Rental KHARMA
Good Renters Deserve Good Credit™

March 29th, 2018

Director Melvin Watt
Federal Housing Finance Agency
Office of Housing and Regulatory Policy
400 7th Street SW, 9th Floor
Washington, DC 20219

Re: FHFA Credit Score Request for Input

Dear Director Watt,

Thank you for the opportunity to share our insights into the important change relating to credit scores.

What Is Rental Kharma?
Rental Kharma is a rent reporting service that enables renters to report their rental payment history on their TransUnion credit report. We can report ongoing payments as well as retroactively report up to 2 years of past rental payment history.

Why I started Rental Kharma!
Following the collapse of the economy in 2008, I became a renter again after a decade of home ownership. The economy had tanked and my family was among millions of others that lost most of their net worth. In 2010 I pulled my credit score for the first time in many years. I was shocked to see that my score was in the low 600s and the only item that was showing on my credit report was one credit card that I had open. There was nothing else reporting at that time, since I no longer had a mortgage. I then thought, what else can help me improve my score? Going into debt to reestablish credit seemed like an oxymoron. I quickly realized that our biggest monthly expense, rent, was not showing up on my credit report. My first thought was, someone has to have created a way to make this happen. So I began Googling to find a solution to my problem. What I found was one division inside of Experian called RentBureau. Unfortunately, they had no consumer facing solution to report the rent I pay my landlord each month. They only help a small number of renters that rent from very large property management companies. This was not a comprehensive solution for the 100 Million renters in America. After doing some more research I realized this is a huge problem and one that screams inequality. There is no such thing as a 30 year fixed rate rent in the U.S. Why are renters not getting the credit score they deserve. Thus the long time entrepreneur in me started Rental Kharma. Since our product launch in 2015 we have helped over 25,000 families get significantly better credit scores.

Below are our responses to the questions in the RFI.

Question A1.6: Do you have a recommendation on which option FHFA should adopt?
Response: Rental Kharma supports credit score option #2 and the use of FICO 9 & VantageScore 3.0. The use of both scores will open up the opportunity for more Americans to qualify for a home loan. Further, inclusion of Vantage Score will greatly reduce the consumer confusion in credit scores. For example, most every free credit score monitoring service used by consumers uses the Vantage Score and is the primary source of credit education for American consumers. Credit Karma(no relation to Rental Kharma) has 70 Million active users using the Vantage Score for educational purposes.

It is very common in the mortgage industry that a consumer will meet with a loan officer, the loan officer will pull their credit. Most often the score pulled by the loan officer is much lower than the one the consumer sees in their Vantage Score powered credit monitoring service. This is caused by a couple of factors.

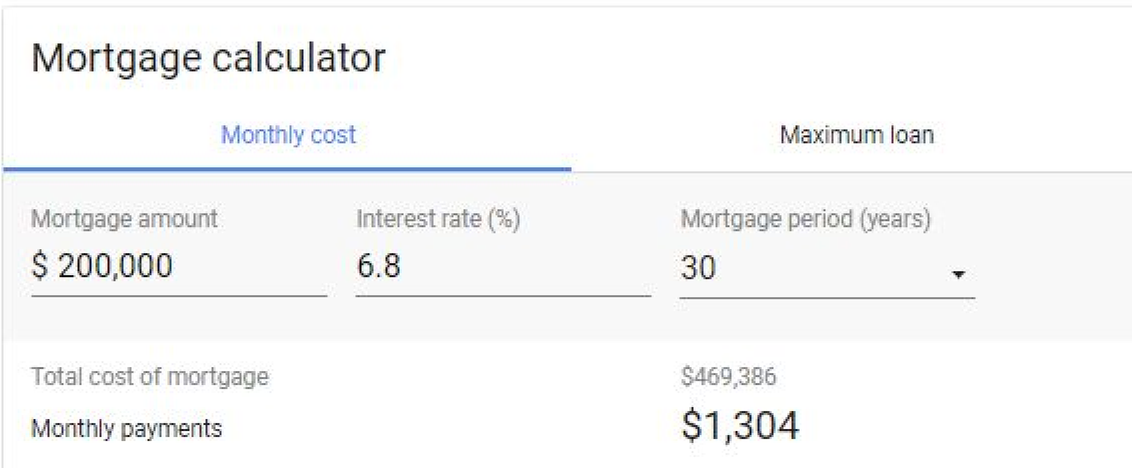
1. The old models penalize consumers for medical collection the same as normal collections. The new scoring models weigh medical debt much lower. This is because 43 million Americans have medical collections on their credit reports.
2. The old models did not include things like rent, telco & utility data. Vantage Score pioneered the inclusion of this vital data in our modern society.

Rent has been proven by our company to be a powerful credit building tool. The average renters that uses our services see a ***30-50 point score increase*** *in as little as 2 weeks. This is a great way for people to establish or improve their credit without having to go into debt to build good credit.*

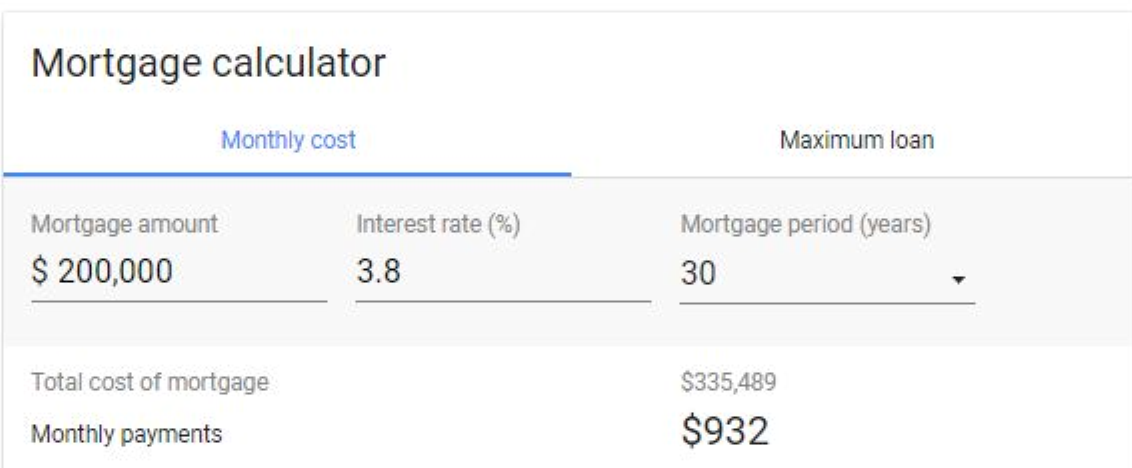
Question A1.7: Do you have additional concerns with or insights to share on the Enterprises updating their credit score requirements?
Medical debt is not treated fairly by credit scoring models. Once the medical debt has been paid off or settled it should be deleted from the consumer file. Unlike almost all other forms of debt, medical debt is not something a person chooses to take on. It is the broken health care system that burdens Americans with outrageous bills for services they were never told how much the medical service would cost. Medical expenses should be treated differently and once the debt has been settled it should no longer count in a negative manner on the consumer's credit score.

Question A2.1: What benefits and disadvantages would you envision for your business, your business partners, and/or borrowers under each of the options?
Response:
Benefits for our business: Under any of these scenarios our company will see continued growth.
Disadvantages for our business: We see no disadvantage to our business.
Business Partners: Real Estate and Mortgage Professionals will see an increase in business.
Benefits for borrowers: More borrowers will be scorable and gain access to more affordable financial services like a 30 year fixed rate mortgage at a time when interest rates are at all time lows. This is the most affordable time in American history to buy a home.

2006 Monthly Cost of $200,000 Mortgage



2018 Monthly Cost of $200,000 Mortgage = 40% LESS EXPENSIVE TODAY!



Question A2.7:
What impact would any of the credit score options have on a need for consumer education? What impact would the multiple credit score options (options 2-4) have on consumers? Are there steps that FHFA, the Enterprises, or stakeholders could take that would mitigate any confusion about multiple credit score options?
Response: Upgrading to the new model and specifically including VantageScore 3.0 will make consumer education vastly easier. Being that companies like Credit Karma currently educate 70 Million consumers on their credit score along with providing them the tools to improve their score it makes perfect sense for consumers to know exactly what there score is for any type of lending decision. Also, the act of applying for loans with more than one lender has negative impacts for consumers. If a consumer has confidence in their score and the requirements needed for approval there will be far less confusion.

Question A3.1:
Given that the CRAs own VantageScore Solutions, LLC and set the price for both FICO and VantageScore credit scores, and own the data used to generate both scores, do you have concerns about competition? If so, please explain your
Response: We are far less concerned about the competition aspect of this. One would assume that standardized pricing for all the reports would be the logical answer. We believe this issue is far more important for the American consumer.

Question A3.3:
What would be the benefits of lender choice if the number of qualified borrowers remained unchanged or changed only modestly from the credit score you are using today to underwrite borrowers for loans sold to the Enterprises?
Response: We do not believe this to be true. We believe that the size of market opens up to the 100 million renters that are in a system that does not offer up the option of a 30 year fixed rate rent. Home ownership is at an all time low. With home ownership being the #1 vehicle to build wealth in America, many more consumers will have a chance provide better for their families.

Question A3.5:
Could competing credit scores in the mortgage underwriting process lead to a race to the bottom with different vendors competing for more and more customers? What steps could FHFA take to mitigate any race to the bottom?
Response: NO, the credit score is simply a gateway to the ability to be underwritten. The use of multiple scores simply enables more qualified Americans to gain access to home ownership and the opportunity to obtain a 30 year fixed rate mortgage VS. being held captive in a life of renting and continual rent increases.