

Got Credit? New Law Gives Tenants the Right to Elect to Have their Rent Payments Reported to Credit Agencies

SB 1157, which adds section 1954.06 to the California Civil Code, goes into effect July 1, 2021 and continues until July 1, 2025. This law requires landlords of "assisted housing developments" to offer tenants to have their rental payment information reported to at least one of the national credit reporting agencies. The intent of the statute is to help tenants establish a credit rating. Assisted housing developments are defined as multi-family rental housing developments that receive governmental assistance under a variety of programs such as, among others, Section 8 project-based assistance, certain tax-exempt private activity mortgage revenue bonds, Community Development Block Grant Program, HOME Investment Partnership Program, USDA 514 and 515 housing, and certain assistance provided by cities and counties in exchange for restrictions on the maximum rent that may be charged. The full list of programs can be found in Government Code section 65863.10.

For leases that existed prior to July 1, 2021, a landlord must offer the tenant the rent reporting no later than October 1, 2021. For new leases entered into July 1, 2021 or later, the landlord must make the offer at the time of the lease agreement. For all leases, the offer must be made again annually. The following information must be included with the landlord's offer to report the rent:

- A statement that reporting of the tenant's rental payment information is optional;
- Identification of each consumer reporting agency to which the rental payment information would be reported;

- A statement that all of the tenant's rental payments would be reported, regardless of whether the payments were timely, late, or missed;
- The amount of any fee that would be charged. The fee cannot be more than the lesser of the actual cost to the landlord to provide the service or \$10 per month. The payment or nonpayment of the fee would not be reported to the consumer reporting agency;
- Instruction on how to submit the written election of rent reporting to the landlord by mail, as the election must be in writing and the landlord cannot accept the rent reporting election at the time the offer is made. The landlord must provide a self-addressed, stamped envelope to the tenant to return the rent reporting election;
- A statement that the tenant may opt into rent reporting at any time following the initial offer by the landlord;
- A statement that the tenant may elect to stop rent reporting at any time, but that they will not be able to resume rent reporting for at least six months after their election to opt out;
- Instructions on how to opt out of reporting rental payment information; and
- A signature block that the tenant will date and sign in order to accept the offer of rent reporting.

These requirements do not apply to a landlord of an assisted housing development that contains 15 or fewer dwellings, unless the landlord owns more than one assisted housing development and the landlord is either (1) a real estate

investment trust, (2) a corporation, or (3) a limited liability company in which at least one member is a corporation. (Note that limited partnerships can own multiple 15-unit assisted developments without being subject to the statute.)

For more information, contact Gabrielle Janssens (gjanssens@goldfarblipman.com), Karen Tiedemann (ktiedemann@goldfarblipman.com), M David Kroot (mkroot@goldfarblipman.com), or any other attorney at Goldfarb Lipman LLP.

Law Alert is published by Goldfarb & Lipman LLP as a timely reporting service to alert clients and others of recent changes in case law, opinions or codes. This alert does not represent the legal opinion of the firm or any member of the firm on the issues described, and the information contained in this publication should not be construed as legal advice. Should further analysis or explanation of the subject matter be required, please contact the attorney with whom you normally consult.