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Rising Rents for Millennials Give Rise to a New Breed of Lender

New lenders are entering what was once the realm of payday lending, pitching loans for renters, as cities grow increasingly unaffordable

BY WILL PARKER | ORIGINALLY PUBLISHED ON MAY 13, 2019 | [THE WALL STREET JOURNAL](#)



Jennifer Burnes, of Los Angeles, turned to StayTony, a rent-lending startup.
Morgan Lieberman for The Wall Street Journal

Jennifer Burnes says the paychecks from her work as a model and designer in Hollywood arrive sporadically, posing a challenge to paying monthly rent. "You know the check's on the way, you just don't know when, exactly," the 22-year-old said.

That is why she's turning to StayTony. It is among a handful of startups—like Domuso, Till and Uplift—offering loans to renters recently out of college, professionals moving to a new city, and others who want to build credit or could use assistance making rent payments.

These companies are stepping into a market long associated with payday lenders. Unlike cash-advance loans, which come with annual interest rates as high as 700% in some states, the rent-lending startups make loans available at a much lower cost. Some are competitive with credit card borrowing rates at less than 20%.

That is a big help for those who rely on irregular paychecks or can't come up with large move-in deposits.

The pitfall to this type of credit is that loans might encourage some young renters to live beyond their means. Large cities often have high costs of living that can push them deeper into long-term debt and strain their credit scores.

Rising housing costs and a several-decade trend of stagnating real wages are making it harder for many tenants to make their rent payments. Median rent nationally hit an all-time high of \$1,006 a month in the first quarter of 2019, according to Census Bureau data.

Some renters are now looking to credit as an answer. Outstanding consumer credit, which doesn't include mortgage loans, exceeded \$4 trillion for the first time last year, according to data from the Federal Reserve.



A view of Los Angeles this month. Median rent nationally hit an all-time high of \$1,006 a month in the first quarter of 2019, according to Census Bureau data. *Morgan Lieberman for The Wall Street Journal*

A 2017 survey of more than 100,000 renters by the National Multifamily Housing Council, a landlord group, showed 3% of those surveyed paid rent with credit cards. As many as 16% said they would put the rent on plastic, if their landlords would accept it.

"As rents have gone up, we get more and more emails and phone calls where people would ask us if they could pay their rent over time," said Tony Diamond, founder of StayTony, which manages upscale apartments in the Los Angeles and Atlanta areas.

The company recently began allowing tenants to finance up to three months of rent over a 12-month period, joining with the loan vendor Uplift, which made a name for itself financing family vacations.

StayTony hopes its renter loans will appeal in particular to recent college graduates. It offers, through Uplift, loans up to \$16,000 that carry no interest for the first six months and an annual interest rate of 15% to 17% on average after that.

Other companies offering rental loans see their products as a backup for tenants in more precarious circumstances. Till, which advertises its loans as four times cheaper than payday shops, pitches rental financing to renters and landlords as a tool to avoid evictions.

Data on how often renters default on their loans is hard to come by, and most of the rental lending companies won't share that information. Some lenders suggest one measure could be the "serious" borrower delinquency rate on unsecured personal loans, which is defined as borrowers who are more than 60 days behind on payments. It stood at 3.6% in the fourth quarter of 2018, according to the credit agency TransUnion.

At least one startup in the rental loan business has already tightened credit standards. Domuso, a West Coast digital-payment company focused on the multifamily apartment business, this year said it would no longer offer loans to renters with subprime credit.

Domuso co-founder Michael Lightfoot said the decision reflected loan risk and the connotations around subprime lending.

But as long as rents keep climbing, some young people may elect to borrow to live in choice locations.

Alexander Kaplan, a tech entrepreneur, moved back to New York after years of living abroad. He had paid roughly \$500 a month to live in what he called "the Soho" of Belgrade, Serbia.

"Coming back here I was quite shocked," said Mr. Kaplan, who rents a studio apartment on Manhattan's Upper West Side for \$2,800 a month. He borrowed \$10,000 last year from a company called Rentlender, which is now restructuring.