

May 19, 2017

Mr. Richard Cordray
Consumer Financial Protection Bureau
1700 G Street NW.
Washington, DC 20552

RE: Request for Information Regarding Use of Alternative Data and Modeling
Techniques in the Credit Process [Docket No.: CFPB-2017-0005]

Dear Mr. Cordray:

On behalf of NeighborWorks America (formally known as the Neighborhood Reinvestment Corporation) I want to thank the CFPB for the opportunity to provide comments regarding the use of alternative data in the credit process. Please note that these comments have not been submitted to or approved by NeighborWorks America's Board. They reflect the view of NeighborWorks America management and do not necessarily represent the views of its Board members, either collectively or as individuals.

NeighborWorks America is a Congressionally-chartered nonprofit organization established in 1978. We support a network of nearly 250 local and regional nonprofit affiliated housing and community development organizations working to make every community in America a place of opportunity. In addition to collectively owning and/or managing over 154,000 multifamily rental units, many NeighborWorks organizations are also very active in financial capability, housing counseling, and homeownership promotion. Given the substantial rental portfolio and the importance of credit access for homeownership, NeighborWorks America is particularly invested in the CFPB's efforts in this area.

NeighborWorks America is committed to developing and disseminating comprehensive strategies that ensure individuals and families have access to the education, skills, resources and support needed to make sound decisions that allow them to achieve and sustain financial security. We promote and support an approach that combines financial education (to share basic skills and knowledge), financial counseling (to resolve specific issues and challenges in the short term) and financial coaching (to encourage behavior change and achieve positive and sustainable long-term outcomes).

Our multi-faceted financial capability program is making strides in encouraging long-term shifts in attitudes and behaviors, raising awareness about financial capability across sectors, and making a positive, widespread impact on community development. We provide support to a network of more than 80 NeighborWorks organizations that offer financial capability services, including financial education, financial coaching, volunteer income tax assistance and individual development accounts. Access to responsible financial products is a key element to financial security, and NeighborWorks organizations have identified access to credit as a challenge that many households face.

Although mortgage payments have a long history of inclusion among the trade lines considered for credit reporting and scoring, rental payment histories have not, leaving renters with fewer opportunities to develop a positive credit history. As the CFPB and credit bureaus explore the use of alternative data for credit scoring, NeighborWorks America encourages additional measures to expand opportunities for consumers to build credit and access safe, responsible financial products.

NeighborWorks America is committed to making every community in America a community of opportunity. According to data from the CFPB, 45 percent of consumers living in low-income communities are credit invisible or unscorable, and Black and Hispanic consumers are twice as likely to have limited credit records as their white counterparts. Recognizing the key role that credit can play in allowing individuals and families to access housing, employment, and education, NeighborWorks America decided to partner with local NeighborWorks organizations in the Boston area and the Credit Builder's Alliance to undertake a pilot to demonstrate the potential impact of rent reporting.

For this pilot, NeighborWorks America engaged five chartered organizations in the Boston area to participate: The Community Builders, Nuestra Comunidad, Madison Park Development Corporation, Urban Edge, and Codman Square Development Corporation. A major factor in the selection of these groups was their use of the same property management company, which reduced the obstacles to operationalizing the demonstration.

The initial results of the demonstration are very promising and offer strong support for the idea that rent reporting can be an important channel for building positive

credit history for renter households. After three months of the demonstration, the following results have been achieved:

- **100%** of residents who were initially unscorable became scorable, with an average score of 688, a prime credit score.
- **79%** of residents increased their credit score. The collective average starting score was 617, and residents realized an average gain of 28 points.
- **47%** of residents had a subprime score at the start. These residents had a collective initial average of 531, and saw an average increase of 39 points.

While additional research and testing is still needed, NeighborWorks believes that these initial results show great promise and should serve as a foundation for further exploration. We look forward to continuing to work with you to identify ways to expand access, particularly for low-income communities, to safe, responsible financial products at reasonable terms.

Sincerely,



Kirsten Johnson-Obey
Senior Vice President, Public Policy and Legislative Affairs