



Understanding the impact of the National Consumer Assistance Plan (NCAP)

How this affects your resident criteria and
overall depth of information

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Rental History Reports

As of July 1, 2017, a policy change impacting all new and existing public record data furnished by Experian®, Equifax®, and TransUnion® will be held to the new standards set for by the NCAP. While the implementation of these standards will occur over a three year period (with full implementation expected by March 2018), the three major credit bureaus have begun to take steps to improve data accuracy and quality right now.

Why the policy change?

For their part, the three national credit bureaus have been tight-lipped about the details of their July 1 changes. Mortgage lenders say they've heard nothing from the three bureaus and are in the dark about the possible ramifications. David H. Stevens, president and CEO of the Mortgage Bankers Association, said that "nobody" in the mortgage industry "knows about this."

In response to a request for comment, the bureaus' national trade organization, the Consumer Data Industry Association, provided a statement indicating that the changes are part of the bureaus' "National Consumer Assistance Plan," following a settlement in 2016 with 31 state attorneys general over alleged problems with credit reporting accuracy and correction of errors on credit reports.

Eric J. Ellman, the group's interim president and CEO, said the bureaus have adopted "enhanced public record data standards for the collection and timely updating of civil judgments and tax liens." The standards will apply to new and existing data in files and will require that the public records sources include the individual's name, address and Social Security number or date of birth. Public records sources also will need to be updated on a timely basis to be eligible for inclusion in credit files. Most civil judgment data and up to half of tax lien information cannot currently meet these tests, according to one industry estimate.

What is the National Consumer Assistance Plan (NCAP)?

Established in September 2016, NCAP establishes new standards for a record to appear on a consumer credit report. Moving forward, new and existing public record data will have to adhere to these two standards:

1. The minimum is required of consumer identifying information: name, address, social security number and/or date of birth.
2. The minimum frequency (at least every 90 days) of courthouse visits to obtain newly filed and updated public records is required.

While Experian® and the other bureaus "anticipate no change to bankruptcy public record data", since bankruptcies are typically filed with the minimum consumer ID information like SSN, civil judgment, public record and tax lien data are affected. In fact, the preliminary analysis by Experian® projects that about **96%** of civil judgement data might not meet the new standards. For tax lien data, they're expecting "as much as **50%** of this data may not meet the enhanced PII requirements."

Information that will no longer appear on credit reports

- Debts that did not arise from a contract or agreement to pay (think library late fees, parking tickets, etc.) can no longer be reported at all.
- Tax liens that do not contain a full SSN or DOB on the public record.
- Civil judgments that do not contain a full SSN or DOB on the public record.

Note: there has been some chatter that the process for removing these records is lengthy, and that it may take several months before all of the civil judgments not meeting the new criteria are removed.

The upcoming changes in Phase Two

On September 15th, 2017, the second phase of the National Consumer Assistance Plan (NCAP) will go into effect. This next big push will affect medical debt collection accounts. The following data reporting changes will become effective:

- Medical debt may not be reported until 180 days past due. This is to ensure there is enough time for insurance appeals, etc. to go through prior to negatively affecting a consumer's credit report.
- Paid medical debt will be removed immediately.
- The bureaus will begin requiring all furnishers to submit full SSN/DOB data. Any trade line/collection/judgment data that does not contain the required information will not be placed on a credit report. This should greatly reduce the number of mixed file or "not my account" disputes.

The effects of Phase One and Two

When considering the new PII Standard that requires a consumer's name, address, SSN and date of birth; the preliminary analysis done by Experian® projected that about 96% of civil judgement data, coupled with as much as 50% of tax lien data would not meet these particular new standards. Since the preliminary analysis, TransUnion® released a [whitepaper](#) in July, 2017 that did not specify the changes to civil judgement data (only stating that there is "significant change") and that a minimum of 60% of tax lien public record data will be removed. Due to the phase one changes, you'll want to rely on your screening vendor to provide other options and eviction data, as the presence of a civil judgement record is no longer reflected on the credit score.

Phase two also has the potential to drastically impact the rental market, depending on which credit scoring model your company uses. Prior to NCAP, FICO® utilized medical debt within its credit scoring algorithm. Once phase 2 goes into effect, rental applicants with medical debt might see an increase in their FICO® credit score, spurring an increase eligible rental applicants. Regardless of which credit scoring model is used by your tenant screening company, you will not see any medical debt that is less than 180 days old, or will be paid in full by an insurance provider, on your credit

reports. Depending on your property's written rental requirements for debt, you might see an influx of eligible rental applicants that wouldn't necessarily have qualified prior to September 15th.

What you can do to protect your investment

While the full effect of these changes won't be known for months (or even a year or more), moving forward you should rely on additional methods to vet rental applicants. If the initial estimate of 96% of civil judgement data and 1/2 of all tax lien data do not in fact meet the new standards (and are thereby removed), it's likely that a removed civil judgement record will not be reflected in the credit score. Rather than relying on a low credit score to indicate a civil judgement record, you'll want to inquire with your tenant screening service to see if manual civil record searches and/or eviction searches can be provided to supplement your existing package.

What Rental History Reports can continue to offer

- RentBureau® payment/lease data.
- Eviction searches from public record providers who are unaffected by the NCAP changes.
- Rental References based on address history.
- Housing collection records on credit reports – paid housing collections will still be reported for 7 years, unlike paid medical collections.

An important point to note: prior to these changes taking place, the credit bureaus only reported approximately 10% of eviction cases. While that number will now be even smaller, our customers have derived far greater benefit from our separate eviction searches and rental reference data than they have from the public record section of a credit report.

Please direct any questions related to the information provided within this paper; or for a complimentary analysis of your current criteria and/or screening package configuration to:

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