THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

January 17, 2023

FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin
Director of Budget and Policy Analysis

FROM: David Williams
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-006-2023 Landlord Reporting of Tenant's Rental Payments to Major Credit Bureaus

---

CB-006-2023 (*Proposed and presented by* Council Members Burroughs, Oriadha, Blegay, Dernoga, Ivey, and Olson)

Assigned to Health, Human Services, and Public Safety (HHSPS) Committee

---

AN ACT CONCERNING LANDLORD REPORTING OF TENANT'S RENTAL PAYMENTS TO MAJOR CREDIT BUREAUS for the purpose of creating a pilot program that will require landlords with a certain amount of dwelling units to give their tenants the option of having their rental payments reported to at least one of the three major credit bureaus; relating to the requirements and process for providing certain tenants' opportunity to have rent payments reported to consumer credit bureaus; and generally related to tenants' consumer credit rights..

Fiscal Summary

Direct Impact:

Expenditures: No anticipated impact.

Revenue: No anticipated impact.

Wayne K. Curry Administration Building | 1301 McCormick Drive | Largo, MD 20774
VOICE (301) 952-3431; FAX (301) 780-2097; TDD (301) 925-5167

Indirect Impact:

Likely favorable.

Legislative Summary:

CB-006-2023, proposed and sponsored by Councilmembers Burroughs, Oriadha, Blegay, Dernoga, Ivey, and Olson was presented on December 12, 2023, and referred to the HHSPS Committee. This Bill would mandate landlords to offer an option for tenants to elect to have their rent payments reported to a credit reporting bureau for the purpose of having these payments reflect positively on their credit scores. The reporting fee is paid directly to the landlord and not to exceed $10 per month.

Background/Current Law:

The objective of CB-006-2023 is to provide renters with limited income the opportunity to improve and build their credit history through the reporting their rent payments by landlords. With the reporting of on-time rent payments to the major credit bureaus, renters can improve their credit score without opening a new line of credit or taking out a loan.

There is currently no State or Prince George's County law requiring landlords to offer rent payment reporting to credit bureaus, and this is a pilot program.

Relevant Legislation from Other Jurisdictions

In the state of California, Senate Bill No. 1157 is a bill that mandates landlords of an assisted housing development to offer the tenant(s) within the housing development offer the option to have their rental payments forwarded to a credit rating agency that meets the definition in Section 603(f) of the federal Fair Credit Reporting Act (15 U.S.C. Section 1681a (p))[1]. The California law states that a "landlord" is defined as an owner of residential property with more than five rental units in contrast with CB-006-2023[2] that defines a landlord as a in ownership of 15 or more dwelling units. The parameters for CB-006-2023 mirror those of the California bill. The price ceiling of $10 as well as the failure to pay and termination of the service protocols. The standard procedure for voluntarily initiating and terminating rent reporting services during the contracted rental period is via written notice provided by the tenant. This is a pilot program so there is no other relevant legislation within Prince George's County or the state of Maryland for further reference. California's SB 1157 is the nation's only other law of a similar nature that has been implemented for observation and study.

---

[1] California Legislative Information- Senate Bill No. 1157
[2] Prince George's County Council- CB-006-2023

Resource Personnel:

- Brandon Cooper, Chief of Staff, District 8

Discussion/Policy Analysis:

CB-006-2023

CB-006-2023 would amend Subtitle 13. Housing and Property Standards. Division 3. Landlord-Tenant Regulations. Subdivision 2. Landlord-Tenant Code. to add a new Section 13-168. This new section states that landlords with over 15 dwelling units shall offer tenants an option within any lease agreement to report a tenant's rent payment to a credit reporting agency. The landlord will provide the tenant with a self-addressed, stamped envelope with a rent reporting election form. The tenant may obtain copies of the written election of rent and will be subject to a fee not to exceed the cost of reporting the landlord incurs or $10 whichever is lower. If the tenant fails to pay the reporting fee the rent payment shall not be reported. The tenant reserves the right to cancel the rent reporting service via written notice at any time and once the notice has been accepted by the landlord the tenant shall not be allowed to renew those services for 6 months. This bill comes with a sunset provision stating that without further legislation this program will expire on July 1, 2028.

Economic Evaluation:

The first empirical study done on the economic effects of such an initiative was conducted by the Credit Builders Alliance with the launch of the "Power of Rent Reporting" pilot program. [3] The CBA took 987 credit files collected by the Experian RentBureau and isolated the impact of rent reporting on participant credit scores. The key findings were as follows:

- All participants that had unscoreable credit became scoreable after having their rental payments reported.

- 79% of participants experienced an increase in their credit scores with an average increase of 23 points.

- 55% of total participants of all had a suboptimal credit score. 99% of that group enjoyed an increase of 32% by reporting their rent payments.

- 7% of participants experienced a decrease in credit score and 14% experienced no change in their credit score.

Overall, participants experienced a positive impact on their credit scores. The landlords in this case were all organizations that provided affordable housing to low-income tenants, all program participants were from the lowest socio-economic bracket. As of 2022 the median income of an

---

[3] Credit Builder's Alliance- Rent Reporting White Paper

American renter is $36,000.[4] Many taxpayers and other community stakeholders would stand to benefit from CB-006-2023 as it would increase the creditworthiness of a vulnerable population allowing them to be eligible for higher quality housing and other economic amenities.

Equity Evaluation

This policy classifies "landlord" as an individual that owns more than 15 dwelling units.[5] According to the latest real estate analytics 42% live in single family homes, with 17.5% of renters living in 2–4-unit buildings.[6] With these numbers in mind that leaves 40.5% of the renting population that would be affected by CB-006-2023. This bill will prioritize larger, more industrialized landlords and omit smaller landlords which may or may not have a direct impact on program participation. Restricting the scope of the bill may affect the equity distribution of the bill's benefits.

Administrative Evaluation

The administrative costs of this program will be minimal to none on the part of the County. All the necessary transactions are directly between the tenant and the landlord if the tenant should choose to enroll in the program. Prince George's County will bear no additional costs for the administration of this program if enacted in its current iteration. One area where the county could see an increase in some expenditures is advertising the pilot's existence community stakeholders and constituents.

Efficacy Evaluation

The program's public impact is largely dependent on the number of renters that decide to participate in the program. This policy only mandates that landlord have an option present in their leases for the tenant to elect, participation is not mandatory. Based on the data found from the empirical study conducted by the Credit Builder's Alliance, the majority of eligible participants would stand to gain a net positive credit impact should they choose to report. However, if pilot participation is low, it will be difficult not only to gather data but to determine the actual effectiveness of the program.

Process Values Evaluation

This pilot program on its face does not contain any implementation bias favoring any group as it is administered. The one issue mentioned earlier was that the program may not capture the most vulnerable population that stands to benefit the most from the pilot. Any potential bias is not present in the processes of the policy but in the legal language itself and it is not intentional. Corporate landlords in the form of property management firms would have an easier time reporting rental payment and are more likely to already have a reporting service than individual landlords. The implementation of this program does not intentionally favor one group over another.

---

[4] IProperty Management- Renters vs Homeowners Statistics
[5] Prince George's County Council- CB-006-2023
[6] IProperty Management- Renter vs Homeowner Statistics

Fiscal Impact:

- *Direct Impact*

Enactment of CB-006-2023 should not have an adverse fiscal impact on the County as the expenses will be incurred by the landlord and tenant and the administrative responsibilities of the County will not be changed.

- *Indirect Impact*

Enactment of CB-006-2023 is likely to have a favorable indirect fiscal impact. Lower-income residents may see increase in credit worthiness due to being able to report rental payments to credit rating agencies. If tenants select this option the County my reap increased tax revenues as higher credit scores usually encourage increased consumer spending.

- *Appropriated in the Current Fiscal Year Budget*

No

Effective Date of Proposed Legislation:

The Act shall take effect forty-five (45) days after it becomes law.

If you require additional information, or have questions about this fiscal impact statement, please reach out to me via phone or email.