, HHFDC believes that this bill may be unnecessary since all three major credit bureaus -- Equifax, Experian and TransUnion -- will include rent payment information in credit reports if they receive it. Fannie Mae has a successful rent payment reporting program that connects property owners of Fannie Mae-financed properties with Fintech providers that can report the positive rent payments of their residents directly to credit bureaus. [NerdWallet](#) lists seven other similar rent-reporting services for renters and six for landlords.

Our concern with this measure is having government involved with a service or reporting mechanism that is already available through private sector firms is that it may entail additional costs to affordable housing operators that will eventually add to the overall cost of housing.

Consequently, the higher the operating expenses are to manage these properties, the more equity is needed when tax credit pricing is down. Incremental costs can add up over time.

HHFDC also has concerns with the implementation of this measure should a decision be made to proceed with this program. Additional staffing and corresponding funding would be necessary in order to contract and manage a third party to administer the pilot program. Staff would have to procure and manage the contractor, establish internal procedures, and monitor the program. The provision in this measure requires tenants to complete a financial education course which would also require further procurement and management of an additional contract.

An additional complication is that the contractor may not be the one who is reporting to the credit bureaus. Each credit bureau contracts with their own service for reporting so the reporting contractor would need to go through them. This is another layer or possible contract that would need to be negotiated.

This bill requires administrative rules to be adopted, and subsequently a solicitation for services to be issued, on or before October 1, 2023, which is not possible given the processes involved. The deadline is not achievable given the time it takes to complete the procurement process for contracting the required services as well as the time needed to promulgate administrative rules for the program.

Thank you for the opportunity to provide testimony.



January 31, 2023

Members of the Senate Committee on Housing:

Chair Stanley Chang
Vice Chair Dru Mamo Kanuha
Sen. Henry J.C. Aquino
Sen. Karl Rhoads
Sen. Brenton Awa

Re: SB363 Relating to Housing

Dear Chair Chang, Vice Chair Kanuha and Members of the House Committee on Housing:

The Hawai'i State Coalition Against Domestic Violence (HSCADV) addresses the social, political, and economic impacts of domestic violence on individuals, families, and communities. We are a statewide partnership of domestic violence programs and shelters.

On behalf of HSCADV and our 28 member programs statewide, I respectfully submit this testimony in **strong support of SB363**.

This measure establishes a pilot program that would allow for rent reporting for credit within HHFDC. Rent reporting is the monthly reporting of tenant rent payments to at least one of the major consumer credit bureaus for inclusion on a traditional consumer credit report. The legislature should approve of SB363 and make rent count.

Research shows that financial abuse occurs in 99% of domestic abuse cases, leaving survivors asset poor or with bad credit.¹ For survivors who do not have traditional assets or credit, but consistently pay rent, this measure would serve to provide an avenue toward safety and financial security. Otherwise, we are perpetuating the state's homeless crisis. Thirty-eight percent of all domestic violence victims become homeless at some point in their lives², and 57% of homeless women reported that domestic violence was the immediate cause of their homelessness.³

¹ <https://centerforfinancialsecurity.files.wordpress.com/2015/04/adams2011.pdf>

² <https://safehousingpartnerships.org/intersection>

³ https://safehousingpartnerships.org/sites/default/files/2017-05/SHP-Homelessness%20and%20DV%20Infographic_1.pdf



Rent is the largest recurring monthly expense that many households pay. Having on-time rent payments reported to credit bureaus can help Hawai'i renters improve their credit scores and access the same opportunities as homeowners who have their mortgage payments reported to credit agencies. In Hawai'i, this is especially important since about 50% of our residents are renters.

Rent reporting programs have proven to be successful in other places. In 2022 Colorado introduced a rental reporting program with 107 participants. According to analytics available via a 3rd party contractor participants increased their credit score by an average of 47 points, one individual has improved their score by 253 points, as of December 2022 reports. Furthermore, both California and the District of Columbia have adopted similar programs as well for rent reporting to consumer credit bureaus. We believe that renters in Hawai'i deserve the same opportunity to build their credit as homeowners, and as renters in other states that recognize rent payments as measures of financial responsibility.

In today's economy having the ability to build one's credit can have a significant impact on a person's living situation and access to opportunity. Landlords often look at credit scores when selecting tenants and employers can also check credit reports as part of the hiring process. A 2018 survey by the National Association of Background Screeners determined that 31% of employers include credit history as part of their screening process. On-time payments for housing should count towards a person's credit regardless of if they are renters or homeowners.

Thank you for the opportunity to testify on this important matter.

Sincerely,
Angelina Mercado, Executive Director



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF SB 363: RELATING TO HOUSING

TO: Senate Committee on Housing

FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawaii

Hearing: **Tuesday, 1/31/23; 1:00 PM; CR 225 & via videoconference**

Chair Chang, Vice Chair Kanuha, and Members, Committee on Housing:

We appreciate the opportunity to provide testimony **in support of SB 363**, which establishes the rent reporting for credit pilot program, within the Hawaii Housing Finance and Development Corporation. Participant tenants may elect to have their rental payment information reported by participant landlords to consumer reporting agencies to generate+ and build credit. I am Rob Van Tassell, with Catholic Charities Hawaii.

Catholic Charities Hawaii (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawaii for over 75 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawaii. Catholic Charities Hawaii has a long history of working in the areas of affordable housing and homelessness.

Credit reports impact greatly on so many aspects of modern life. A 2018 survey by the National Association of Background Screeners found that 31% of employers look at credit history as part of their screening for employment. Even to gain admission to affordable rental housing, you need “good” credit. Yet how does a formerly homeless person or a family who is struggling with multiple bills improve their credit? If they are paying their rent first, before other bills, it does not count. Currently the major expense of most people’s budgets, rent, is not included in credit reporting, unlike home mortgage payments.

Catholic Charities Hawaii served over 20,000 people in 2022, most of whom were renters. 50% of Hawaii’s households are renters. We see that this bill could make a major impact on many people’s lives, helping them to become more self-sufficient and economically stable. The bill would create a pilot program and encourage landlords to participate and report on-time payments for rent to a consumer credit bureau. Rent reporting programs have proven effective in other states, including Colorado, California and the District of Columbia. This pilot program could give hope to renters who pay on time, and allow them to access better housing, lower rates on car loans and even possibly homeownership in the future with improvements in their credit scores.

We urge your support to create a pilot program to include rent payments in credit reports. Please contact our Legislative Liaison, Betty Lou Larson at (808) 373-0356 or bettylou.larson@catholiccharitieshawaii.org if you have any questions.





Testimony of the Hawai'i Housing Affordability Coalition

SUPPORTING SB363– Relating to Housing
Conference Room 225 & Videoconference
Tuesday January 31st, 2023 at 1:00PM

Aloha Senate Housing Committee Chair Chang and Vice Chair Kanuha,

The Hawai'i Housing Affordability Coalition (HiHAC) is writing in ***strong support*** of SB363 relating to housing. SB363 establishes a pilot program that would allow for rent reporting for credit within HHFDC. Rent reporting is the monthly reporting of tenant rent payments to at least one of the major consumer credit bureaus for inclusion on a traditional consumer credit report. The legislature should approve of SB363 and make rent count. Rent is the largest recurring monthly expense that many households pay. Having on-time rent payments reported to credit bureaus can help Hawai'i renters improve their credit scores and access the same opportunities as homeowners who have their mortgage payments reported to credit agencies. In Hawai'i, this is especially important since about 50% of our residents are renters.

Rent reporting programs have proven to be successful in other places. In 2022 Colorado introduced a rental reporting program with 107 participants. According to analytics available via a 3rd party contractor participants increased their credit score by an average of 47 points, one individual has improved their score by 253 points, as of December 2022 reports. Furthermore both California and the District of Columbia have adopted similar programs as well for rent reporting to consumer credit bureaus. We believe that renters in Hawai'i deserve the same opportunity to build their credit as homeowners, and as renters in other states that recognize rent payments as measures of financial responsibility.

In today's economy having the ability to build one's credit can have a significant impact on a person's access to opportunity. Landlords often look at credit scores when selecting tenants and employers can also check credit reports as part of the hiring process. A 2018 survey by the National Association of Background Screeners determined that 31% of employers include credit history as part of their screening process. On-time payments for housing should count towards a person's credit regardless of if they are renters or homeowners.

We urge the legislature to support our Hawai'i residents who are making on-time rent payments and yet are denied the same credit reporting benefits as homeowners.

Mahalo for the opportunity to testify,

HiHAC



January 29, 2023
Senate Committee on Housing
Tuesday, January 31, 2023
Conference Room 225, 1:00 p.m.

SB363 – Strong Support

Aloha e Committee Chair Chang, Vice-Chair Kanuha and members;

I am submitting testimony in my capacity as Program Manager of Hawaii Habitat for Humanity Association (HHFHA). We are a certified nonprofit community development financial institution and Affiliate Support Organization for the direct service Habitat for Humanity organizations across the state. Our organization **STRONGLY SUPPORTS SB363** which establishes an opt in pilot program for rent payment reporting as a method to build credit. Rent reporting is the monthly reporting of tenant rent payments to at least one of the major consumer credit bureaus for inclusion on a traditional consumer credit report.

Nearly 45 million adults in the United States have a limited credit history, including 26 million credit-invisible adults. Consumers who are black, Hispanic, recent immigrants, young, and low income are more likely to be credit invisible. Those with unequal access to mainstream credit may turn to predatory financial products and experience greater difficulty building wealth and economic mobility.

Barriers in economic mobility due to low or invisible credit score includes access to homeownership opportunities. Homeownership is the largest equity builder for most households; however, poor credit scores are the second highest reason for home loan mortgage denials. Additionally, healthy credit scores give individuals access to better mortgage financing options. Lower interest rates on mortgages are offered based off the assumption of less risk from an individual with a healthy credit score. Credit reports and scores that do not recognize on-time rental payments as creditworthy behavior present an incomplete and negatively skewed assessment of the credit risk many renters pose. This is especially troublesome for low- and moderate-income renters in today's economy who typically rent.

In fact, 50% of Hawai'i households are renters. Rent is the largest recurring monthly expense that many households pay. About 40% of all renting households in Hawaii spend over 30% of their income on rent. When homeowners make their monthly mortgage payments, these payments typically are reported to credit agencies. This reporting contributes to homeowners' already established credit histories, which affords them favorable rates on other financial products. This opportunity is typically unavailable to renters, even though most regularly pay their rent and experience negative credit effects if they miss payments. The pilot program established in SB363 is a way to address this inequity.

Given that a good credit history is an increasingly important financial asset, denying renters the opportunity to build their credit through on-time rent payments may exacerbate already high levels of wealth inequality - especially considering that low income renters face a larger housing expense to



income ratio. In addition to access to better mortgage financing options, higher credit scores offer access to:

- Lower cost credit for auto, student, business, personal, and debt consolidation loans
- Housing in higher opportunity areas or LIHTC housing options that qualify renters through credit scores
- Potential in reducing utility and housing security deposits as these are typically increased for individuals who are credit invisible

Rent reporting programs have proven to be successful in other places. In 2022 Colorado introduced a similar rental reporting program with 107 participants. According to analytics available via a 3rd party contractor, participants increased their credit score by an average of 47 points within one month, and one individual had improved their score by 253 points, as of December 2022 reports. Furthermore, both California and the District of Columbia have adopted similar programs as well for rent reporting to consumer credit bureaus. The Credit Bureau Alliance also worked with 8 private affordable housing developers across the nation and found that not only was rent reporting successful, it encouraged individuals with a previous history of late rental payments to pay on time.

We believe that renters in Hawai'i deserve the same opportunity to build their credit, and help access homeownership, by recognizing rent payments as measures of financial responsibility.

Please **PASS SB363**, so that we can give our hard-working low-income families a chance at the benefits of homeownership.

Mahalo for your time, leadership and consideration. Please contact me directly at 425.829.8231 Or at susan@hawaiihabitat.org should you have any questions or need additional information.

Sincerely,

Susan Le

Susan Le
Program Manager

January 30, 2023

Honorable Stanley Chang, Chair
Honorable Dru Mamo Kanuha, Vice Chair
and Members of the Senate Committee on Housing

Re: Testimony in Opposition - SB 363, Relating to Housing
Hearing: January 31, 2023 at 1:00 PM, Senate Conference Rm. 225 & Videoconference

Dear Chair Chang, Vice Chair Kanuha and Members of the Committee on Housing:

Stanford Carr Development (SCD) is writing to oppose SB 363, which proposes to establish and fund a pilot program to report tenant rent payment information to consumer reporting agencies to generate and build tenant credit.

We support the intent which is consistent with our efforts to promote homeownership and assist residents within our portfolio to climb the housing ladder. However, the credit reporting industry recently introduced an opportunity for tenants to directly connect with the credit reporting agency to include rent payments to boost scores.¹

Additional concerns with the proposed legislation include:

- 1) Section 2(d)(2)(B) with emphasis on selecting participant tenants whose incomes do not exceed 60% of the area median income (AMI). Based on the local cost of housing, 60% AMI households are usually incapable of qualifying for a mortgage sufficient to support homeownership. Higher AMI participants should be considered; and
- 2) Adding additional reporting burdens to owners and managers of affordable housing runs contrary to HRS §201H-38 that provides exemptions in favor of affordable housing.

Rather than the pilot program, we recommend a series of state-sponsored public service announcements to increase tenant awareness of the existing opportunities within the credit reporting industry.

Thank you for the opportunity to offer testimony on this measure.

Respectfully,



Stanford S. Carr

¹ [Experian Boost - Improve Your Credit Scores Instantly for Free](#)



Hawaii
Children's Action Network Speaks!
Building a unified voice for Hawaii's children

Hawai'i Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education

LATE

To: Senate Committee on Housing

Re: **SB 363 - Relating to Housing**

Hawai'i State Capitol, Conference Room 225 & Via Videoconference

January 31, 2023, 1:00 PM

Dear Chair Chang, Vice Chair Kanuha, and Committee Members,

On behalf of Hawai'i Children's Action Network Speaks!, I am writing in SUPPORT of SB 363, relating to housing. This bill would establish the rent reporting for credit pilot program within the Hawai'i housing finance and development corporation, whereby which participant tenants may elect to have their rent payment information reported by participant landlords to consumer reporting agencies to generate and build credit.

Rent reporting is the monthly reporting of rental housing payments to at least one of the major consumer credit bureaus for inclusion on a traditional consumer credit report. Having on-time rent payments reported to credit bureaus can help Hawai'i renters improve their credit scores.

A parent's credit score can significantly affect their family's living situation and economic stability. Landlords often look at credit scores when selecting tenants and employers can also check credit reports as part of the hiring process.

It is well established that housing instability has harmful effects on children's health and educational outcomes¹ and that the stresses of childhood poverty have both immediate and long-term effects on keiki's physical and mental health, behavioral self-control, academic achievement, and earnings as adults.²

On-time payments for housing should count towards a person's credit regardless of if they are renters or homeowners. Mahalo for the opportunity to provide this testimony. Please pass this bill.

Thank you,

Nicole Woo

Director of Research and Economic Policy

¹ <https://housingmatters.urban.org/articles/how-housing-affects-childrens-outcomes>

² <https://www.apa.org/pi/ses/resources/indicator/2014/06/childhood-poverty>

SB-363

Submitted on: 1/30/2023 9:53:49 AM

Testimony for HOU on 1/31/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jennifer Pamintuan	Individual	Support	Written Testimony Only

Comments:

My name is Jennifer and I am writing **in support** of SB363 as a private citizen.

Thank you for your time.

SB-363

Submitted on: 1/30/2023 10:43:22 AM

Testimony for HOU on 1/31/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Ryan Samonte	Individual	Support	Written Testimony Only

Comments:

Re: SB363 SUPPORT

- Having on-time rent payments reported to credit bureaus can help Hawai‘i renters improve their credit scores
- Renters may access the same opportunities as homeowners who have their mortgage payments reported to credit agencies
- Hawai‘i, this is especially important since about 50% of our residents are renters
- Rent reporting programs have proven to be successful in other places

SB-363

Submitted on: 1/30/2023 9:58:19 AM

Testimony for HOU on 1/31/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Linda Wakatake	Individual	Support	Written Testimony Only

Comments:

I strongly support SB363. We need more affordable housing.

SB-363

Submitted on: 1/30/2023 12:23:30 PM

Testimony for HOU on 1/31/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kelly Cogo	Individual	Support	Written Testimony Only

Comments:

Aloha Sen. Chang and Sen. Kanuha,

My name is Kelly Cogo and I'm from Hale 'Oluea Clubhouse part of the Hawaii Clubhouse Advocacy Coalition. I am in support of this bill.

Thank you for your time,

Ms. Kelly A. Cogo

LATE

SB-363

Submitted on: 1/30/2023 8:22:38 PM

Testimony for HOU on 1/31/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Lea Minton	Individual	Support	Written Testimony Only

Comments:

I strongly urge you to pass this bill. Thank you.

LATE

SB-363

Submitted on: 1/30/2023 9:28:02 PM

Testimony for HOU on 1/31/2023 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Will Caron	Individual	Support	Written Testimony Only

Comments:

Please support SB363.