

Renter Protection Ordinance: Credit Score and History

The Problem with Credit Scores and History:

- About 64 million people in the United States have no credit history or lack sufficient credit history to generate a credit score with the major credit bureaus.ⁱ
- Low income consumers are less likely to access the types of financial services that report to the traditional credit bureaus, which can lead to lower credit scores.ⁱⁱ
- One in five consumers have errors on at least one of their three credit reports.ⁱⁱⁱ
- 25% of all Black people in the U.S. and 20% of Latinx people are not scoreable by traditional credit models (also known as “credit invisible”) due to a lack of credit history.^{iv}
- Those without traditional credit scores include many immigrants, as well as younger, older, and recently divorced individuals.^v
- Credit reports and scores for every US county found that the higher the concentration of a racial or ethnic population in a county, the higher the likelihood that that county would have a low average credit score.^{vi}

How the Ordinance Addresses Credit Score and History:

- Prohibit screening of renters based on credit score alone; allow review of items in credit history that pertain to ability to pay rent.
- Prohibit screening based on lack of credit history.
- Alternatively, property owners may conduct an individualized assessment, considering supplemental information provided by the applicant that explains negative items related to credit history.

ⁱ National Consumer Law Center, *Big Data: A Big Disappointment for Scoring Consumer Credit Risk*, March 2014.

ⁱⁱ *Id.*

ⁱⁱⁱ Federal Trade Commission, *Report to Congress Under Section 319 of the Fair and Accurate Credit Transactions Act of 2003*, January 2015.

^{iv} Chicago Lawyers’ Committee for Civil Rights, *Why Credit Scores have a Race Problem*, June 18, 2019.

^v Center for Financial Services Innovation, *The Predictive Value of Credit Scores*, December 2006.

^{vi} The Woodstock Institute, *Bridging the Gap: Credit Scores and Economic Opportunity in Illinois Community of Color*, September 2010.