

SENATE BILL REPORT

SB 6212

As of January 24, 2024

Title: An act relating to requiring landlords to report on-time rent payments to consumer reporting agencies.

Brief Description: Requiring landlords to report on-time rent payments to consumer reporting agencies.

Sponsors: Senators Shewmake, Nguyen, Cleveland, Van De Wege, Kuderer, Nobles, Saldaña, Stanford, Trudeau and Valdez.

Brief History:

Committee Activity: Housing: 1/24/24.

Brief Summary of Bill

- Requires landlords subject to the Residential Landlord-Tenant Act and the Manufactured/Mobile Home Landlord-Tenant Act to report on-time rent payments to consumer credit reporting agencies at the request of a tenant.

SENATE COMMITTEE ON HOUSING

Staff: Samantha Doyle (786-7335)

Background: Fair Credit Reporting Act. Neither the federal nor the state Fair Credit Reporting Act prohibit the reporting of rental payment history to consumer reporting agencies (CRAs). The inclusion of such history in the credit reports that these agencies generate is also not prohibited. No federal law currently requires landlords to report rental payments of any sort to any CRA.

There are two states with laws concerning the reporting of rental payment information by landlords to CRAs:

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- California introduced legislation in 2020 which requires landlords to offer their tenants the option to have their rental payments reported to at least one nationwide CRA; and
- Colorado introduced legislation in 2021 which created a pilot program for rent reporting to credit agencies. The program involves a set number of landlords and tenants and is managed by a third-party contractor.

Rent Regulation. The Residential Landlord-Tenant Act (RLTA) and Manufactured/Mobile Home Landlord-Tenant Act (MHLTA) establish rights and duties for both tenants and landlords such as conditions for eviction and termination of the lease, notice requirements, allowable provisions within lease agreements, and the handling of security deposits. Washington does not require landlords to report rental payment information to any CRA.

Summary of Bill: Upon request of a current or prospective tenant, landlords subject to either the RLTA or the MHLTA will be required to submit documentation of a tenant's timely rent payments to CRA's. Landlords are not obligated to report late payments.

Rental Payment Reporting. If requested, landlords must submit documentation of on-time rental payments to at least one of the following two types of CRAs:

- a nationwide CRA; or
- any other CRA so long as the CRA furnishes rental payment information to a nationwide CRA.

Landlords must keep records sufficient to demonstrate that they have reported tenant's rental payment information as requested, and they must provide documentation of this reporting to the tenant upon request. Landlords are not required to report late or missed rental payments.

Notice to Tenants. Landlords must provide written notice to existing or perspective tenants that they can request to have their on-time rent payments reported to a CRA. The notice provided by the landlord must include the following:

- a statement that the tenant can have their on-time rent payments reported to a CRA;
- a statement that the landlord has no duty to report late or missed payments;
- a statement that the tenant's participation in rent reporting is voluntary, and that they can withdraw at any time, for any reason, by providing written notice;
- a statement that the reporting will commence within 30 days and will continue until the tenant withdraws or the lease is terminated; and
- a section affirmatively asking if the tenant wishes to have their rental payment information reported, and a clearly marked space for the tenant to indicate yes or no, sign, and date.

Requests from Tenants. Any time during a current lease or tenancy month-to-month, a tenant can request that a landlord begin reporting their rental payment information. The request must:

- be made in writing;
- state that the tenant is requesting that the landlord begin reporting the tenant's rental payment information;
- be signed and dated by the tenant; and
- be delivered in person or by certified mail.

Termination of Landlord's Duty to Report. If a tenant fails to pay their rent on time they are deemed to have provided notice that they no longer wish to have their rental payment information reported, and the landlord's duty to report such information is immediately terminated. If a tenant provides notice in this manner they are not eligible to have their rental payment information reported again in their current lease for six months.

A landlord's duty to report rental payment information terminates automatically at the end of a lease, or when a lease reverts by default to a tenancy month-to-month without prior agreement of the parties.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on January 1, 2025.

Staff Summary of Public Testimony: PRO: Credit scores are an essential part of life. They provide access to capital, get a mortgage, or buy a car. My husband couldn't even sign up for internet when he first moved to this country because he didn't have a credit score. There are many instances where good financial management wouldn't be reflected in one's credit score, especially if you do not use credit. This bill is trying to provide another way to build credit. I am fine with allowing third party vendors and want to make this as easy as possible for landlords to comply and not be a burden.

This bill helps renters establish or increase their credit score, especially the credit invisible. Renters are more likely to be credit invisible than compared to homeowners and have limited opportunities to build credit. This can also benefit landlords as it provides incentive to pay rent on time. Working families need as much help as they can get. This could help people get better rates for car loans, car insurance rates, or boost their score in hopes of purchasing a home. Providing opportunities for improving or establishing credit scores is also a women's issue. For instance, divorced women who are starting over from scratch and were the stay-at-home caretaker with all the finances in their ex-partner's name. This provides a way to lift themselves and children out of poverty.

CON: We are concerned with what actual cost and time commitment this will have, particularly for small landlords. One large reporting service for instance charges a \$3,500

set up fee. Concerned that there are first amendment issues with only reporting on-time payments. Our issues stem from a concern that there has not been enough studies on what information is necessary to report to credit bureaus. There should be a minimum unit requirement before being subject to this law. Also, credit bureaus don't consider payment late for 30 days, while rent is considered late after only 5 days. There are data security concerns with reporting directly to credit reporting agencies. This could be an issue for those dependable but frequently late tenants.

As a third-party vendor that reports monthly tenant rent payments for property managers and while we support the intent think this bill needs work. The security risks are significant and would require third-party servicers. Because positive-only reporting cherry picks only the good information, some lenders find this information suspect and are already choosing not to use this information. Banks still don't use this type of credit reporting for mortgages. Equifax has already stated they will only use information that includes positive and negative information.

OTHER: While supporting the intent, we have concerns as a housing provider. There is a concern that this would conflict with SB 5899 in that tenants would have to be able to opt out of non-essential services without a fee for doing so. There is a potential security concern for residents if the landlord chooses to use a third-party vendor for compliance. There is the potential to disadvantage tenants if landlords would look at the lack of positive rent reporting as an indication that an applicant has poor rental payment history. While this being at the tenant's request may alleviate some of those concerns.

Persons Testifying: PRO: Senator Sharon Shewmake, Prime Sponsor; Nicole Gomez, Washington Federation of State Employees; Angela Rozmyn, Natural and Built Environments.

CON: William Shadbolt, Washington Business Properties Association; Bruce Becker; Sheri Druckman, Regional Vice President, Legacy Partners; Chris Dukelow, Chief of Staff, CredHub Inc..

OTHER: JIM HENDERSON, National Association of Residential Property Managers and Benton Franklin County Rental Owners Assoc.

Persons Signed In To Testify But Not Testifying: No one.