

3 Programs to Boost Credit Scores

By Doug Leeson, Principal

There are a few existing and upcoming programs that aim to help consumers demonstrate responsible financial behavior in areas not previously visible to the credit-reporting companies. When seeking credit for a mortgage or other large purchase, the consumer's credit score, most commonly known as "FICO score", is paramount to securing favorable interest rates.

Rental reporting

Paying your rent on time can now help your credit score. Such reporting is handled either by big landlords and property-management companies or by individuals who go through a company that verifies and reports the payments.

RentTrack works with housing companies that control many units and reports rent payments to all three credit-reporting companies. Either the property company or the renters pay a fee, about \$2.95 per month in the latter case. If renters want to submit their own payment history, they can do so through RentTrack's CreditPop division. Renters sign up free but pay \$6.95 a month for their payments to be reported to Equifax and TransUnion. Users allow CreditPop access to bank-account activity so that their rent payments can be verified.

Rental Karma, which reports payments to TransUnion, works similarly to CreditPop. Renters pay a \$25 enrollment fee and then \$6.95 a month. Maitri Johnson, a vice president at TransUnion, which created a program called ResidentCredit, says that they have "found that subprime renters—on the lower scale of the credit scores—when they make timely payments, they can improve their score by 18 points over six months."

Phone and utility bills

Experian Boost, a free program launched December 2019 by credit-reporting company Experian, factors household payments for services like telephone, cable and utilities into a person's FICO score. Consumers connect Experian Boost to the bank account they use for paying these bills. The program then pulls the relevant payment history and immediately recalculates their FICO score.

Experian says more than two million consumers have enrolled in the free service, with an average score boost of 10 points. The company says bank-account numbers or online access information aren't shared.

"The argument for getting rental and utility payment into the files is that you get the positive impact of making those payments on a regular basis," says Jeff Richardson, vice president at VantageScore Solutions, which created the VantageScore model. "Because if those accounts go to collection you would get the negative, but you wouldn't have gotten any credit."

One caveat: Since the program is offered through Experian, only Experian's credit report will reflect a boost in the FICO score based on those payments.

Bank accounts

In a program expected to launch to consumers in 2021, FICO will begin taking into account consumers' banking habits. Under the free program, called UltraFICO, consumers sign up to allow the program to link to their checking, savings or money-market accounts. Consumers are then rated on factors including the account balances they maintain, how long the accounts have been open and avoiding overdrafts. FICO says the service won't have access to a customer's private bank information.

Ted Rossman, industry analyst at CreditCards.com, says all these programs gather "consumer-permissioned" data that might give lenders more insight into behavior and potential risk.

"For example, you may have a 620 credit score but a lot of cash in the bank," he says. "You can imagine that person might be more creditworthy than a person with the same score with not much in the bank."