

July 31, 2023

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31 Bond Street,  
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Honorable Sandra Thompson  
Director Federal Housing Finance Agency  
400 7th Street, S.W.  
Washington, D.C. 20024

Re: Tenant Protections for Enterprise-Backed Multifamily Properties Request for Input

Dear Director Thompson,

Bilt Rewards Alliance is pleased to share these insights regarding tenant protections for Enterprise-Back Multifamily Properties.

**What is the Bilt Rewards Alliance?:**

Bilt Rewards Alliance (Bilt) is a collection of 3M+ rental homes across the country that lets tenants earn points by paying rent, which can be used towards daily essentials, a down payment on a home, travel, paying rent, workout, and more. Property owners use the Bilt platform to take renter's payments in addition to providing a loyalty program for tenants. The use of the platform is entirely free to both the property owner and the tenant to create a better tenant experience. Because we process transactions for free, we save property owners money that they usually must pay other rent payment platforms for taking payments (whose costs are then occasionally passed onto the renter). We are also able to furnish rental payment data to all three credit bureaus when renters opt in.

Bilt generates revenues through our partnerships such as merchant and bank partners, never from the landlord or resident. For prime customers inside and outside of the Bilt Rewards Alliance, Bilt offers the ability to earn even more points with the Bilt World Elite Mastercard®, issued and administered by Wells Fargo Bank. The credit card has no annual fee and does not charge any transaction fee for using the card to pay rent (while allowing renters to earn 1 point for every dollar in rent). It is the first general-purpose credit card that allows renters to earn rewards on rent, their biggest monthly expense.

**Why Do Tenant Protections Matter to Bilt?:**

Bilt was created for renters. Supporting renters is in our DNA. We focus on making the monthly rent payment, which is typically a renter's largest monthly expense, a rewarding experience. In addition to the standard Bilt Rewards offering, we have also launched a 501(c)3, the Bilt Foundation. The Foundation is currently exploring the efficacy of directing resources toward renters who miss payments for the first time by providing them with access to resources, including financial counseling. Our

responses below reflect our unique position in the market as an intermediary between property owners and tenants.

Our substantive comments to the directed questions in the RFI are summarized as follows:

- The voluntary credit-building-through-rent reporting pilot at the Enterprises should become a compulsory offering for all Enterprise-backed multi-family properties.
- Determinations about the best policy vis a vis “opt-in” and “opt-out” participation in the rent reporting schemes would be greatly enhanced by: (1) re-thinking the way that rent is reported as a credit line and, (2) further study on the duration and severity of any immediate negative impact on credit scores when a tenant has their positive rental history reported.
- Junk fees associated with electronic payment processing charged by landlords should be addressed. The inherent benefits of electronic payment coupled with the widespread existence of private sector platforms to facilitate free payment processing makes these “convenience fees” charged by property owners unnecessary.
- Emergency Rental Assistance and eviction prevention efforts should better address early rental payment defaults.

#### **Substantive Responses to Questions:**

***Question A-3:*** *Are there opportunities for improvements to current Enterprise multifamily programs or policies that would benefit tenants directly? What impact might these improvements have on the finances and operations of multifamily rental housing?*

***Bilt’s Response:*** Bilt is an enthusiastic supporter of the voluntary credit-building-through-rent reporting initiatives at Fannie Mae and Freddie. Bilt also suggests that the FHFA utilize its bully pulpit to advocate for a “smarter” approach to positive rent reporting detailed below and minimize junk fees related to the payment of rent.

First, Bilt endorses the idea of making the Multifamily Positive Rent Payment Reporting pilot permanent and compulsory for any Enterprise-backed multifamily properties. Bilt is interested in learning more about the qualifications of the approved vendor network (which is open for Freddie Mac but currently limited by Fannie Mae to Esusu, Jetty, and Rent Dynamics) that provides the reporting to the consumer credit reporting agencies and the fee structures associated with each. Should the program become permanent and compulsory, Bilt has a significant interest in providing suggestions for the construction of vendor eligibility criteria and program details. For example, Bilt has significant experience understanding the issues around opt-in versus opt-out enrollment for tenants, tenant incentives for participation, resident communication tools, and integration with eviction prevention resources.

Second, Bilt suggests that FHFA and the Enterprises take advantage of their market power to effectuate meaningful changes in the way that rent payment reporting is captured by the consumer credit reporting agencies and the interplay with credit scoring models. Today, each lease is treated as a separate line of credit. A consumer who moves units is penalized each time they move because a new credit line is opened. It is a mistake and misrepresents the impact. We recognize that, unlike consumer credit lines, when a consumer moves and starts a new lease, they are replacing one liability with another. The subsequent “ding” on the credit is unnecessary. Instead, we recommend that leasehold liability be considered a single credit line, regardless of

the current holder, if the lease amounts stay within a few hundred dollars of each other.

Finally, in addition to rent reporting, Bilt also believes that many fees charged by property owners are unnecessary and can be eliminated with cost-effective, private-sector solutions such as the Bilt Rewards platform. Two fees that should be closely reviewed are “convenience fees” which residents are required to pay when a payment is submitted electronically and “failed payment” charges resulting from a payment failing to process due to insufficient funds. In some cases, the property’s payment management system requires payment, and this is passed to residents. With Bilt’s platform, we don’t charge anything for accepting electronic payments (eliminating the need for convenience fees) and verify the resident’s funds before processing a payment (eliminating failed payment costs).

In conclusion, we recommend that the Enterprise multifamily programs examine compulsory rent reporting options for tenants' voluntary participation and that property owners adopt policies to accept any kind of payment electronically and without additional fees.

**Question A-5:** *Describe any gaps in available data that limit the ability to measure and assess the impact of various property management policies, procedures, and practices on tenants and the operations and finances of multifamily rental properties. How could such data gaps be addressed, and what role might the Enterprises play?*

**Bilt’s Response:** As referenced in our response to Question A-3 regarding improvements to current Enterprise multifamily programs, we enthusiastically support the credit-building-through rent-reporting initiative.

As we have examined the credit building benefits to tenants who participate, we note a *significant gap in our understanding of the short-term effects* of initiating rent reporting to consumer credit agencies. Notably, we have anecdotal evidence that at least at the start of every new credit line opening, a meaningful percentage of consumers may see a decrease in their credit score. We do not know the duration of the drop or its severity. This information is necessary to provide tenants with complete transparency about their voluntary rent reporting, particularly if the rent report is opt-out in some properties. Bilt has developed a tool with the support of FICO that allows residents to see the impacts to their credit score before they opt in for rental reporting. Because of the potential for negative impacts to resident’s credit scores, we strongly recommend this approach for all furnishers of rental data.

We recommend that FHFA and the Enterprises quantify the true effects of rent reporting under a variety of scenarios such as a new tradeline, a seasoned tradeline, a tradeline with gaps, and multiple rental tradelines. If negative impacts are observed, it is critical to understand when they occur and when they would be reversed through seasoning. Consumer credit agencies are generally in control of this information, but as a Federal Credit Reform Act permissible purpose user of consumer credit information, the Enterprises may be able to improve the pilot programs on rent reporting by capturing data on credit score changes, with particular emphasis on the short-term and near immediate impacts.

**Question D-2:** *How can the owners and managers of Enterprise-backed multifamily properties reduce evictions and improve housing stability of tenants? What role can the Enterprises play in promoting housing stability of tenants at Enterprise-backed multifamily properties?*

The Bilt Foundation is a newly formed nonprofit that is seeking to not only study eviction prevention but also take action to support more emergency rental support.

*Part 1: Intermediaries Help*

Our research indicates that a consumer's first missed payment is a critical intervention time. Helping someone once they have tripped avoids a stumble or a fall into much more serious delinquency and arrearage. Early intervention to cure a short-term problem at the time the first rental payment is partial or missed can help hundreds of renters avoid a debt spiral. Most support organizations struggle to reach tenants to provide early intervention. ERAP has been designed to provide support in emergencies, usually when a resident is on the brink of eviction and/or homelessness.

The biggest challenge in providing early support is most consumers' reluctance to approach their property manager/landlord about a potential delinquency. Because residents do not have visibility into the services many nonprofits provide, they are unaware of who to contact when in this situation. A visible and trusted third-party payment intermediary like Bilt is an excellent buffer and is available to communicate, educate, and direct resources to the early payment defaulters.

*Part 2: Resources for Early Payment Default as Part of Best Practices for ERAP*

Today, most state and local emergency rental assistance is being utilized by renters who are at the greatest risk of eviction-related homelessness. By one argument, this is good stewardship because it directs funds to the individual most in need and crisis. However, it neglects the value of early intervention. As a result, Bilt argues that when ERAP sources are made available, there is a set aside for and qualification for borrowers who are only behind by one or two payments. Often, the dollar size of the support will be smaller, and result in high-impact support before conditions deteriorate to the point where eviction proceedings commence or are threatened.

The Bilt Foundation is beginning to test the cost-effectiveness of early intervention in preventing evictions. By working with the property management team, the Foundation can connect residents to helpful resources through a financial advisor. Because of many residents' familiarity with Bilt Rewards, the Bilt Foundation can increase visibility and accessibility to services.

HUD has recognized that one challenge faced by ERAP and other programs is the administration of things like the application process, fund disbursement, etc. As the Bilt Foundation observes residents accessing various services, we will also assess the technologies being used. It is possible that providing free technology for nonprofits to use to distribute and manage their services will increase penetration of the government support to the communities that are hardest to reach. It is important that this be done in coordination with the industry, as many are developing similar types of tools. We strongly recommend FHFA help coordinate these efforts. The Bilt Foundation is available to support and potentially fund solutions in this area. We believe early intervention coupled with easy-to-access solutions is the best way to reduce overall evictions.

#### **IV. Conclusion and Contact Information**

Thank you again for your attention to these issues. Bilt would like to be a helpful partner and resource to FHFA as it weighs its next steps in establishing common-sense renter protections. As a company that operates as an intermediary between property owners and tenants, we have insights into both and experience in the balance of interests.

If you have any questions about our responses or would like to further discuss any of these concepts, please do not hesitate to reach out. I can be reached at [jlawless@biltrewards.com](mailto:jlawless@biltrewards.com) or (202) 210-9183.

Sincerely,



Jon Lawless

Head of ESG & Homeownership

Bilt Rewards