



## **Correcting credit: What happens when a consumer's credit report is bad - but inaccurate?**

May 13, 2013 - Design / Build

When it comes to screening rental applications, credit history is a vital piece of information. Credit information supplied by major credit bureaus helps applicant screening agencies determine whether a prospective renter is of sound financial standing and able to meet the monthly obligation to pay rent for their new apartment. From a business perspective, it's crucial for apartment providers to minimize their risk when it comes to taking on new leaseholders.

Credit reports are based on debt obligation and payment history information from a nationwide network of credit bureaus, and compiled by one of the three largest credit bureaus, Experian, TransUnion, or Equifax. Businesses, including apartment communities, use these reports to determine a consumer's credit risk based on their history.

But what happens when a consumer's credit report is bad - but inaccurate? A recent Federal Trade Commission study found that credit report errors are frighteningly common. The study indicated that as many as 42 million Americans have errors on their credit reports - and 20 million of those errors are significant mistakes.

Bad credit is not only damaging for those consumers with a credit report containing an error. It's also bad for multifamily apartment providers, who may be turning away viable prospective residents based on faulty information. This can result in higher vacancy rates and longer lag-time between apartment turn over - two things all real estate companies want to avoid.

One leading resident application screening system works for multifamily communities to ensure they are welcoming qualified residents by reviewing credit and criminal history. This company understands that sometimes credit reports contain errors, and has a Boston-based consumer relations team dedicated exclusively to working with apartment applicants who wish to dispute the accuracy of information in their files.

"Yardi takes the consumer dispute process very seriously. Nothing is more important to us as a Consumer Reporting Agency than the accuracy and integrity of consumer files," said Patrick Hennessey, director of Yardi Resident Screening. "While we do not have any direct control over the information contained on the reports provided by Experian, Equifax, TransUnion, or other third party consumer data aggregators, our consumer relations team works hard to help our clients' applicants initiate disputes with the major bureaus when they feel something is inaccurate."

As a renter, the first step you can take to protect yourself from credit report errors is to review your own credit report. Given the FTC survey results, it's clearly more important than ever to review your credit report from all three major credit bureaus to make sure there are no mistakes. If you do find a mistake, the process to resolve it can be a lengthy one.

If you haven't checked your credit score in a while, this study should be a strong reminder of the importance of self-monitoring your credit. If you review your report and find that errors have been

made, what can you do?

A few tips for renters concerned about their credit:

Check your own credit before beginning the rental application process. Know your credit score and how it ranks given standard parameters for acceptable risk. FICO scores range from 300 and 850. Lenders and companies offering credit have individual standards for what constitutes a subpar score and a reasonable credit risk. The same goes for property management companies.

If you find an error on your report, review the information provided by the FTC regarding the best ways to dispute an error on your credit report and follow the preliminary steps to resolve the error by submitting a request in writing and supporting documentation.

Work with an advocate. If you are an apartment renter and struggling with an inaccurate credit report, an outside agency or advocate may be able to help you.

For property managers, pointing prospective residents with credit concerns toward the appropriate resources can be an excellent way to build goodwill with your customers and find prospects with solid credit along the way.

Leah Etling is a writer with Yardi Systems, Inc., Santa Barbara, Calif.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540