



# Renters Assurance Act

POLICY BRIEF FOR 2022 LEGISLATION

**More than 70% of  
denied rental  
applications are due to  
insufficient financial  
and rental history.**

**Let's make it 0%.**

The Renters Assurance Act is a proposal that re-imagines the role that financial and rental history plays in rental applications, providing more security for landlords and more access for renters.

Provided by the Oregon Open Door Coalition



# Problem: Renters are being turned away from housing

For thousands of Oregon families, there's not much difference between an economic crisis and a housing crisis. Even available housing stock is out of reach for many rental applicants with poor credit or a thin rental history --- even if they have stable jobs and adequate income. In fact, over 70% of all denied rental applications are directly due to insufficient financial history.

**Lease assurance protection can change that, allowing these denied applicants an opportunity to access housing while protecting landlords from losses.**



**The New York Times Magazine**

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**When No Landlord Will Rent to You, Where Do You Go?**

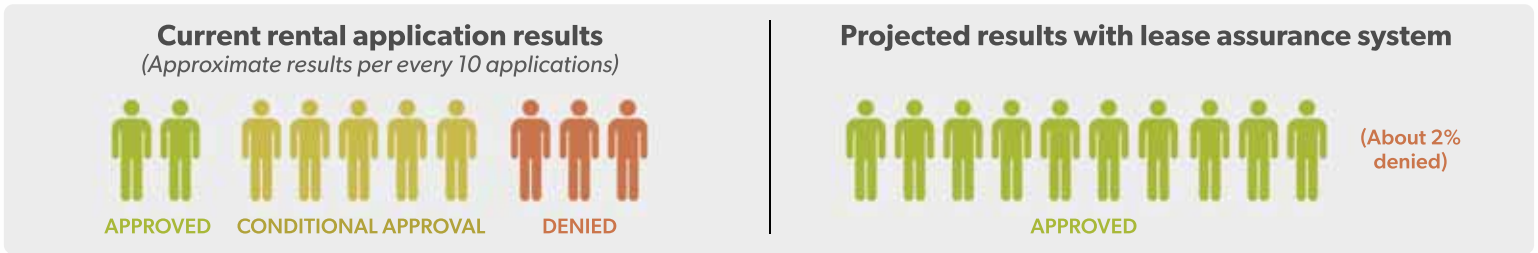
“Lack of supply isn't the only hurdle for low-income renters. Private landlords can legally reject would-be tenants based on their income, bad credit or previous evictions, and in many places they can freeze them out by requiring steep deposits and two months of rent up front. This makes formal housing, with its yearlong leases, set rates and clear tenancy rights, unavailable to millions.”

May 20, 2021

## Solution: Lease Assurance Protection

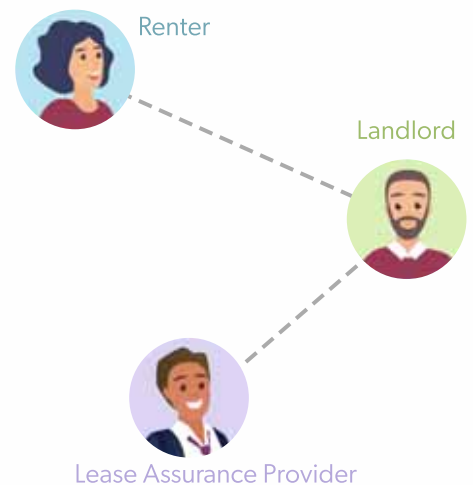
Lease assurance is like an insurance product for renters and landlords, and the nation's first affordable way to dramatically expand access to quality rental housing for the people who have traditionally found those doors closed. If necessary, a third-party lease assurance provider covers a rental application, which guarantees payment to landlords of up to three times the rent amount if needed. It's entirely voluntary for the renter, who pays a nominal fee alongside their rent, based on their history. This assurance reduces risk and increases the number of qualified applicants, so both sides can rent with confidence. Think of lease assurance like an insurance product for your lease, similar to car insurance.

Lease assurance will be the first product that protects both the landlord and the renter. If things don't work out and the landlord has a financial loss, the lease assurance provider makes them whole, while the renter can walk away with absolutely no debt or impact to their credit. (Though their next lease assurance fee may see a marginal increase.)



### How it works:

- 1 A renter applies for housing where they make at least 2-times the rent.
- 2 Based on the renter's history and how much of a security deposit they want to pay, a monthly lease assurance rate is offered.
- 3 If the renter would be denied based on their financial or rental history, they have the option to enter into a lease assurance arrangement to get their application approved. (Renters might still be denied based on criminal history.)
- 4 The renter chooses a security deposit and premium amount and moves into the home they love!
- 5 If there is an outstanding amount to be paid to the landlord at the end of the tenancy, it is covered by the lease assurance provider (up to a cap of 3 months rent). Similar to car or health insurance, the renter is never liable for any funds paid out to the landlord from the lease assurance provider.



# From a User Perspective


## For Renters:

- ✓ Renters will no longer be required to pay a security deposit or have to worry about how dings in their credit or rental history will affect their ability to get housing. In addition, renters have an opportunity to establish a pattern of paying rent on a regular basis to build or repair their credit and/or rental history (which may mean they can re-apply to lower or eliminate their lease assurance payments).

## For Landlords:

- ✓ A recent survey of local landlords with 5,000+ units under management showed that **97% of all leases that resulted in bad debt would have been covered in full had landlords had the ability to access additional coverage of up to 3x the monthly rent.** This means that lease assurance will have an immediate protective impact on landlords.

**Examples** Here are several examples of how a lease assurance model might help different types of individuals looking for housing:



### "Jorge"

Jorge is just starting out on his own. He has a stable job, but no credit rating or rental history. Under current housing laws, his application would likely be denied.

Jorge's lease assurance cost is based on his profile and cost of the unit. With lease assurance, he's able to move in and start building his credit.

**INCOME-TO-RENT RATIO: FAIR**

<math>x2</math> | <math>x2.5</math> | <math>x3</math> | <math>x3.5</math>

**CREDIT SCORE: POOR**

<math><400</math> | 450 | 500 | 550 | <math>>650</math>


**COLLECTIONS OR PROPERTY DEBT: GOOD**

>\$5K | \$4K | \$3K | \$2K | \$0

**LENGTH OF RENTAL HISTORY: POOR**

0 yrs | 1 yr | 2 yrs | 3 yrs+

Premium: **\$36/month**



### "Melissa"

Melissa has a good job and fair credit rating, but has trouble finding a place because several years ago she was on a lease with a roommate who didn't pay their share of rent on time. Under current laws, her application would likely be denied.

With lease assurance, she can still get into the apartment she wants, while she looks for better roommates!

**INCOME-TO-RENT RATIO: GOOD**

<math>x2</math> | <math>x2.5</math> | <math>x3</math> | <math>x3.5</math>

**CREDIT SCORE: FAIR**

<math><400</math> | 450 | 500 | 550 | <math>>650</math>


**COLLECTIONS OR PROPERTY DEBT: POOR**

>\$5K | \$4K | \$3K | \$2K | \$0

**LENGTH OF RENTAL HISTORY: GOOD**

0 yrs | 1 yr | 2 yrs | 3 yrs+

Premium: **\$39/month**



### "Thomas"

Thomas has an awesome job and a stellar credit rating. Under current housing laws, his application for an apartment would be approved, but he'd still have to pay several thousand in deposits.

Because Thomas is saving up for a down payment on a house, he decides to pay a lease assurance premium in lieu of a deposit.

**INCOME-TO-RENT RATIO: GOOD**

<math>x2</math> | <math>x2.5</math> | <math>x3</math> | <math>x3.5</math>

**CREDIT SCORE: GOOD**

<math><400</math> | 450 | 500 | 550 | <math>>650</math>

**COLLECTIONS OR PROPERTY DEBT: GOOD**

>\$5K | \$4K | \$3K | \$2K | \$0

**LENGTH OF RENTAL HISTORY: GOOD**

0 yrs | 1 yr | 2 yrs | 3 yrs+

Premium: **\$33/month**

*(List of factors is intentionally partial, as this formula will be proprietary to each lease assurance provider.)*

## Legislative Concept

The Renters Assurance Act, planned for Oregon's 2022 Legislative Session, would incorporate lease assurance into Oregon's housing system. Its main components are:

**(Measure sunsets in 2026 if no further action is taken.)**

### Defining lease assurance products:

- Lease assurance products are described as financial products held by the landlord, where a third party provider agrees to guarantee a tenant's financial obligations under their rental agreement.
- Lease assurance providers are regulated by Oregon Housing and Community Services.
- Providers may not be landlords, and landlords may not derive any profit from issuance of lease assurance product.

### Outlining requirements and protections for landlords:

- Landlord is not required to offer lease assurance if no products are available.
- Landlord must accept lease assurance agreement if tenant makes at least 2x the rent amount.
- No changes to criminal history screening.

### Establishing protections for renters:

- Initial cash deposit is capped at one month's rent to avoid "gaming" the system with high deposits. (The landlord's liabilities are still protected beyond that with the lease assurance amount.)
- Neither the landlord nor the lease assurance provider may seek damages from the renter for any amounts covered by the agreement.
- Acceptance of a lease assurance agreement is optional for the renter.

# Frequently Asked Questions

## **Will every property a renter applies for accept lease assurance coverage?**

Yes, when this concept passes, landlords across the state of Oregon would accept lease assurance. This means that a renter can confidently apply for any property where they earn 2x the rent.

## **Why should a renter use lease assurance?**

Lease assurance can open doors to rentals that might otherwise be closed to a renter. There is no fee to apply, and as long as a renter earns at least 2x the rent, they'll be approved. Renters can choose whether or not to pay 0, 25, 50, 75 or 100 percent of the deposit. (Paying a higher deposit amount translates to a lower premium. Paying a lower or even no deposit means a slightly higher premium, but less upfront moving costs.) Renters can decide which option works best for them. And, if the lease ends with money owed to the landlord, lease assurance covers it.

## **How much does lease assurance cost?**

The average monthly premium is about \$50 per month. This is based on an average monthly rent of \$1,000. The price can vary depending on a few things like background check and the payment option chosen. Renters will be able to choose a premium that fits their budget before they sign up.

## **How long does it take to get approved for lease assurance?**

It can take up to 24 hours, but most applications are approved instantly.

## **When should I apply for lease assurance?**

The lease assurance application will be built into the rental application process. Most landlords will show renters their lease assurance premium options at the same time as the results of their application. This means there's no extra step for a renter to take! Simply find a property and apply for the unit.

## **Will applying for lease assurance affect a renter's credit score?**

No. The background check won't impact credit scores.

## **What if a renter has a criminal history?**

The Renters Assurance Act does not affect a landlord's criteria with regard to criminal history.

## **What happens when a lease expires?**

If a tenant's application was initially denied then when the lease expires, they can reapply to see if they qualify without lease assurance or qualify for a lower premium. All renters can always choose to renew their lease assurance coverage for the great protection that it offers!

## **What are a renter's lease obligations?**

Renters are obligated to all the terms and conditions of the lease agreement. If a renter stops paying rent or the lease assurance premium, is evicted, or otherwise breaks the lease, the landlord is covered for lost rent and actual damages up to 3x the rent amount. A claim against the lease assurance policy may affect the renter's future premium amounts.

## **Will renters be required to use lease assurance?**

We believe most renters will be excited to use it to lower their deposit payment or get their application approved if they've had a rocky past. But renters are always free to pay the full deposit, or walk away and find a place they qualify for on their own.

## **What is the refund policy?**

Similar to car insurance or health insurance, the lease assurance premium is non refundable.

## **Why does lease assurance require landlords to have a cap on deposits?**

Without that cap, some landlords could significantly raise deposits in an effort to force renters into choosing lease assurance because it comes with more coverage. That just wouldn't be fair.

## **How does lease assurance work with a local ordinance like FAIR?**

When a landlord approves an applicant under the conditions of them purchasing lease assurance, the applicant is considered "conditionally approved" not denied, so no individual assessment would be required of landlords in that case.

## **How does a renter pay the lease assurance premium?**

Renters pay the premium to the landlord along with the monthly rent. The landlord pays that to the lease assurance provider.



**The COVID crisis has been hard on everyone.** With the end of the eviction moratorium and the renter protections due to expire, COVID-era evictions and landlord debt will become a major barrier for renters seeking housing. The Renters Assurance Act will get these renters the access to housing that they need, while giving landlords the financial assurances they need.

## More Information



*The Renters Assurance Act is being proposed by the Oregon Open Door Coalition, a project of OneApp, Inc. OneApp innovates private-sector rental options in order to create housing opportunities for even the most vulnerable renters and lead to more equitable housing outcomes.*

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